
THE

House of Assembly Debates

(UNOFFICIAL REPORT)

PARLIAMENT 2003 – 2008

HOUSE OF ASSEMBLY

Tuesday, March 13, 2007

Pursuant to the adjournment, the House of Assembly met at 10.15 a.m. on Tuesday, March 13, 2007

PRESENT

His Honour I. A. ROETT, G.C.M., B.A., Dip. Ed. (Speaker)

His Honour J. M. EDGHILL, J.P. (Deputy Speaker)

Rt. Hon. O. S. ARTHUR, M.Sc.(Econ.) (Prime Minister, Minister of Finance)

Mr. D. J. H. THOMPSON, LL.B.(Hons.)(Leader of the Opposition)

Sir L. R. TULL, Q.C., M.A. (Oxon.)

Hon. R. C. EASTMOND, B.A.(Hons.) Dip. Ed., LL.B.

(Hons.) (Lon.), LL.M. (Leic.), J.P. (Minister of Labour and the Civil Service)

Hon. G. A. CLARKE, B.Sc., Dip. Ed., J.P. (Minister of Public Works and Transport)

Mr. R. D. MARSHALL (Chairman of Committees)

Hon. N. A. LYNCH, B.Sc., M.B.A. (Minister of Tourism and International Transport)

Hon. A. P. WOOD, B.Sc., M.Sc., M.Phil. J.P. (Minister

of Education, Youth Affairs and Sports)

Hon. R. R. FARLEY, B.Sc., J.P., (Minister of Housing and Lands)

Hon. Miss C. Y. FORDE, J.P. (Minister of State, Ministry of Education, Youth Affairs and Sports)

Hon. Dr. J. X. WALCOTT, M.B., B.S., F.R.C.S. (Edin.), J.P. (Minister of Health)

Mr. R. D. JONES, B.A. (Hons.), M.A. Ed. J.P.

Hon. H. F. LASHLEY (Minister of Social Transformation)

Mr. R. St. C. TOPPIN, LL.B. (Hons.)

Mr. D. St. E. KELLMAN

Hon. Miss H. E. THOMPSON, LL.B. (Minister of Energy and the Environment)

Hon. Miss M. A. MOTTLEY, Q.C., LL.B. (Deputy Prime Minister Minister of Economic Affairs and Development)

Hon. T. A. PRESCOD, B.A. (Minister of Social Transformation)

Hon. J. J. S. ATHERLEY, B.A., B.Sc., J.P. (Minister of State, Prime Minister's Office)

Hon. C. A. MASCOLL, B.Sc. (Econ.) (Hons.), M.A. (Public Finance)(Minister of State, Ministry of Finance)

Hon. D. D. MARSHALL, Q.C., LL.B. (Hons.), L.E.C. (Attorney General and Minister of Home Affairs)

Mr. M. A. LASHLEY, LL.B. (Hons.)

Hon. K. D. SYMMONDS, B.A., LL.B.(Minister of State, Ministry of Foreign Affairs and Foreign Trade)

Dr. W. F. DUGUID, B.D.S. (Comm.), F.D.S., FDRCS., J.P.

Mr. R. L. SEALY, B.Sc., M.B.A.

Prayers were taken by Reverend Canon Ivan Harewood.

Mr. SPEAKER: The House is now in session.

MINUTES

Mr. SPEAKER: The Minutes of Tuesday, March 6, 2007.

Hon. M.A. MOTTLEY: Mr. Speaker, I beg to move that the Minutes for the Honourable the House of Assembly for its meeting of Tuesday, March 6, 2007, which Minutes have been circulated, be taken as read.

Hon. R. R. FARLEY: I beg to second that, Sir.

MR. SPEAKER: If there are no corrections or observations, then let these Minutes stand confirmed.

ANNOUNCEMENT BY HIS HONOUR THE SPEAKER

Mr. SPEAKER: I am to report to this Honourable House that I am in receipt from the Accountant General the accounts and statements for the month of November, 2006.

PAPERS

Hon. Miss M.A. MOTTLEY: Mr. Speaker, I am commanded to lay the following:

1. The General Elections Allocations of Broadcasting Time (Amendment) Regulations, 2007.
2. The Representation of the People Identification Cards Replacement Fee Regulation, 2007.

GOVERNMENT NOTICES

Hon. Miss M.A. MOTTLEY: I beg to give notice of the following:

1. Resolution to approve the grant of the sum of \$7 211 391 from the Consolidated Fund and to place it at the disposal of the Government to supplement the Estimates 2006/2007 as shown in the Supplementary Estimates No. 2, 2006/2007, which form the Schedule to the Resolution and to expand the Explanatory Notes to Head 14, as set out in Schedule 2 to the Resolution.

SUSPENSION OF STANDING ORDERS

Hon. R. C. EASTMOND: Mr. Speaker, I beg to move that Standing Orders Nos. 6, 16, 18, 20, 42(5), 43 and 44, be suspended for the rest of this day's Sitting.

Hon. R. R. FARLEY: I beg to second that, Sir.

The question was put and resolved in the affirmative without division.

GOVERNMENT BUSINESS

ORDER NO. 17 – FINANCIAL MANAGEMENT AND AUDIT BILL, 2007

Mr. SPEAKER: THE Honourable Member for St. Michael North West.

Hon. C.A. MASCOLL: Mr. Speaker, I rise to introduce this Bill but I am seeking the permission of the House to do joint debate of Order No. 17 and Order No. 18 as they are very much related.

Mr. SPEAKER: It is so granted.

Mr. C.A. MASCOLL: Mr. Speaker, this is part of the ongoing reform of the financial system of Barbados. The Government has embarked on reforming the commercial banking system and recently, we introduced the Financial Services Commission, which looked at the non-banking institutions. Sir, today's Bill is an attempt to bring Government in line with current level of thinking in the system. Government is, in fact, a major player in the financial system and, therefore, to the extent that the current accounting system, that is cash based, is out of sync, there is now an attempt to move toward the accrual system of accounting. I think in today's debate, we are going to please very much the Honourable Member for St. Lucy, who for a number of years would have addressed this matter and, though not present, I am looking to his contribution to this debate.

Mr. Speaker, what we are seeking here to do is to bring from a Cash Based Accounting System to an Accrual Accounting System and we are also seeking to give greater financial independence to the Auditor-General in the process. This change is expected to do certain things to the system, which are laudable, which we are encouraged to pursue at this stage and it is hoped that as we move towards the accrual system of accounting in the public sector that we would provide improved data for decision-making and economic planning. Sir, that is a very important part of the future governance of this country.

Mr. Speaker, in addition, the accrual system is expected to strengthen the budgetary process, through better recognition and control of the assets and liabilities of Government. Sir, at this stage, believe it or not, when Government embarks on borrowings and incurs debts there is no identification of the assets that would have resulted from the spending of that borrowing in the Government's accounts of Barbados. Those are the kinds of things we are seeking to correct because we believe that there should be something to show for all these years, some 41 years of Independence we are approaching and yet, we are unable to quantify the assets of Government in any way by the Accountant-General Barbados. Therefore, that would be a major boost to the system and would encourage Governments to have a better hand and feel for decision-making and certainly for planning.

Mr. Speaker, it is also hoped that the move towards the accrual system will give greater disclosure to Government's financial activities and, as a result, greater transparency and accountability for the spending of Government in the future financial years of this country.

H128/10:20

Sequence 2

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Mr. C.A. MASCOLL: Sir, before I get into the details of what this amendment seeks to do, I must thank the Accountant-General for the work that she has done, I should thank the Attorney-General too for the legislation, but I certainly must thank the Accountant-General she has done for ensuring that we were able to introduce at the beginning of the next financial year, April 1, 2007, the Accrual System of Accounting. She would have embarked on this process a number of years ago, putting in place a number of project teams, in order to facilitate the movement from the Cash Based Accounting System to the Accrual Accounting System.

Mr. Speaker, what was more important, her teams discovered the need for us to make amendments to the Constitution, resulting from the amendments that have to be made to the Financial Administration and Audit Act. As a result, we are here today to introduce both amendments in this single debate, hoping that the Opposition too, would understand the need to move towards a more appropriate form of accounting, that would redound to the benefit of the country.

Sir, I therefore wish to laud the Accountant-General, who would have consulted across the public sector, with all the departments of Government, over the past few years, and who would have understood the need for change, and that change is not easily accepted, even though it is good, just and fair, and in the interest of the public sector itself.

Mr. Speaker, one of her chief task would have been to encourage her staff at the Treasury, and staff generally across the public service, to become familiar with the methods that would be employed in this new accounting system, which we are embracing. She would have embarked on several seminars over the course of the last few years, to ensure that persons who work directly in providing the information for the Government, are familiar with the needs. Sir, simple things like understanding the difference between a debit entry and a credit entry, had, in fact, to be taught to people who had never before used this method, and who were simply by rote, doing their work on a daily basis.

Mr. Speaker, you can understand that the work of an accountant and his potential for remuneration would not be seen in the context of the public service as his first choice of job, because an accountant, who has the potential to earn thousands of dollars, and do additional work on the weekends, and part-time, would not find the public service of Barbados very attractive. Therefore, across the entire public service, there is a shortage of trained accountants. In many respects, persons over the years would have assumed posts in the civil service, but might not have been qualified,

even though they are very capable of doing the task and job ahead.

Sir, what was required, in moving towards the Accrual Accounting System in the public sector, was major retraining of several aspects of departments and personnel, involved in moving towards this new accounting system. Sir, you can understand, that it would have been a massive undertaking for the Accountant-General and the project teams to have arrived at today's amendments, therefore, it is now our responsibility to pass these amendments through the Parliament of Barbados, both the Lower and Upper Houses.

Sir, therefore, before I get into the nitty-gritty, I want to explain why we need the amendments to the Constitution, which would have been triggered by the amendments to the Financial Administration and Audit Act. At Sections 108 (2), 109 (6) and 110 of Chapter IX of the Constitution, we need to remove the words "paid in" or "paid out", and change those words to reflect "charged on" and "charged to" the Consolidated Fund.

Mr. Speaker, years ago, there would have been amendments to the Financial Administration and Audit Act, where the words "charged on" and "charged to" would have been used, but there was never an amendment to the Constitution, of these particular sections, to reflect the usage of those words. Therefore, these amendments are going to bring consistency in terminology across the Constitution of Barbados, as well as the Financial Administration and Audit Act.

Sir, it is simply to reflect something which we will see later in the debate, that those words "paid in" and "paid out" are not appropriate, especially when we are thinking in terms of moving towards an accrual system of accounting. Mr. Speaker, it is believed that "charged on" and "charged to" are in fact better phrases to express what actually happens in the process of accounting, especially under the accrual system of accounting.

Mr. Speaker, we can now make better reference to an understanding of what would be entailed in moving towards the accrual system.

Sir, any appropriations in the accrual system must reflect all expenses, and these expenses would include, and I cite, expenses that are both incurred and paid in the fiscal year. Sir, what do we understand by that? In our current system of accounting, we only account for a transaction when we make a payment, whereas, under the accrual system, we are going to account for a transaction when it is actually incurred. If you incurred a transaction in October of a year, even though you may make a payment sometime before, that may go into a subsequent fiscal year, the accrual system is going to record when you have incurred

the transaction, and not at the time when you make the payment. It makes it more appropriate for accounting, in that you would have benefited from the transaction, but might have paid later. In the accrual system, you are expected, therefore, to account for that transaction, at the time when it was incurred and not when the cash was made. That is the basic difference between the Cash Based Accounting System and the Accrual Accounting system.

Mr. Speaker, it, therefore, means that any expenses which would have been incurred in a fiscal year but actually paid in a subsequent period, would still be considered accrued liabilities and would be recorded and accounted for in the year when the transaction actually occurred, and not when the payment was made.

Sir, there is a third category of expenses which we will now have to consider under the accrual system. This would be non-cash transactions. This would be really depreciation, for the most part, any loss of assets or any disposal of an asset, where there is a non-cash transaction, it would still be considered an expense.

Sir, as I said before, even though the Government now incurs debt and is able to show many assets across the country, there is no provision for depreciation, because the current system does not take into consideration non cash transactions or non cash expenses as part of the expenses. Sir, depreciation, where there is no cash actually expended, would have to be accounted for in an accrual system. Sir, perhaps, that is the most fundamental difference between the cash base system and the accrual system.

Mr. Speaker, this is so because for the first time the Accountant-General had to take stock of all of the Government assets of Barbados. Therefore, if you are accounting for your assets, you would have to allocate for depreciation of the assets, and that will be considered an expense, though of a non-cash basis.

Sir, in the next fiscal year, perhaps, approximately \$21 million or so may be allocated for depreciation, but not each individual department of Government would have to account for non-cash expense, in the form of depreciation, in each department. The depreciation allocation would, in fact, be managed by the Accountant-General

10.30 a.m.

Sequence 3

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House 128, sequence 04, 10.30 a.m.

Hon. C.A. MASCOLL: In fact, the depreciation allocation would be managed by the Accountant-General

herself, in the course of the next fiscal year and beyond. Sir, you can understand why, even though it is an expense, it does not require cash. Therefore, it would not go towards the deficit. This is what will differentiate the current cash base approach from the accrual system, which we are seeking to put in place today, but will become affective as of April 1, 2007.

Mr. Speaker, on the revenue side of the Expense Account or Income Statement, we will also see changes in definition because in the current system, revenue is regarded as receipts of the Crown. Therefore, if the Government borrowed money, it would be considered revenue, but that seems not correct because it has not been earned. Therefore, certain types of borrowings under the cash based system, would actually be regarded as revenue. The definitional change will mean, that amounts earned by the Crown, will now be considered as revenue, on the part of the Government of Barbados. This is the real distinctive difference between receipts of the Crown being classified as revenue, as opposed to amounts earned by the Crown, which would be considered as revenue.

To this extent, therefore, Mr. Speaker, any such definition would mean that you would have to exclude proceeds from borrowings in your revenue. Proceeds from borrowing are currently included as Government revenue, so that would no longer be the case, because proceeds from borrowings are mainly cash flows, which would allow Government to synchronise the difference between its current level of expenditure and revenue, and over the course of the fiscal year, not run into cash flow difficulty. Therefore, the proceeds from borrowing, while in a cash flow environment, would have been regarded as revenue, those would now be excluded under the accrual system.

As a result, Mr. Speaker, the Committee, the Accountant-General and her project teams, recommended a change in The Financial Administration and Audit Act, to the Financial Management and Audit Act to reflect the fact that Government now is seeking to manage its affairs more so than before, and not simply administer as the Financial Administration and Audit Act would suggest. In fact, that recommendation for change, is reflecting the character of the Accrual Accounting System, as opposed to the Cash Based Accounting System, which we currently employ.

Mr. Speaker, we could get into more details with respect to the Accrual System and what it really means for persons who are going to be directly involved. Let me explain to a large extent, some of those more technical issues, which I referred to earlier.

In our present system of accounting, the public might have heard that there is an IMF basis of a deficit, and there is a Central Bank basis of a deficit. The difference really is that if you borrow money, in our current system, it

is not regarded as part of your fiscal deficit, because it is not regarded as expenditure. Mr. Speaker, it is only the interest component of a loan that is regarded as expenditure. Therefore, the international organisations make a conscious decision to remove amortisation, which is the principal payment on loans from expenditure, and treat it as a financing item, below the line.

If I may draw an example to demonstrate to a layman why this is so, I would like you to think in terms of getting a mortgage of \$100 000. Sir, a mortgage of \$100 000 is not really technically an expense, because the mortgage is converted to a house or a real asset, and it is only the interest component on the mortgage that is then treated as expense.

Now, even though we currently deduct amortisation, and the international organisations currently deduct it from the deficit, there is no corresponding asset to which we can look across the financial system in Government, and identify that Government has spent this money wisely or otherwise. This is why to a large extent, it has been taken out of the equation.

Sir, in the Accrual System that we are moving towards, borrowings will now have a corresponding asset. Therefore, we will be able to identify more readily, whether or not Government's debt has been incurred for good reason, or whether Government's debt has been incurred for a bad reason, because for the first time, we are going to truly account for the assets of the Government, in a more meaningful way.

Sir, that simple difference between how the International Monetary Fund and the International Financial Institutions treat amortisation, is reflective of the fact that they recognise in our accounting system, there is really no corresponding asset for a loan, so as to justify a loan being treated as part of expenditure, and the amortisation part of it, is regarded as financing below the line. This is important.

Mr. Speaker, a lot of people may confuse what a deficit is, and they may attempt to suggest, when they see the information published in the Estimates, that Government's deficit is 10 per cent of GDP, when in actual fact, once you take out the payment of principals on the loans, it would not be so regarded. I will try and address this matter in a little more detail, as I go on.

Sir, let me seek now, in a more practical way, to try to explain some of the things that will impact on the day to day operations of Government. There is an appropriation mechanism, which we now refer to as Accrual Appropriations, and this really enables a ministry or department to better align the financial management

processes, by way of planning and resource management, and reporting on a consistent basis.

Sir, because you are now able to more readily pinpoint Government's planning, and more readily account for spending as it occurs rather than when a cash decision is made or paid, the Government is going to be in a far better position to apportion and appropriate the funds more appropriately, over the course of a fiscal year.

This is very important to the overall performance and transparency of the Government's financial system. It is also going to redound to more transparency across the entire financial system because, believe it or not, Government is a major player, whether it is in the form of Central Government or it is in the form of the National Insurance Scheme, in the financial market of Barbados.

In fact, the National Insurance Scheme (NIS) is able to derive substantial surpluses, on a monthly basis, which are invested in the financial system and make a difference to the liquidity of the financial system of some commercial banks. The Government is able to invest surpluses from the NIS by way of Debentures, Treasury Bills and Government Bonds, in order to impact of Government's capacity to finance its deficits.

The Government is a major player, by way of the NIS, in terms of even influencing interest rates in the financial system. Therefore, we must understand that if you reform the commercial banking sector, if you introduce a financial services commission, in order to look at non-bank institutions, then a major player in the form of the public sector must also come up to scratch, in terms of its accounting systems.

Sir, that is why this piece of legislative reform is so critical to the future governance and financial management of this country.

House 128, sequence 04, 10:40:14

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Hon. C. A. MASCOLL: It is going to make things more transparent, it is going to make Government more accountable and it is going to make the system, as a whole, work far more effectively to produce the desired effects of enhancing the overall economic growth and development of the country and also in performing a better allocative role in terms of the resources within the financial system and ultimately across the economy.

Mr. Speaker, as we speak, in order to be able to spend or allocate any amounts in the public service, you are required to have warrants. Mr. Speaker, moving towards the accrual system would not change that. In fact, there will

be no change in the way we currently use, issue and manage warrants in the public service. That would not be impacted on as a result of moving from a cash flow system to an accrual system of accounting.

Mr. Speaker, the whole question of the Final Appropriation Bill, becomes even more relevant. The Appropriation Act is the annual legislation that gives the authority an appropriation to the expenditure estimates. Mr. Speaker, that is why we are here today because next week there would be a full discussion on the real budget of Government, which we call the Estimates. Mr. Speaker, if we do not pass this piece of legislation here, we would not be able to pay, to make or to commit any spending in Government on April 1st because we are now changing to an accrual system of accounting, which occurs at April 1st.

Mr. Speaker, as we know, the Appropriation Bill must be passed before the end of the financial year in order to legitimise Government spending for the coming fiscal year. Therefore, this year, it is even more critical that we get this legislation in place in order to be able to make the appropriate expenditure available for wages and salaries, to be able to transfer money to the schools and other institutions, to make interest payment on our debt and to buy goods and services for institutions. Mr. Speaker, that cannot occur in law unless there is legitimacy and the passing of the Appropriation Bill.

Therefore, Mr. Speaker, what I am suggesting is that we are going to be better able now to manage supplementary estimates. Mr. Speaker, as it occurs at this stage, in order to be able to fulfil the obligations in a fiscal year, we have to allocate or do that spending in the fiscal year under the cash based system. However, in the accrual system, once you have committed to the expenditure, it would not make a substantial difference because whenever you make the payment, it would be allocated in that period when you made the commitment to spend.

Mr. Speaker, this distinguishes the cash based system from the accrual system of accounting. To that extent therefore, the supplementary estimates which we are in the habit of bringing to Parliament would become even more relevant not because of the speed which we have to bring those supplementary estimates, but because we would still have to allocate, regardless of when we spend the money, the expenditure as at the time when we incur the expenditure.

Mr. Speaker, there will be accrued liabilities, as we have been told, but the accrued liabilities would be accounted for in the period when the expenditure would have been committed or engaged at that point in time. Mr. Speaker, this is really a major step forward in terms of how we are going to treat Government's accounting system in the future.

Mr. Speaker, let me now speak to even more important details. Sir, the Accountant-General would now have to produce more reports that are transparent that can really determine whether or not Government is doing its work in accordance with the new accrual system. Therefore, to that extent, we are going to be talking in next year's Estimates about prepaid expenses, and there would be items of that nature, and bad debt expenses.

Mr. Speaker, this point has to be made. We have been an independent country since 1966, but because there is a cash based system which we use, there is no provision for bad debts in Government accounting. Therefore, as we speak, bad debts that would have occurred in the 60s, 70s, 80s, 90s, and 2000 are still on the books of Government, because there is no provision for bad debts.

Mr. Speaker, in a private sector entity, there are receivables, and two per cent of those receivables are allocated as bad debt. Mr. Speaker, when we criticise some Government departments in the collection of income tax and VAT, we do not recognise that those persons are unable to write off any of the receivables as bad debt. Therefore, what you see is a cumulative amount over several years, therefore, when a Government department makes an effort to put a dent in its receivables, it cannot allocate two per cent as a write off, and as a consequence, we may be underestimating the efficiency of the department because the department, unlike a private sector entity, is incapable of putting aside an amount for bad debt provision.

Mr. Speaker, there is the whole question of debt service cost. In our current system, when we borrow, we do not treat it as a liability on the balance sheet, but this would now be regarded as a liability in the future, and the interest component, which is to be paid, would now go on the income statement of Government, and therein lies the difference again.

Mr. Speaker, in our current system, we simply treat the principal part of the loan as financing "Below the Line" and the interest on the loan as expense "Above the Line" or expenditure.

Sir, in the accrual system, we are now going to actually allocate the borrowing to the balance sheet as a liability and put the interest component in an expense account or the income statement where it readily belongs, so that the overall governance and management of our fiscal affairs would begin to take on a different character.

Mr. Speaker, there is also something called capital revenue, which is normally the kind of provision that Government gives in the form of a loan to a civil servant, but this is not truly shown or actually reflected as an outstanding debt in the balance sheet, so that capital

revenue would now be treated separately and you would have also in this new dispensation to show it as a source of financing in the cash flow projections of Government.

Mr. Speaker, did I get that right? The capital revenue is the borrowing that you would incur as any increase in loan and therefore you could anticipate that it would be part of your cash flow because you know before hand what you are going to borrow in any given period of time.

Mr. Speaker, this is the part that interests me most. The capital assets of Government would now have to be recorded and accounted for. Mr. Speaker, in arriving at the current year's projections, the Accountant-General has encouraged the Ministry of Housing to do an entire survey of the buildings that it owns.

Mr. Speaker, because Government owns a lot of assets, highways, buildings and lands, it is going to be impossible in the first year of attempting to move towards the accrual system to get it right and to be able to identify each and every asset that Government owns.

Mr. Speaker, the other thing that you have to be careful about doing, because of the magnitude of Government, is that you have to put a limit on the value of the assets that you are seeking to record. In this instance, the acquisition of items such as machinery, equipment and furniture costing in excess of \$3 000 would be regarded as a capital asset.

Mr. Speaker, if Government had to account for every item across every department and every ministry, you would spend so much time doing the accounts for Government that you would hardly be able to do anything else, and to a large extent there is always a trade off between efficiency and effectiveness.

House 128 Sequence 5

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Hon. C. A. MASCOLL: Sir, there has to be a balance and therefore what the Accountant-General has done, is to say that if there is a purchase of machinery, equipment and furniture, which is valued in excess of \$3 000, it would be dealt with as a capital asset. If it is below \$3 000, then it would not be dealt with as a capital asset. Sir, accordingly, the asset would be capitalised over the course of the first year and reflected in the Balance Sheet of the ministry itself or by extension, the Accountant-General's Office.

Mr. Speaker, these items, therefore, would constitute a different kind of challenge for the accounting officers

across the various departments and ministries in the Civil Service. Therefore, one could understand why it would have taken the Accountant-General some time to bring into force the accrual system. But we must also laud the Accountant-General because other countries have tried to bring the accrual system into vogue and have taken many more years, in doing so. Therefore, if the Accountant-General, who is effervescent, full of energy and as enthusiastic as they come, could achieve and accomplish this move from a cash based system, to that of an accrual system in such short space of time, then I think it reflects the quality of the Civil Service and overall, the quality of both the Treasury and its staff, that we have here in Barbados.

Sir, there is no doubt about the quality of our civil servants. Mr. Speaker, persons could say whatever they like but I would say that there is far more intellectual power and capacity in the Civil Service of Barbados, than there is in many private sectors entities across Barbados. We all know that many of these entities are family-based and that moving from point A to point B vertically, is not dependent upon one's capacity most times but upon one's social origin or something else, whereas, in the Civil Service of Barbados, there is no such system operating. Mr. Speaker, therefore, persons would go into the Civil Service and based on their performance, they would move upwards. When an individual goes into the Civil Service and then decides that he or she needs to improve his or her lot in life, he or she could go and study further.

Sir, I have come into contact, a long time ago, with several persons in the Civil Service, who have a wealth of knowledge. In fact, they almost sit in expectation that you would ask them questions, so that they could demonstrate the power of their knowledge. Sir, no matter how much text book training one has, no matter how much Cave Hill training one has, no matter how much degrees one has, there is a considerable difference between a theoretical world and a practical world. Mr. Speaker, I have said it before, I respect academics and academia but I understand the power of experience and I see it on a day basis, on simple discussions with civil servants across the length and breadth of Barbados.

Mr. Speaker, in this new system, we also have to deal with several other issues, in relation to the presentation of the Estimates. We have an amount that is voted and then there is a statutory amount, therefore, to a large extent, the amounts voted will now be further categorised, either as operating expenses, operating assets, capital expenses and capital assets. Sir, this is where the challenge comes but this is where the Accountant-General has been prepared for the challenge. Sir, it is going to be a different ball game in the Public Service of Barbados.

Mr. Speaker, I think it is going to be an exciting time because it is easy when you are in a position and there not tremendous opportunity for upward social mobility in the service, to rest on your laurels. Therefore, when a challenge like this comes along for any person, regardless of status or station in life, it becomes a point of renewal because you are now challenged to do something differently, you are now challenged to learn something and, therefore, work becomes more exciting, as it would not be the mundane routine work, to which one would be going, on a daily basis.

Mr. Speaker, I, therefore, think it is certainly an exciting time to be around in Government because there can be far more certainty to public policy, there can be far, clearer incidence in public policies, there can be far greater consistency in public policy and as a result, overall decision-making and planning would become far more exciting than it, perhaps, has been, over the last 40 years. Sir, that is because one comes to recognise that one cannot make decisions without having done research and without having information. You cannot make decisions, without understanding a process because you could easily guess what is happening, without knowing the reality of what is happening. Sir, therefore, it is best to be in a position of fact and in a position of knowledge, so that you could respond by way of discussion and debate.

Sir, to make my point stronger, recent discussions on the cost of living in Barbados, would reflect that the Fair Trading Commission (FTC), having done its research, having put information in the public domain, would have triggered a debate and discussion, in which otherwise we would not have been engaged. Sir, there were all kinds of beliefs and notions as to what is causing what but nobody ever thought about providing the evidence. Sir, evidence is important and doing research is even more critical.

Sir, I do not want to boast but when I mentioned that eating away from home in Barbados has become a major component of our cost of living index and our food cost, it was treated as a trivial matter. Sir, when I mentioned that, it did not come from the top of my head, it came out of research. Therefore, to have it now verified that Barbadians are, in fact, spending a lot on eating away from home, to have that verified by an independent source, is to provide even greater comfort to me that research has to be done to acquire the knowledge, in order to be able to make decisions.

Mr. Speaker, I am extremely happy to see the entrance of the Honourable Member for St. Lucy, whom I know is looking forward to this debate. In fact, the Honourable Member recently made a comment, if one were to reflect on it, would make you smile. The Honourable Member said that with the coming into being of the accrual system of accounting, that economists might become

extinct and that accountants will now rise to the fore. I do not know what would have caused the Honourable Member to have made such a comment but perhaps he is right. But there is a marriage, economists and accountants are related, they are cousins in every sense of the word, so that the existence of one does not deny the existence of the other; one is about planning, the other is about understanding what is currently happening.

Mr. Speaker, there is no lack of understanding of these matters. The major basis of accounting is understanding cost and the source of cost is understanding production, and production is the genesis of microeconomics. Therefore, in fact, the Honourable Member might not wish to hear this but accounting is an offspring of economics, in every sense of the word, therefore, one would not become extinct, as a result of the other. In fact, they marry each other more conveniently. What is happening is that one is more connected to the actual revenue and money, and those of us in that field take little regard to that and maybe more comfort in our social responsibility. That, perhaps, is the major difference between the two.

Mr. Speaker, there is no doubt that Barbados is now put on the threshold of introducing a new financial system and in this sense, the public sector has to be engaged and involved.

11.00 a.m.

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Mr. C.A. MASCOLL: Sir, to that extent, it was a long time in coming but the Accrual Accounting System certainly bring into play what is required for us to move to the next level or the higher level in terms of our governance and management.

Mr. Speaker, I am referring to the Honourable Member for St. Lucy in this debate because he used to use an expression "revenue expenditure" that created a little discussion and people thought it was a contradiction when, in fact, it is a powerful concept in accounting where you know there are certain recurring costs that you have to plan for and you make that decision in the form of things like payment of electricity bills, wages or whatever and they are so classified. It seemed as though, as is usual with him, that many people seem not to be able to connect sometimes with what he is saying because he is different. I always said that he is not a linear thinker, that he is a non-linear thinker and, therefore, you have to be careful that he is not sending you down a path. He knows where he is going but he gets to his destination based on his own understanding of the circumstances. Sir, he is not linear, he is not a straightforward man with a straight line, he goes through either a quadratic equation or cubic and sometimes, it could

even be more complicated but he gets where he wants to go. Sir, for that I have always come to respect his ability to think and to reason and, I will never take him for granted.

Mr. Speaker, the Bill before us, which I have addressed in some detail would reform the existing law and the control and management of the public finances of Barbados and, therefore, the transition from cash to the accrual accounting system will allow us to significantly improve our data; it would allow us to become better planners and make better decisions; it would allow us to strengthen our budgetary processes across the public sector and better be able to manage those processes in the public sector; it would provide greater accountability and transparency in our accounting system and it would certainly allow for Government to more fully disclose its activities and to be able to account to a greater extent to the public and certainly Parliament and the Upper Chamber for its spending.

Mr. Speaker, there is also another area that benefits from these amendments and it has to do with the strength of the Auditor-General. The Auditor-General, after this amendment, would become an even more potent force in terms of what he has to do in keeping the scrutiny of Government's spending in focus and in perspective. Sir, to that extent the amendment, therefore, in the Financial Administration and Audit Act, give the Auditor-General even greater powers to exercise his work. He will be asked, in accordance with the Constitution Review Commission, to report directly, as I understand it, to a Parliamentary Committee, which will examine the budgets of the audit officers and, therefore, he would not be now accountable to the person who is Minister but accountable to a parliamentary Committee, which makes things far more independent. Sir, that kind of autonomy is what he has been searching for a long time and to the extent, therefore, that this new accrual system and the amendments made in it would provide the Auditor-General's office with that kind of power, it means that we can expect even a higher level of transparency and accountability in the affairs of Government. Sir, no one can question the need to separate the person, who would be doing auditing, from the person whom he is auditing. Mr. Speaker, he would also be in a position to look towards not only the public sector but any entity, in which Government makes a contribution by way of investment of a significant enough magnitude, the Auditor-General would then be able to engage in audits of those institutions.

Mr. Speaker, in actual fact, if I may be more direct, the amendment here to Part 5 of the Financial Administration and Audit Act, would allow for the Auditor-General to make a special report to the House of Assembly, through the Public Accounts Committee in the event that the amount provided for his office in the

Estimates is, in his opinion, inadequate to enable him to fulfill the responsibilities of his office.

Mr. Speaker, in actual fact, if the Auditor-General believes that he does not have an adequate enough budget to do his work for the fiscal year coming, he could now make advances, through the Public Accounts Committee in order to get more resources to do his work over the course of that fiscal year.

Mr. Speaker, the above amendment is consistent with the Public Accounts Committee Act, which states that one of the duties of the Committee is to consider the resources of the office of the Auditor-General, including funding. Sir, we are now bringing an even greater level of certainty to the execution of the work of the Auditor-General and we are also bringing a greater level of accountability to the spending of Government resources, not only by changing the cash flow system to an accrual system but giving the auditor even greater powers of engagement.

Mr. Speaker, the Act also requires a Committee to report on any matters arising from this consideration to both Houses of Parliament. They are also consistent with the guidelines established by the International Organisation of Supreme Audit Institutions, the umbrella body for the public sector. In actual fact, what is happening here, Mr. Speaker, is that we are now beginning to put the work of the Auditor-General in an international context as designed by this organisation, which is responsible worldwide for public sector accounting. Sir, it meets regularly every year at different locations around the world to discuss regional and international public sector audit and to share information with member countries.

Mr. Speaker, we are suggesting that the Financial Administration and Audit Act, Cap. 5, gives the Auditor-General the right to audit statutory bodies, which receive all or part of their funds from the Consolidated Fund, while the Acts establishing these entities gives the relevant Boards the authority to appoint auditors of their choice. Sir, this is again consistent with recent amendments in the last few years to the Public Accounts Committee and, therefore, we would expect that the Public Accounts Committee would now be in a position to engage even more in its works and not only to brought into action on the back of some perceived wrong in the city but be more concerned with the real issues as opposed to being concerned with just political meanderings. Sir, that is why it is hoped that these kinds of amendments would give greater expression to the work of the Public Accounts Committee.

Mr. Speaker, it is, therefore, proposed that at Section 113.2 of the Constitution that the auditor may on his own initiative carry out examinations into the financial management of the economy, efficiency and effectiveness

with which Ministries, departments, statutory authorities and Government control entities use their resources in discharging their functions. The empowerment of the Auditor-General to carry such performance audits will not only serve to remove any doubt that may now exist but would be consistent with the concept of the Auditor-General's Office being accountable to Parliament and not to the Minister responsible for the Financial Administration and Audit Act.

H128/11:10

Sequence 7

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Mr. C.A. MASCOLL: I think that amendment in itself, if it were the only one, would now offer the public of Barbados greater comfort, that there would be scrutiny of government affairs, there accountability of Government spending, and there would be certainty that the Auditor General is able to execute any such missions on behalf of the people of Barbados, independent of the Minister of Finance or the person who is responsible for the Financial Administration and Audit Act.

Sir, I, therefore, recognise that this debate raises the bar, in terms of our financial systems. I will end by saying, there were reforms to the commercial banking sector, there were reforms to the non bank-institutions in Barbados, and now there is reform to the public sector of Barbados, in terms of its accounting systems. I think that it shows a certainty, with respect to where Government is taking the financial system. It shows that Government is, in fact, serious about moving to a system where it can enhance the potential of the financial sector to deliver. It shows a desire to diversify, even further, the economy. It shows a Government that is prepared to reposition itself to take advantage of opportunities that may arise from developing a capital market. It shows that Government is prepared, now, to be engaged in setting up a wicket that allows it to bat, even better, on any opportunities that CARICOM or the Caribbean Single Market and Economy may provide in the future.

I think that this is the way forward, because you cannot confine Barbados, if we are going to take Barbados further, to its current level of population. We cannot confine it to its current physical size. Therefore, we have to seek to reposition Barbados both in the private sector and public sector, for any eventual benefits that will derive from the integration process in the region. Mr. Speaker, this is for me the coming into being of a new dawn. It is for me, the coming into being, of a new opportunity for Barbados to go to a level that, it has never been before.

Sir, I therefore, see this piece of legislation within a holistic context, and not simply confined only to accountability and transparency within the public service, but really as further preparation for a financial sector, that has the potential to make a quantum leap forward. It could only be done if you provide the infrastructure institutionally, to allow it to do so.

Mr. Speaker, therefore, it is with great pleasure that I welcomed the opportunity to bring before this Parliament, a piece of legislation that transfers Barbados' public sector accounting to a modern method of accrual system, as opposed to the archaic cash flow system that we have been using. I do hope that, in fact, there would be support, since there has been calls for it, on the other side. I do hope that the Honourable Member for St. Lucy gets his opportunity to shine in this debate and to lead it from the front.

I thank you.

Mr. SPEAKER: The Honourable Member for St. John.

Mr. D.J.H. THOMPSON: Mr. Speaker, I want to start by saying that we do not object to these two pieces of legislation. Perhaps, I should start by saying that the original Financial Administration and Audit Act was a creature of a pre-independence Democratic Labour Party Government, and has served our country well, down through the years, even though there were some very important and desirable amendments, that had been identified as necessary, in relation to the governing financial architecture, both constitutional amendments and amendments to the Financial Administration and Audit Act and Rules. When it was introduced in 1964, a very important piece of legislation introduced before Independence by a fledgling administration, it survived Independence and has carried us up to the year 2007. In that regard, the introduction of the new accrual system is not something we have any problem with. The Honourable Member for St. Lucy, has been a long and a valiant advocate of the introduction of the accrual system. Therefore, that part of the legislation, is not something that we have any quarrel with, and we have given our support to it.

It would also be unreasonable and intellectually dishonest, if we did not also support the other pieces of legislation. Perhaps, in the debate so far, enough credit has not been given, once again, to previous stalwarts of the political process of this Honourable House. I want to refer, first of all to the Mencea Cox Commission, which recommended significant adjustments to the Constitution of Barbados, to modernise the arrangements under the Financial Administration and Audit Act and the Constitution. Sir, that Report, as I recall it, went as far as to recommend amendments to the Barbados Constitution,

such that prior approval of Parliament should be required for the purchase of real property by the Government or Statutory Boards; that reports and all acquisitions of real property, and on particulars of contracts for services entered into by the Government or Statutory Boards, should be required to be laid before Parliament at regular intervals, and that provisions for the Public Accounts Committee, should be made in the Constitution. Those were very important recommendations made way back in the 1970s.

Sir, I certainly do not believe that every piece of legislation that we bring in this Chamber, has its genesis in either the fertile or infertile imagination of only the thirty people in this Chamber.

Sir, we have a long political history, and due credit has to be given to others, who have contributed to designing recommendations, and in that regard, the Forde Commission Report also, a Report endorsed by the Democratic Labour Party, is really the precursor to the legislation that is before the Honourable House, except in relation to the accrual system. All of the other recommendations in relation to the Public Accounts Committee, are recommendations that actually flow directly from Page 85 of the Report of the Constitution Review Commission.

I want to compliment those persons for the work that they did in that regard, particularly, former Members of Parliament, Sir Henry Forde, Mr. Maurice King, the late Wendell McClean, the late Oliver Jackman, who passed away recently, and the late Rev. Lenard Rock, who passed away just days ago.

Sir, they sat down, obviously with the inspired wisdom of wanting to see a better Barbados, and to see the Public Accounts Committee in Barbados assume greater operational significance under both our constitutional arrangements and under new legislation, responding to changes in the way the Government functions, particularly in relation to the ability to inquire into the work of statutory Board.

11.20 a.m.

Sequence 8

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House 128, sequence 09, 11.20 a.m.

Mr. D.J.H. THOMPSON: Now, you will have new arrangements such companies solely owned by the Government of Barbados, formed under the Companies Act, in which the Government of Barbados may have a minority or majority shareholding, special purpose

vehicles, which have been set up, for example, to deal with the BOLT arrangements arising out of the Hall of Justice, the Coast Guard Relocation, and the Flyovers. Sir, previously, under the old arrangements for the Public Accounts Committee, these could not be inquired into by the Committee.

In any event, much of the Committee's work, has to flow from what is laid in Parliament, or what the Auditor-General is inspired to do, by way of annual audits. Therefore, if in any given year, the Auditor General does not audit a particular department, statutory board or company, infelicities or concerns that should otherwise engage the minds of the Public Accounts Committee, would not do so.

Sir, having been Chairman of the Public Accounts Committee since 1994, and on the Public Accounts Committee prior to that, and then for a short break I was not, I would say that, by and large, the Public Accounts Committee has never been sensational - and I mean that in terms of the news worthiness of its work - in the work that it has undertaken.

There has always been an approach, adopted by me, and urged on me, by the late Sir Harold St. John, that the only and the best way for the Committee to function, is to build consensus by Members of the Committee, on the matters that need to be investigated, and to try and get the financial system to work better.

Sir, very often, the Public Accounts Committee may inquire into the accounts, laid in Parliament, of Statutory Corporations that are current, because that is what is available, forgetting that there are a large number of statutory corporations, which have not complied with the legislation and they had not done so for many years.

I am certain that one of the reasons the Caribbean Broadcasting Corporation was able to complete a lot of its work, is because the old Public Accounts Committee, between 1994 and 2003, summoned officials of CBC and asked them why they were not able to keep current and what kinds of challenges did they have. As a result of that, they make a special effort to have those reports completed, likewise, the Barbados Transport Board, the National Housing Corporation and other statutory corporations for which this was necessary. Sir, ongoing work in that regard is important, but it can only flow from what has been laid in Parliament.

Mr. Speaker, up to now with the particular amendment, I believe the Public Accounts Committee can be more proactive in seeking out - in relation to Government departments - the necessary information, by way of having the Auditor-General conduct audits. Sir, it is clear that the Audit Department, in and of itself is not going

to be able to do that, and the Auditor-General must also be free to have the right to recruit private auditing entities or others, on a contract basis to undertake the audits, once requested, and this is very important. It is an innovation that has been introduced in the British financial system and other parts of the Commonwealth. It has not been something to which we have become accustomed.

I believe, that in relation to these amendments, the Auditor-General would be given greater flexibility, in being able to have those audits conducted on a timely basis. The Auditor-General would have the resources to undertake those audits, to outsource them outside of the Auditor-General's department itself, have the information available to him and then analyse it, Sir.

Sir, going back to the Forde Commission, they made some important recommendations, which are extremely significant, but not all of them have been followed. I remember in this Chamber, a former Member of Parliament and Attorney-General, now the current Chief Justice of Barbados, Sir David Simmons, saying that the Government was committed to not bringing any more piecemeal Constitutional legislation to the House, because there was a Forde Commission Report, and the Government was going to bring all of the legislation that related to the recommendations of the Forde Commission Report. We have seen a departure from that particular principle on several occasions, since this Forde Commission Report was introduced and all the Government has done, is hived out a section of the Forde Commission.

Sir, there were other things the Forde Commission recommended, for example:

"13.19. the amendment to section 102(1), to ensure that in the appointment of the Auditor-General, the Prime Minister and the Leader of the Opposition are both consulted before the appointment is made by the President on the recommendation of the Public Service Commission;

13.20. the age of sixty-five years for vacating the office by the Auditor-General under section 102(3);

13.21. delegation to the Auditor-General of authority to select staff for the office of the Auditor-General";

Sir, only some of these recommendations have been taken out, but we were given the undertaking that there will be no piecemeal amendments.

We had an amendment of the Constitution, in relation to the death penalty brought to this Chamber. We had other Constitutional amendments that are direct and amendments by way of this approach of amending the Constitution to any extent necessary, to give effect to the provisions of a particular Bill, a practice that late Rt.

Excellent Errol Walton Barrow, during the time of the Tenancies Freehold Purchase Act, deprecated very much in this Chamber. Sir, nobody knows what rights are being abrogated by those amendments.

Sir, we had several Constitutional amendments since then. The way in which the Government is going about these Constitutional amendments, shows total contempt for this Parliament, and marginalisation of our Parliamentary system of Government.

Sir, can you imagine that we are going to start a debate on the Estimates next Monday. The Estimates that will be laid before this Parliament, as I understand it - and I do not wish to anticipate the House - will be laid on the basis of the new arrangements contemplated by this legislation.

Sir, if for any reason, God forbids, this House does not pass this amendment today, and the Senate does not meet and finish by 3 o'clock tomorrow, to facilitate the Budget, and it cannot meet again thereafter to pass this amendment, and this amendment cannot be proclaimed and brought into operation, it means that next week we will be debating Estimates, constructed on a basis that is not currently part of the laws of Barbados.

House 128, sequence 09, 11:30:14

Tuesday, March 13, 2007

Mr. D. J. H. THOMPSON: Mr. Speaker, Honourable Members of this Parliament were given notice last week Thursday about this amendment to the Constitution, for something that we have been debating and discussing in this Chamber since the Scott's Constitutional Report, since the Honourable Member for St. Lucy entered in this Chamber in relation to the accrual system of accounting, and to a lesser extent, in previous recommendations of officials of international financial institutions.

Mr. Speaker, your Chamber is being pushed and pilloried into having before Honourable Members an amendment for four or five days to study. Sir, people would wonder what kind of banana republic approach is this, that an important amendment to the Constitution could be circulated four or five days before it is debated, that there is no leisurely roll out and that if it is not debated, the Estimates that we would discuss on Monday, which is six days from today, would have been unlawfully prepared. Mr. Speaker, it is not fair to the people of Barbados either because there are people in this country who may want to study the effects of these constitutional amendments.

Hon. C. A. MASCOLL: On a point of order. The Honourable Member for St. John is misleading the House. The Estimates that would come here next week could not

have been unlawfully prepared. It is an accounting system that really is a difference between the treatment of your expenditure and your revenue, but it could not be unlawfully prepared. The wages and salaries paid to civil servants would not be unlawfully prepared. The interest payments on loans would not be unlawfully prepared. The goods and services that the institutions would have at April 1st would not have been unlawfully prepared. The capital expenditure that would be incurred would not have been unlawfully prepared. It is the question of simple classification, but it does not stop the Estimates.

Mr. Speaker, if that is so, and this legislation was not passed, would it stop Government from existing on April 1, 2007? The answer is no.

Mr. D. J. H. THOMPSON: Mr. Speaker, I am not prepared at this stage in my parliamentary life to get into an empty and otiose argument with any Honourable Member about the basis on which Estimates are prepared in Barbados. I have been a Minister of Finance in this country. The current manner in which Estimates are prepared is in accordance with the provisions of the Financial Rules and the Financial Administration and Audit Act. Therefore, if this legislation is not passed, the Estimates, as prepared by the Ministry of Finance, would not conform to the current law. It would conform to the new law, but the old law would not have permitted that system of operation, and that is well-known.

Mr. Speaker, if the Honourable Member for St. Michael North West wishes to show his legal skills in addition to all of his other many other skills, he can do that to somebody else, but I am not prepared to go down that road.

Mr. Speaker, I would have to pay respect to previous Ministers of Finance, previous Attorneys-General, the people who sat on the Cox's Commission Report, the people who sat on the Forde's Commission, all of the legal luminaries, the Parliamentary Counsel in Barbados and all of the other relevant officials who have had an input into the structure of the Estimates in this country. Mr. Speaker, if I am supposed to abandon that now for some jejune contribution to this debate by an Honourable Member who does not understand the law, I am not prepared to do so.

Hon. C. A. MASCOLL: On a point of order. Again, the Honourable Member for St. John is misleading the House. The process of preparation for the Estimates this year would not have been any different from all of the Estimates that were prepared over the last 40 years, it is the same process. If you decide to allocate an expenditure to a category in the Estimates or the accounts, that would not stop it from being lawful.

Mr. Speaker, I do not have to understand any law to appreciate simple logic, comprehension and understanding. It would not make it unlawful if I decide to treat bad debt or interest payment as expenditure in an income statement as opposed to how it was previously treated because it makes no difference. On the legal side, it is a question of the accounting system that is being used, not whether or not it is lawful.

Mr. Speaker, I do not have to be a lawyer to know that what is being said is rubbish.

Mr. D. J. H. THOMPSON: Mr. Speaker, I know that you are begging me to move on, but, Sir, I cannot do that without at least making one simple point for the benefit of other Honourable Members who, though I know they would not follow that particular lead, should at least have knowledge of what this Bill is about.

Mr. Speaker, I am going to quote from the Bill, not the amendment to the Constitution. The Objects and Reasons of this Bill are as follows:

"This Bill would reform the existing law on the control and management of the public finances of Barbados and thereby make provision inter alia for:

(a) the transition from cash based accounting to accrual based accounting resulting in

(i) significantly improved data on which to undertake economic planning and decision-making;

(ii) the strengthening of budget development and management;

(iii) greater accountability and greater transparency; and

(iv) the fuller disclosure of government's financial activities; and

(b) a greater degree of financial independence to the Office of Auditor-General."

Mr. Speaker, we went previously to a system of Programme Budgeting in the Ministry of Finance when I was Minister. It did not require an amendment to the law, because it did not affect Government's accounting system, that is a different matter altogether.

Mr. Speaker, you could make those kinds of qualitative adjustments in the system. This is an adjustment that requires an amendment to the Laws of Barbados. That is why this Bill is being brought, if not, why bring the Bill. Sir, that is the point I am making and I know that you are with me on that point.

Therefore, Sir, I want to make the point now about the constitutional amendments and say that I believe that there should be a more orderly manner in which amendments of this nature are brought to the House, so that Honourable Members can consult with their constituents, with opinion leaders and with persons who may be interested in constitutional law.

Sir, once people hear that an amendment is going to be made to the Constitution, they are justifiably concerned about what the content of that amendment is and what kinds of explanation this Chamber is going to give for tampering with the provisions of the Constitution.

Mr. Speaker, I am not saying that the Constitution must not and cannot be amended, it can. These decisions were made by the Cabinet and are now foisted on this Parliament in almost hours leading up to the Estimates debate.

House 128 Sequence 10

11.40 a.m.

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Mr. D. J. H. THOMPSON: Mr. Speaker, I am saying that it is unsatisfactory. It marginalises this Parliament and it is an assault on Parliament democracy. Sir, what we are being required to do, is essentially to rubberstamp decisions that were being taken elsewhere.

Mr. Speaker, you could probably talk to anybody in the Private Sector, who sits on the Social Partnership and they could tell you about these amendments, before Members of Parliament have even seen them, and we are being required here to rubberstamp those decisions, in the shortest possible time. It is a level of incompetence that other countries and Parliaments would not stand for, but in this particular regard, as I said, the Estimates have already been prepared. There is general consensus on the movement towards the accrual system of accounting and there is also general consensus on the need to upgrade and strengthen the role of the Auditor-General in Barbados. Sir, it is on that basis that we would seek to assist the Government, by not standing in its way in the implementation of this legislation.

Mr. Speaker, I thank you.

MR. SPEAKER: The Honourable Member for St. James North, may I say a warm welcome to you, Sir.

Hon. R. C. EASTMOND: Thank you very much. Mr. Speaker, if my ears were functioning correctly, I would have heard the last Honourable Member suggest that the reforms being undertaken today, are a logical precursor to

the Estimates exercise for next week. The Honourable Member tended to suggest, even when rebutted, that what we are doing now, bears on what we have to do next week in the Estimates, and that if we do not do this now, then the Estimates next week might very well constitute either an irregularity or an illegality.

Mr. Speaker, permit me to cite certain legal provisions that answer that particular position. Section 109(1) of the Constitution of Barbados says:

“The Minister responsible for Finance shall, in respect of each financial year, at the earliest convenient moment before the commencement of that financial year, introduce in the House of Assembly an Appropriation Bill...”

Mr. Speaker, I stop there because the Estimates next week really and truly represent Schedules to the Appropriation Bill and the Appropriation Bill will be laid and will be debated in the context of that informing the Estimates, so even if what is being reformed in here today is not done, then in accordance with the Appropriation Bill consistent with Section 109 of the Constitution, there have to be Estimates, anyway.

Mr. Speaker, regarding the preparation of these Estimates, let us look at Section 108 (1) of the Constitution.

“The Minister responsible for Finance shall, before the end of each financial year, cause to be prepared Annual Estimates of Revenue and Expenditure for public services during the succeeding financial year, which shall be laid before the House of Assembly.”

Mr. Speaker, there is such a thing called the preparation of the Annual Estimates and the timing of the preparation of the Estimates has nothing, at all, to do with the reforms that are being contemplated here.

Mr. Speaker, the Honourable Member for St. Lucy is interested in this debate because to his credit, the Honourable Member has, for the better part of 13 years, been speaking of the need for the accrual system of accounting. Mr. Speaker, the Honourable Member for St. Michael North West, was patently clear when he spoke to the objectives of what we are doing. One of the things we are doing, is reforming the day-to-day management of cash and the day-to-day management of accounting procedures. We are also strengthening the hands of the Auditor-General, to create further transparency in the system of the management of Government financing. Sir, because of how Chapter 5, the Financial Administration and Audit Act, is currently constituted, it is necessary to make changes to that. Sir, to tidy up the whole process, it is, therefore, going to become necessary to make changes to the Constitution.

Mr. Speaker, I make this brief introduction because the impression could have been given that what we are doing here now is a sine qua non for next week's Estimates debates.

Mr. D. J. H. THOMPSON: On a point of order. Sir, I did not want to interrupt the Honourable Member because I am not sure that he adds his legal bearings either. If you look at Section 108 of the Constitution, you cannot only read Section 108(1) or Section 109(1). It goes on to say in Section 108(2), and I am going to read this slowly, so that the Honourable Member could absorb it.

"The Estimates of expenditure shall show separately the sums required to meet statutory expenditure as defined in Section 109(7) and the sums required to meet other expenditure, proposed to be paid out of the Consolidated Fund."

Mr. Speaker, the very amendment that we are making to this legislation today, amends the words "paid out" appearing therein, and substituting the words "charged to". Sir, if you would look at Section 109(2):

"Subject to subsections (4) and (6), the sum voted on the Estimates by the House of Assembly, in respect of a financial year, shall represent the limit and extent of the public expenditure for that financial year."

Mr. Speaker, we have amended subsection 6:

"That part of an any Estimate of Expenditure laid before the House of Assembly, which shows statutory expenditure, shall not be voted on by the House, and such expenditure shall, without further authority of Parliament, be paid out of the Consolidated Fund."

Mr. Speaker, that too is being amended in the Constitution and the Constitution amendment says that Section 109 of the Constitution is amended in subsection (6), by deleting "paid out" appearing therein, and substituting the words "charged to".

Asides.

Mr. D. J. H. THOMPSON: Mr. Speaker, I know the Honourable Member agrees with me, therefore, the intervention was only partially correct. Sir, the Constitution is being amended to give effect to the arrangement that will take place, in relation to the laying of the Estimates next week. Sir, we all know that.

Hon. R. C. EASTMOND: Mr. Speaker, I started by suggesting that, irrespective of these proposed amendments, there has to be an Appropriation Bill, which has to be passed before April 01. I then sought to expatiate, in rebuttal to the position taken by the Honourable Member

for St. John. The Honourable Member for St. John did not appear to want to speak in the context of Government's day-to-day management of its finances.

Asides.

Hon. R. C. EASTMOND: Mr. Speaker, there was a time when certain Government departments did not take cheques. Sir, at this time, I am not sure if each Government department is equipped to take payment by credit cards. Therefore, what the Honourable Member for St. Michael North West was saying, is entirely consistent with the reform of the day-to-day management and the consequential need for transparency.

What the Honourable Member for St. John was saying was that...

11.50 a.m.

Tuesday, March 13, 2007

Mr. D.J.H. THOMPSON: Mr. Speaker, on a point of order. Sir, let me make it abundantly clear that I was not responding until the Honourable Member for St. Michael North West rose to anything that he had said. I was speaking about the provisions of the law as provided in the documents given to members. I do not know if there is any difference of opinion between me and the Honourable Member in relation to law and I know for certain that there is no difference of opinion between me and the Honourable Member for St. James North because, having read the subsections, I know that he is clear in his understanding about the adjustments that are being made into the way the Estimates have been prepared.

Hon. R.C. EASTMOND: Sir, it is now clear that using the weight of his political experience in here, the Honourable Member for St. John has so finetuned his debating skills as to be able to confront a given position, and when challenged to come back in rebuttal to reflect an entirely new circumstance. It is like a lawyer, having led evidence and having seen the cross-examination, in reexamination, brings something new.

Mr. D.J.H. THOMPSON: Mr. Speaker, on a point of order. Sir, the Honourable Member for St. James North is misleading the House. I said and maintain that if the law is not amended that what would be presented to the House next week would not be in accordance with the current financial arrangements, under the Constitution and under the Financial Administration and Audit Act, and that these amendments would give effect to new arrangements in relation to the preparation of the Estimates. Sir, the Objects and Reasons for the Bill - unless the Honourable Member for St. James North is saying that the Objects and Reasons are totally different from what is before the House - is

reforming the existing law, which means the existing Financial Administration and Audit Act, on the control and management of public finance in Barbados and thereby makes provision *inter alia* for the transition from cash based accounting to accrual based accounting. The difference between “paid out” and “charge to” has to be amended and adjusted to give effect to that. Sir, that is what this law is about.

Mr. C.A. MASCOLL: Mr. Speaker, on a point of order again because the Honourable Member for St. John is misleading this Chamber. The amendment to the Constitution is really for consistency across the Financial Administration and Audit Act and the Constitution with respect to paid in, charged on and charged to. In fact, Mr. Speaker, even without any passage of this legislation, those four terms exists within our law. Mr. Speaker, am I clear that as it currently stands, there are four terms used to described the same thing, paid in, paid out, charged to charge on and what has happened is to give consistency across the Constitution and the Financial Administration and Audit Act, there are now being treated as two as opposed to four different concepts that explain the same thing. Sir, I am no lawyer but I am saying that if you are using four different concepts to describe two concepts in the Constitution and Financial Administration and Audit Act now and you are simply saying that this amendment would allow for the use of two sets of terminology as opposed that I cannot understand how the Honourable Member for St. John could now be citing such as to suggest that it would make next week’s audit unlawful. But, in fact, Mr. Speaker, I can tell you that next week’s Estimates would be prepared both on the Cash Flow System as well as the Accrual System because there has to be a transition and there has to be transition for a period of time, so that there is both the Cash Flow System and the Accrual System that would be used in preparation of next week’s Estimates. Mr. Speaker, it makes no sense whatsoever what he is saying.

Hon. R.C. EASTMOND: Mr. Speaker, I feel I should conclude because two things stand out. At one point, the Honourable Member for St. John correctly cited a provision in here that speaks to the concept of statutory expenditure. Sir, in concluding my few remarks, if you or any member are familiar with what is called statutory expenditure, such expenditure rarely attracts debate during the Estimates because that is expenditure there irrespective and always chargeable upon the Consolidated Fund. Sir, at the end of the day, every Honourable Member in here is entitled to ask if all systems that touch and concern the Consolidated Fund have been sufficiently modernised and streamlined. Sir, in that context, the old Financial Administration and Audit Act is now being replaced by an act called a Management Act.

Mr. Speaker, I am not going to give way to the Honourable Member for St. John readily, I am not going to yield to him so readily, but I would say that even if Parliament were not minded to institute all the things that are being proposed here, that we still have to have next week, something called an Appropriation Bill and that Bill has to be drawn consistent with the provision of the Constitution and that the Estimates have to be subjected to scrutiny by Honourable Members in a way where now members are going to have more leeway in terms of referring to novel systems of transparency and more modern systems of accounting.

Mr. Speaker, with these few brief remarks, I trust that I have been able to bring the debate...

Mr. D.J.H. THOMPSON: Mr. Speaker, on a point of order. Sir, I am only saying this because I am certain the Honourable Member would not want to mislead the House. If the amendments are not necessary to give effect to the Estimates next week, all the more reason why we can study these amendments more and defer consideration of the matter. There is no need for us to detain parliamentary time to amend a Constitution six days before the Estimates, especially as we were told it is necessary to do it for the purpose of the Estimates debate because the Honourable Member for St. James North is now saying that it is not necessary to do it and the Honourable Member for St. Michael North West is saying that it is not necessary either. Sir, why are we rushing to amend the Constitution and amend these arrangements if at the end of the day, it is not necessary?

Mr. SPEAKER: The Honourable Member for St. Lucy.

Mr. D. St.E. KELLMAN: Mr. Speaker, there is no doubt that with these changes that the most important principle we would have to adhere to is the matching principle of accounting, that is, that revenue must be match by corresponding expenditure. Sir, in the same way that you would have to accrual for expenditure, you would also have to do adjustments for revenue, that is, you cannot have the accruals for expenditure without showing that you are making provision in the amendments for also picking up the revenue that is needed for the particular period.

Mr. Speaker, I have observed in these adjustments, as we speak about accrual accounting, that we tend more to focus on the expenditure aspect of it without realising that we must concur that the matching principle tells us that if we are going to increase the expenditure by bringing in the accruals for the expenditure that we must also account for the amounts due for revenue also.

H128/12:00

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Mr. D. St.E. KELLMAN: Sir, under the old Act, Section 8.2, that Act requested the Government of Barbados to account for all revenues, and that all of those revenues should have been placed into the Consolidated Fund. It is clear to me that previously we did not adhere to Section 8.2 of the Financial Administration and Audit Act, to place all of the Government's revenues into the Consolidated Fund. I am saying that if the amendment allows this Honourable House to make the necessary changes for Government to now find some place for all of its revenue, and if that place happens to be the Consolidated Fund, I am in total support of it.

Sir, my advice to Government, is that any money which they want to allocate to allocated to another fund, must first go to the Consolidated Fund, and an appropriation must be done from the Consolidated Fund, to be placed elsewhere for Government to finance other projects.

Sir, I do not want to see any sale of Government assets any longer, not entered into the Consolidated Fund and appropriations done to transfer the money. If it means that the change that we are seeing today, will allow all Government revenue, to be placed into the Consolidated Fund, and then appropriated to other funds, I am in total support.

Mr. Speaker, I honestly believe that prior to this amendment, we were in breach of Section 8.2 of the Financial Administration and Audit Act. In truth and in fact, we were selling properties owned by Government, but that money was not reaching the Consolidated Fund, where it should have gone first, and then transferred to the accounts that you wanted.

Sir, I will expect to see, after today, that each sale of Government assets is entered into the Consolidated Fund, with an appropriation done to ensure that the Government allocate those funds to the various accounts, as directed.

Mr. Speaker, I want to return to the point of the matching principle. We are speaking here about expenditure, but we also have to realise that if we are not going to make provision for revenues owed, we would be in breach of the matching principle. Nowhere in any of these two documents have I seen where we have made provision to conform with the matching principle of accounting. If we are going to be accepting the international standard, we cannot accept one half and not the other. It is a known accounting principle, that once you are changing the system of your expenditure, you have to

change the system of your revenue also. I will ask the experts to take this point into consideration.

Mr. Speaker, once we follow the cost principle, the way we report the purchase of assets, the liabilities and so on, we should not have a problem any more, once we can appreciate the revenue principle.

Sir, we must also follow the objectivity principle, because we must be objective in the way we deal with Government finances, and we must also practise the principle of conservatism, which states that there is nothing wrong in overstating expenditure and understating revenue, because it is always better to look at the bad side, than to look at the good side, and end up finding yourself in trouble.

Sir, there is another principle that must be applied, we must be consistent in what we do. Fortunately, for us, these principles are no longer the principles for the House of Assembly. It is the Director of Finance, the Auditor General and Accountant-General, who have to ensure that these principles are followed. I believe now that the mandate is, *moreso*, in their hands, we need not worry about the accrual system of accounting, because this country will be better served.

Mr. Speaker, there is no doubt that if we had the accrual system of accounting in the early 1980s, this country would have been astonished, because when we dealt with the reporting of the payments of long-term liabilities, especially the Japanese loan, instead of showing one lump sum payment, we would have seen the payment of the principle, and the foreign exchange losses incurred on those particular loans. In other words, you would not have seen one lump sum payment of \$90 million paid, on the first Japanese loan, instead you would have seen \$40 million in principal, and \$50 million in foreign exchange losses. Sir, tomorrow if we had to pay that "bullet" loan, that everybody said was the worst loan in the world, you would see a principal payment and a foreign exchange gain on that loan, the loan that everybody said was the worst loan ever to be borrowed in this country.

Sir, it is because of the change, we do not now have to worry about whether people are just speaking for the sake of speaking, because they cannot pull the wool over anybody's eyes anymore. The accounting figures will show them up. If we repay the "bullet" loan tomorrow, I am saying without a shadow of doubt, you would see the payment of principle \$111 million, but the actual cash paid would be less than that, and the difference will be a foreign exchange gain on that particular loan, however, for the other three loans borrowed on the Japanese market, you would see the reverse of a foreign exchange loss. Mr. Speaker, when we come to the accrual system of

accounting, entries like foreign exchange losses and gains will be very important.

Sir, if somebody decides to give away fixed assets of Government, this Parliament would know how much money belonging to the Government has been given away, because we would see it in the sale and disposal of fixed assets. In case it is sold for more than it was purchased, we will see a gain.

Mr. Speaker, the accrual system will allow us to know the amount of money given by Government to someone and the amount of money Government has gained on the proceeds of sales. In truth and fact, you do not have to second guess anything, once you have the accrual system, and once you follow these principles. These are now the watchdogs for Parliament. It is not the Minister of Finance or anyone in the Ministry of Finance, the key persons will be the Director of Finance, the Accountant-General and the Auditor General.

Mr. Speaker, nobody who understands what is happening here today can fault this legislation, because this legislation is in the interest of Barbados. It is regrettable that it has taken so long for this legislation to be before this Parliament, because this Parliament would have been better served. It is also regrettable that this legislation was not before this Parliament prior to the 1990s. Had this legislation been before this Parliament prior to the 1990s, people would have been able to see, that the charge laid against the Democratic Labour Party, of not having foreign exchange would have been a false charge, and the Democratic Labour Party would have been able to demonstrate by providing accounts to show, that in the 1990s, when the foreign reserves were in the negative, it had nothing to do with bad management, it had to do with bad borrowing.

Mr. Speaker, what occurred then, when this country should have had nearly \$200 million in the foreign reserves account, a country called Japan received foreign reserves that belonged to Barbados, because of bad advice from the Governors of the Central Bank and Ministers of Finance, even though they were warned by that Right Excellent, and great man.

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House 128, sequence 14, 12.10 p.m.

Mr. D. St.E. KELLMAN: Sir, we are here because we understand that all those persons who walk around and speak about deficits, do not need to do that anymore. The accounts will show the deficits.

Sir, you do not have to beg for anything more. It is now placed on a plate, and those who did not understand the request that was made for more than 13 years from the Honourable Member, will now be able to appreciate that Parliament is not about begging anymore. There are systems that you put in place, where you can get everything you want. This is what is occurring today. We do not have to beg politicians for information anymore, because the civil servants are now mandated to show the true figures of Government.

Sir, after April 1, we would not have to come to Parliament and ask the Minister of Public Works how much the flyovers will cost, because there would be something called a Fixed Asset Account, which the flyovers will come under, and every cost relating to the flyovers will have to enter that account.

Sir, there would be no second guessing how much Kensington will cost. I have to be very careful how I say this bearing in mind there might be a legal battle over Kensington. Sir, if Government can pick up Kensington as an asset in its book, the Government would have to show the actual cost of Kensington, reflected in the accounts next time around, providing there is no legal battle pertaining to Kensington, about ownership of land, who owns the land on which Kensington is located, and whether you could build on a piece to a lady's house, and because the lady owns the land, then you go to claim it or anything like that, Sir.

Aside.

Mr. D. St.E. KELLMAN: Mr. Speaker, I am saying that now every Government asset and cost must be identified. There would be no estimated cost, as it relates to new assets. It is true that Government will now have to go and value all of their assets. Sir, this is the first time, you will get to know the true value of Government, as it relates to the Crown assets in Barbados, because every asset owned by Government must now have a value. We will know the value of Parliament, because it is an asset, and it must be shown at some cost. It is true it would not be able to be shown at the historical cost, but the cost/principal would have to kick in.

It is clear that the Opposition should feel happy and support this Bill, because it is in the interest of the masses of people in Barbados, and we recognise our duty. There are a lot of people who walk around and use all kinds of fora, saying that the Opposition has not contributed anything to Parliament. Those are persons who do not read Hansard, and do not understand that the movement of the Government in this country, had more to do with the suggestions coming from the Opposition, than from the Government itself.

Asides.

Mr. D. St.E. KELLMAN: I will not identify it but if you go to Hansard, you will see that every innovative move by the Government of the day, came from this side. Therefore, those persons who walk around and say that the Opposition is empty and they do not have anything to offer, after reading Hansard, and now acknowledging what is happening today, will see that the Opposition cannot be empty.

Asides.

Mr. D. St.E. KELLMAN: Sir, the Honourable Member of Christ Church East is saying that the Opposition is not empty, because it is the Opposition that called for the airport in St. Lucy. The closest airport is next to the Honourable Member for Christ Church East, who is now acknowledging that in order for Barbados to develop, an airport has to be located in St. Lucy, and I congratulate the Honourable Member for that, Sir.

Hon. R.R. FARLEY: Mr. Speaker, on a point of order. This Honourable Member has not spoken. The Honourable Member for St. Lucy is hoping to be able to retract his long and often stated position of having an airport in St. Lucy. If he wants to retract, let him do that on his own steam. He does not have to use me as an excuse.

Mr. D. St.E. KELLMAN: I was giving the Honourable Member credit for having foresight, but he has now admitted that he does not have any foresight, and I apologise to the House.

Sir, in the records somewhere in this Parliament, North Stars would have to be picked up as an asset of Government, and there can be no legal dispute over that, because the land belongs to Government. I make this fundamental point because there is nowhere, anybody can challenge the Government, over the land at North Stars. Everything on the property at North Stars can easily be claimed by the Government of Barbados, as owned by the Government of Barbados.

Asides.

Mr. D. St.E. KELLMAN: Mr. Speaker, are you hearing me?

Mr. SPEAKER: Yes, Sir.

Mr. D. St.E. KELLMAN: Mr. Speaker, in the north of Barbados, there is a place called North Stars that is an asset to the Government of Barbados. The land is an asset, and you could even pick up the building, because we built on the Government's land.

Sir, I cannot say the same about Kensington Oval.

Mr. SPEAKER: Honourable Member, do you have to go into that now?

Mr. D. St.E. KELLMAN: No. Sir, I am only showing you the type of advice I have been giving this Government, and they have been ignoring it and, I wish that the Government had taken the advice given to them by me, on that particular project.

Sir, had the Government use the money they spent on Kensington Oval, at North Stars at the beginning of the year, because come April 1, they would be able to pick up the total cost spent at North Stars, on the land owned by Government, and they would be able to show it as an asset. This is a very fundamental point.

Asides.

Mr. D. St.E. KELLMAN: The Honourable Member for Christ Church East is making a point.

The Honourable Member said that it would have added true development to Barbados and I agree with him, unlike going into a bottleneck, where you cannot get any more development, because Bridgetown is saturated with development and you cannot add anything to Bridgetown.

Mr. SPEAKER: I was asking if you are not satisfied with all the praises that have been given here today, Sir, that you were the one who talked about the accrual system. Mr. D. St.E. KELLMAN: Yes, Sir. This is all part of the accrual system. Sir, you do not realise that picking up the cost part thereof, Sir, adding to the accrual system. Sir, you need to speak to the Honourable Member for St. Michael North West, who would educate you on that particular point.

Sir, there is no doubt that the accrual system will allow Government now to pick up all of their assets and liabilities. You would now know, as I said - and I think you probably missed this point - that for the first time in any Government, this Government would be able to report its true value, as it relates to fix assets and otherwise. Aside.

Mr. D. St.E. KELLMAN: I praised the Government for introducing it, but I also praised the Opposition for offering it, and I also showed that had the Government listened to the Opposition, how the Government assets would have been much greater.

Sir, in the Constitutional amendment, I need to explain a few things here. The amendment to section 107, states that now we are moving from, "paid" to "credited to". It means that previously, we only accounted for things that were actually paid in cash. Sir, what is occurring now,

we are accounting for things that we have paid in cash, and due. That is, previously, we accounted for things that were paid in cash, now we recognise that because of the matching principle, we now also have to pick up those things associated with the year, and we must now account for, “paid for”, and “due for”.

Sir, in section 108, where you had, “paid out” appearing therein, and substituting in your words, “charge to”, it is not only what you paid out, it is also what you are due. Therefore, you also had to add in, and those are the fundamental changes in that one, Sir.

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Mr. D. St.E. KELLMAN: Sir, it means that those Government entities that now deal in commercial activities, would now have to take stock into account and so on. Sir, we are now putting the Government in a better position to truly analyse its commercial side and to truly report whether or not those commercial sides are truly reporting profits. Sir, no one could quarrel with these amendments.

Sir, there are also some provisions, such as bad debts, that the Government would have to look at, where they would be able to debit bad debts and credit the provision for doubtful debts and so on. Sir, it also means that the unions of Barbados would now have to recognise that there are certain employees within the Government service that cannot any longer be regarded as normal employees. The demand on those employees would now be greater and these persons would now have an opportunity to practise their professions at a higher level and they must be compensation for those persons who would be able to step up to the plate and those who are working with them. Sir, the reform of the public service must also take that into account. The unions must do some accruals and the Government must also do some accruals.

Sir, we should not only accept that these are fundamental changes for Government, we should also be reporting and accepting that these changes would affect how the civil service would operate from April 1st. Sir, fundamental changes would be occurring and the unions and the Government need to take note of these things.

Sir, it would also be interesting to know that all the equipment at the depots would now have a value. They would no longer just be pieces of equipment, they would now be regarded as fixed assets. They must be reported and treated in a particular way and they must be depreciated according to accounting standards. Sir, people would be surprised to see, based on these standards and principles, that a lot of equipment that we see sometimes that appears to be obsolete, might not be obsolete. Sir, when we are able

to look at the age of the equipment and the usage of it and see where it is placed, we would now be in a better position to question whether that equipment should have been repaired or whether it should have been placed on the dump.

Sir, the equipment will not only be reported at the value of it, but things like the date of purchase and the useful life would also come into consideration. Therefore, if you pass, Sir, and you see a bobcat that looks new and you assume that it is an old one, that would not be so. There is some place you could go within the Government and find out whether or not it has an age factor to it. Sir, all of us, as the people of Barbados, not just the Government, and not the Opposition, would now be able to appreciate why these things have occurred and why they were demanded.

Mr. Speaker, I am happy to hear how the Government has accepted that these changes are necessary, the only regrettable thing is that we did not have them before, because we would have been in a better position.

Sir, when we go to the accrual system of accounting, as the Honourable Member for St. Michael North West would be aware, the expenditure that was previously held in drawers or in cabinets within ministries and Statutory Boards cannot be held there anymore, a journal must be prepared debiting the expenditure and crediting where it is owed. This means then that the expenses would increase and the demand on the Government finances would also increase, so in the initial year one could expect that Government would be making a demand on the taxpayers of this country.

Sir, that is why I made the fundamental point that Government had to be very careful how it dealt with the cess and the bond rates and it should not rush too hastily and allow people who had no contribution to make to it to hold it, that it was in the interest of Government to keep that in light of what we were introducing.

Mr. Speaker, I am told that the Cess has been taken off. Sir, I know that the consumers of Barbados have not felt it because I am there in the engine room. Sir, it is clear that it would have been better for Government to have come to Parliament and asked for permission for the cess to remain in operation until the Budget was presented so that those funds could have been allocated in the right direction. Sir, it does not make sense giving up something that you need, and it is clear the Government would need these funds. Sir, the way they have factored those funds in, it is going to be very difficult...

Sir, we cannot not only look at the accrual system from the point of view of normal expenditure, we also have to look at it from our current accounts. Sir, it is clear that

once the goods that are imported are reduced that the demand is going to increase and hence the demand for foreign exchange is going to increase and it is going to impact on Government.

Mr. Speaker, we are at a point today where we are about to make a very significant change in the way we do business in Barbados. There is no doubt that the Opposition can only support what belongs to them. This belongs to the Opposition, never mind it was brought by Government. The Members of the Opposition were the ones fighting for it, and we have it, we only have to ensure that it is not abused by Government.

I thank you, Sir.

SUSPENSION OF SITTING

Hon. R. R. FARLEY: Mr. Speaker, I beg to move that this Sitting be suspended until 2.00 p.m. today.

Dr. the Hon. J. X. WALCOTT: I beg to second that.

The question that the Sitting do now suspend until 2.00 p.m. today was put and resolved in the affirmative without division and Mr. SPEAKER suspended the Sitting accordingly.

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RESUMPTION

Mr. SPEAKER: This House is resumed.

Hon. R. C. EASTMOND: Mr. Speaker, I beg to move that we recommit to Papers.

Hon. R. R. FARLEY: Mr. Speaker, I beg to second that, Sir.

The question was put and resolved in the affirmative.

PAPERS (Recommitted)

Hon. R. C. EASTMOND: Mr. Speaker, I am commanded to lay the following:

1. Barbados Revenue of Expenditure, 2007-2008;
2. Schedules of Personal Emoluments, 2007-2008;
3. Barbados Revised Estimates, 2006-2007.

NOTICES (Recommitted)

Hon. R. C. EASTMOND: I beg to give notice of the following:

1. Appropriation Bill, 2007.

FIRST READING OF BILLS

Hon. R. C. EASTMOND: I beg to move that the Appropriation Bill, 2007, be read a first time.

Hon. R. R. FARLEY: I beg to second that, Sir.

The question was put and resolved in the affirmative.

MR. SPEAKER: We will now resume Government Business.

GOVERNMENT BUSINESS (Resumed)

ORDER NO. 17 (Resumed)

MR. SPEAKER: The Honourable Member for Christ Church East.

Hon. R. R. FARLEY: Mr. Speaker, I rise to lend my support to the introduction of this new legislation, to govern the financial administration of this island. I believe the intent is very clear. Indeed, all Honourable Members, who have spoken so far, have alluded to the long development of this particular Bill. Indeed, the matter of financial governance of this country is one which successive administrations have all taken very seriously.

Mr. Speaker, what fascinates me most about this change from that of a cash system to an accrual system, including the preparation of financial statements for the Government, according to general accounting practice of the International Financial Accountants Society, et cetera, is the fact that as a Parliament, we will have available to us even more information and disaggregated informs, which are more suitable for decision-making. I believe sometimes we do not, as Parliamentarians, fully appreciate and exercise our authority concerning the financial administration of this country and decisions which are made.

I believe that Honourable Members would be pleased, when they look at the documents presented to them as part of the oncoming Estimates, to see, for example, things such as pro forma financial statements. What is critical, and I must congratulate the Accountant-General and her department, is that in preparation for this fundamental change in financial management, there has been substantial training, which has been conducted.

Mr. Speaker, we could all agree that these legislated changes alone would not achieve the result that we want,

and we have recognised that. Therefore, what we have been doing, in preparation for this moment, is undertaking an extensive training programme across all of the ministries and Government departments. Prior to that as well, there was the introduction of computerised accounting system, such as SmartStream Accounting, which has not taken only some of the repetitive and more tedious aspects of accounting off the table but has allowed for the generation of more prompt reports.

The one area, of course, which still concerns all of us, is the capacity of Government's institutions, particularly Statutory Boards, to present to this Parliament their audited financial statements, on a timely basis. Sir, that has two issues to it, one is, of course, the preparation of the internal finances of the organisations but particularly with Statutory Boards, their dependence on the private auditing firms.

In my experience as a Government Minister, I can say to you that I have been very concerned and in some cases, very displeased, with the fact that some of the private auditing firms retained by Government, do not take the work of Government seriously. I know for certain, in some ministries, we have met with the auditing firms and have demanded an earlier listing on their schedule, so that we will be able to meet the requirements of this Parliament. Sir, this is often to no avail.

I know, for a fact, that there are cases where several years draft financial statements have been with the auditors but we are not able to get the audited statements back from those auditors, so that they could be presented to this Parliament. Sir, as I conclude this brief intervention, I hope that in addition to the framework change that we are making, by an amendment to the Constitution, by the introduction of a new Financial Management and Audit Act, by the change in the accounting rules and the basis on which we prepare our accounts, that we would also be able to see the full benefit of the training that we have made in our public officers. Indeed, in some ministries we have, also upgraded their positions. There are ministries, which have as the most senior persons in charge of their accounting, senior accountants. In these cases, we have move to have financial comptrollers.

Mr. Speaker, there are more professional accountants in the Government service these days than before. They are persons who are embers of CGA Association of Canada, and the Association of Certified Accountants of the United Kingdom and other professional organisations. I believe we are on the threshold of being able to manage more efficaciously and to present to this Parliament, a financial accounting of our activity, on behalf of the people.

Mr. Speaker, I am satisfied that all has been done by way of satisfying the constitutional requirements. I have no

difficulty with this amendment to the Constitution. It does not run counter to what the Honourable Member for St. John was suggesting, which is that a commitment had been made previously that no major changes would be made to Constitution, until a new Bill is developed. This is a consequential change, it is not a fundamental change to the Constitution but the Constitution does speak to financial management and these changes are essential therein.

Mr. Speaker, I am pleased to support this legislation and I am satisfied that from the coming financial year and more particularly next year, when we meet to receive the reports from the Accountant-General, to consider Estimates of Expenditure, to prepare for budgetary exercise, that the impact which this change makes, by way of the quality of the financial information and its timeliness, these changes will, indeed, be felt and appreciated.

Mr. Speaker, I am grateful to you.

Mr. R. D. JONES: Mr. Speaker, it has already been declared that from this side we support the relevant instruments before us. We did that from a background that it has always been a need to make the presentation of Government finances appear sensible to the average citizen of Barbados, even if attached to it would be some basic explanations, as to what the various things stand for.

2.00 p.m.

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Mr. R.D. JONES: I believe and the Democratic Labour Party believes that it is the step in the direction, which can only enhance the solid principles of democracy. Sir, one of those solid principles of democracy speaks to the whole notion of transparency and on the other side, the notion of accountability. Sir, in this instance, we are speaking to the notion of transparency in the provision of Government's finances.

Mr. Speaker, the Honourable Member for St. Lucy, who is quite knowledgeable in the arena of accounts has been noted as having spoken to the issue of the accrual basis of accounting. He did it for more than 13 years. It is good that at this time that Government's finances would be moving from a cash based system to the accrual system of accounting. It would give all of us in the House and those on the outside an opportunity to follow in a sensible and rational manner the whole progress and the whole movement of Government's revenue and expenditure from period to period; from year to year; from month to month and we would be better able to speak to the state of the Government's account at any give period. This has brought about some minor adjustment to the Constitution and we have already spoken to that matter not to hinder the progress of this particular Resolution but to ensure that we

are more proactive in delivering such instruments to the House within a reasonable manner. Therefore, I think that members on this side have on this occasion brought 100 per cent support to this particular measure. Sir, we have always said that when anything is brought in the interest and to the good of the people of Barbados that we would support it.

Mr. Speaker, I want to reiterate the point that this measure is very well supported by the Opposition.

Mr. SPEAKER: the Honourable Member for St. Michael North West will now windup.

Hon. C.A. MASCOLL: Mr. Speaker, it gives me pleasure to be able to windup this debate and to say that there is no doubt that there is agreement on both sides of the House with respect to the need to move toward the accrual system of accounting. I hope that the agreement would be reflected in the voting as well. It is okay to say there is agreement in terms of principle but when there is need for support to be truly reflected in terms of numbers and by show of hands, I hope that would happen.

Mr. Speaker, in a strange way, the current legislation deals with the question of “paid in”, “paid out” and “charged to” and, therefore, I think I need to spend a little time dealing with this matter as it relates to the current debate.

Mr. Speaker, I would just like to address a few concerns that were raised with respect to whether or not, come next week, we would be able to execute the policies and programmes of the Government. I can see no difficulty in that happening regardless of what happens here because, as was so ably said by the Honourable Member for St. James North, the whole question of an Appropriation Bill will determine the legitimacy of Government to spend money at the first of April, after there has been approval. What we are discussing here today has to do with the accounting system that we are seeking to put in place but it does not say that any is unlawful about the process. It simply says that Government is now going to use, in addition to the existing cash flow system, the accrual system as a start because this transition is going to take a number of years to happen. It has been brought to bear in other countries like Canada, Australia and across the world and it took a while for Governments to truly move towards an accrual system.

Mr. Speaker, I have said in my original contribution that Government has to account for every asset it has but that would not be done in the first year so, we have to move gradually towards trying to estimate and value every asset of Government before we can truly say that we are in a system that is truly accrual in nature.

Mr. Speaker, the comment I wish to make is that like any other method or system that the Government seeks to employ or that a private sector entity seeks to employ, you would have a parallel running of the systems in order to be able to determine the efficiency and effectiveness of the change. It is not expected that Government will abandon a cash flow system immediately but would bring in line with the cash flow system an accrual system that eventually would mature enough for us to say that we finally have an accrual system of accounting.

Mr. Speaker, to that extent, I am making the argument that comes next week, there would still be the cash flow system that would run parallel or alongside the accrual system of accounting for Government. Sir, the way it works in Government is that we would still, like a private sector organisation, have to determine what our projected cash flow situation would be like so Government would have to make decisions on the basis of cash flow over the course of the year because you have to synchronise your expenditure and your revenue.

Sir, persons who are seriously involved in the governance of a country would understand too that your revenue collection is influenced by the structure of your tax system. Mr. Speaker, we have a corporate tax system that is collected on a quarterly basis with the emphasis being at March, the end of the fiscal year, and in September. Sir, the revenue we collect from corporate taxation does not come every month but we have expenditure every month so the synchronisation between your revenue and your expenditure would largely be reflected in the structure of the tax system. Mr. Speaker, to the extent that you are running a business, which Government is, it means that you have to be able to synchronise your expenditure requirements on a daily or monthly basis and compare that to your revenue generation and the flow of the revenue over the course of the year.

Mr. Speaker, in short we are saying that there is a natural, seasonal variation in the collection of revenue even as it relates to Value Added Tax. Sir, your revenue from Value Added Tax would reflect the expenditure in the economy, which in itself is seasonal..

H128/14:10

Sequence 22

Tuesday, March 13, 2007

Hon. C.A. MASCOLL: ...so between the months of November to April, we actually know that Government revenue collection would be greater and will be reflective of the level of spending in the economy at the time.

Mr. Speaker, in the Barbados economy, in the third quarter of the economy, we experience the slowest level of spending, that is between the months of July and September. That is the slowest level of spending in the Barbados economy, but you still have your wages and salaries to meet. You still have your goods and services to meet; you still have to meet your transfer of subsidies and you still have the interest payments on loans.

In order to guarantee better synchronisation between your expenditure and revenue collection, you need, therefore, to know what the actual level of cash flow will be. Even though we are moving towards the accrual system of accounting, we have to be in a position, where we can ensure that we synchronise our expenditure for the month with the revenue which we intend to collect.

Sir, therein lies the need, not only to have an accrual system in place, but to be able to make cash flow projections on a daily, weekly and almost on a monthly basis. Sir, you cannot extricate from the responsibility of the Accountant-General's right and remit to ensure that our cash flow position is, in fact, satisfactory and that we will be able to meet the expenditure requirements over the course of the year.

Mr. Speaker, in this regard, the whole question of what constitutes revenue, and how we go about defining revenue, becomes critical, because Government, by definition, would have to resort to either an overdraft facility at the Central Bank, to be able to synchronise its expenditure with its revenue, or it may have to engage in some kind of borrowing, whether it is domestic or foreign borrowing. Sir, it is to that, you will have to address your concerns, when you seek to manage your Government portfolio, over the course of the fiscal year. It therefore means that we will have to be in a position, on a daily basis, to know what our revenue requirements are.

I, therefore, would like to suggest that even if the accounting system changes over the course of the next five to seven years, there will be a parallel running of a cash flow basis, which we have had for many years, and the accrual system, until we can ultimately run an accrual base accounting system.

Mr. Speaker, to that extent, I will now address why this is so as it relates to some areas of Government expenses. We all know that once we begin to assess the amount of assets you have in this system, you have to be able to allocate for depreciation, which is a non-cash expense, and you have to be able to allocate in such a way, that you know precisely what the non-cash expenses would be during the course of a given year.

Mr. Speaker, there are other things we would be able to do, that we could not do before. One such thing would

be the question of provision for bad debt. Under the cash flow system, there was never any desire or regard to know what your bad debt provision is. We will now be in a position where we do so in this new arrangement. That allows us to make decisions and allocate the resources to meet such, with the capacity to write off bad debt, that we might have incurred over the course of the fiscal period, or that we would have incurred over the entire life of an independent Government call Barbados.

Mr. Speaker, I want to make the point as it relates to the question of the amendment to the Constitution. As it stands, there are four concepts that are used in the legislation of Barbados, whether it is in the Financial Administration and Audit Act or the Constitution, which talks about charged on the account, charged to the account, paid in the account or paid out the account. Although there are four concepts, they refer to the same provision as it relates to the Financial Administration and Audit Act or to the Constitution. What we are seeking to do in terms of the Constitution amendment, is simply to give clarity and consistency to the use of the terminology. In that regard, we have decided that we will embark on ensuring consistency across the Financial Administration and Audit Act and the Constitution, so that instead of saying "paid in" and "paid out", we will say "charged on" and "charged to". Therefore, while there are four concepts, they basically have two meanings when applied, but we do not want to have in one part of our legislation, "paid in", then on the other side, "charged to". We do not want to have "paid out" and "charged on". It is really a question of offering consistency across the two pieces of legislation.

Sir, do you know what is amazing? There are four different principles but they mean two things, in effect, but we still have to have a constitutional vote to make the amendment to the Constitution, which does not mean a fundamental change to the operations of governance. In this amendment there is a question of consistency, but it does not make a difference in terms in which the Financial Administration and Audit Act would be applied to the accounting procedures of the day, in terms of expense and revenue. That is, in itself, worthy of note, because this is not a constitutional change, that is going to cause mayhem or stop the civil servants from being paid, or would stop governance from occurring on April 1st. In fact, in many respects, it is cosmetic, even though it is constitutional change.

Sir, I do not know if the lawyers would appreciate me saying that even though it is our Constitution we are seeking to amend, it is really a cosmetic change because it does not really make a lot of difference to whether the words "charged on" or "paid in", "charged to" or "paid out" are used. That consistency is what is requiring us to make that constitutional amendment. It is not because we are moving towards an accrual system that we have to

make an amendment to the Constitution. It is simply because there are inconsistencies in terms of wording, and we are seeking to address that here today.

Mr. Speaker, that is why I felt that while the Honourable Member for St. Lucy made his contribution, and, in fact, supported totally what we are seeking to do here, that we had a sort of minimal contact with what we seeking to discuss, and an attempt to politicise an issue that really has no real politics in it, because it has really to do with the governance of this country, and the security and transparency of the accounting system in delivering decision-making in this country.

Sir, in essence, we are here embarking on an improved database that would allow us to make better decisions; that would allow us to make better planning; that would allow us to make a more secure future, in terms of our governance.

Mr. Speaker, it has been identified that, in fact, perhaps, the area of this amendment that is most noted, is the authority it will give to the Auditor-General, in allowing the Auditor-General to be able to come to the Parliament, by way of a Parliamentary Committee, and to be able to make recommendations to the Parliamentary Committee for greater resources, in order to execute his programme for the fiscal year. It allows the Auditor General not to have to make contact with the Minister of Finance, whom he is seeking to scrutinise and audit, but instead, he reports directly to the Parliament of Barbados.

Sir, I think that in those terms, we should be justly proud that these amendments are being made and more important, the Accountant-General was able to deliver an accrual accounting system for Barbados in record time, when compared to other countries across the world. That in itself is an extremely laudable act.

Sir, I want, therefore, to address an issue, which I dealt with earlier, but I think needs further clarity. It has to do with our definition of what is revenue.

14.20 p.m.

Sequence 18

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House 128, sequence 19, 2.20 p.m.

Hon. C.A. MASCOLL: .Originally, any receipts of the Crown were regarded as revenue. What we are seeing here is that amounts earned by the Crown, will now be regarded as revenue. It makes a difference because the original definition allows for borrowings to be classified as revenue.

Sir, anyone who has done a modicum of Accounting, would know that it is difficult to classify borrowing, as revenue, because you have done nothing to earn. You have simply gone, and on the basis, Mr. Speaker, of your credibility, you borrow, but you have not done anything productive to be able to earn. However, when we speak of revenue, we are conjuring up an understanding that a business or Government is doing something, to be able to generate revenue, as a result.

Mr. Speaker, I therefore wish to suggest that the contribution of the Honourable Member for St. Lucy, which I knew in my heart of hearts that he was looking forward to making in this Chamber, and that he has done himself very proud, to have delivered of himself, in the way he did this morning... He has every right to feel as though he had initiated it, because it is, without doubt, a subject to which he consistently referred, because as an accountant, he understands the difference between a cash flow system, and an accrual system, and the levels of transparency and accountability, which he had always called for and I delighted that he has returned to be part of this process.

I think that the Government can certainly say that the Honourable Member for St. Lucy has been a major agitator for this kind of system to be put in place that would enhance the governance of this country. Sir, to that end, it was remarkable to listen to him delivering of himself, the way he did this morning. It was a complete contrast because he demonstrated an understanding, and that is what is required.

Sir, people understand we are all politicians, and we will seek to make any political mileage that we can but, what the people are really looking for, is whether or not we can move from the political dimension to managing dimensions; that is, do we understand the facts and the issues. It is in that context, therefore, that I have to publicly laud the contribution of the Honourable Member for St. Lucy.

Therefore, Mr. Speaker, I think we are now in a position, where as a Government, we can embark on a process of greater transparency and accountability, in the financial system of Barbados. Today, we are now in a position, where we can truly say that we have the capacity to execute what is required in this Bill.

Therefore, Mr. Speaker, I beg that the Financial Management and Audit Bill be read a second time.

Hon. R.R. FARLEY: I beg to second that, Sir.

The question was put and resolved in the affirmative without division.

On the motion of Hon. C.A. MASCOLL, seconded by Hon. R.R. FARLEY, the House resolved itself into Committee on the Bill, Mr. R.D. MARSHALL in the Chair.

COMMITTEE

Mr. CHAIRMAN: This House is now in Committee.

Clauses 1 to 51, were called and passed.

On the motion of Hon. C.A. MASCOLL, seconded by the Hon. R.R. FARLEY, Mr. CHAIRMAN reported to His Honour the SPEAKER, the passing of one Bill in Committee, and Mr. SPEAKER resumed the Chair and reported accordingly.

On the separate motions of Hon. C.A. MASCOLL, seconded Hon. R.R. FARLEY, the Bill was read a third time and passed and cited as the Financial Management and Audit Act, 2007.

ORDER NO. 18 – THE CONSTITUTION (AMENDMENT) – BILL, 2007

Hon. C.A. FARLEY: I beg to move that this Bill be read a second time.

Hon. R.R. FARLEY: I beg to second that, Sir.

The question was put and resolved in the affirmative without division.

On the motion of Hon. C.A. MASCOLL, seconded by Hon. R.R. FARLEY, the House resolved itself into Committee on the Bill, Mr. R.D. MARSHALL in the Chair.

House 128, sequence 19, 14:30:14

Tuesday, March 13, 2007

HEAD 14: MINISTRY OF FINANCE IN THE AMOUNT OF TWO MILLION AND FORTY THOUSAND DOLLARS

Hon. C. A. MASCOLL: Mr. Chairman, I rise to justify the need for Supplementary funds, which are to be used for the entrance fee in the Caribbean Catastrophe Risk Insurance Facility, to the tune of two million and forty thousand dollars. We are also requesting Supplementary funds, for the payment to LIAT, to assist in operating expenses, over the course of the next month, to the end of March.

Mr. Chairman, with those few words, I beg to move that Head 14 stand part.

Hon. R. R. FARLEY: Mr. Speaker, I beg to second that, Sir.

The question was put and resolved in the affirmative, without division.

HEAD 24: MINISTRY OF SOCIAL TRANSFORMATION

Hon. T. A. PRESCOD: Mr. Chairman, I beg to move that Head 24 stand part.

Hon. A. P. WOOD: Mr. Speaker, I beg to second that, Sir.

The question was put and agreed to in the affirmative, without division.

HEAD 25: MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

Hon. Miss M. A. MOTTLEY: Mr. Chairman, I beg to move that Head 25 stand part.

Hon. A. P. WOOD: Mr. Speaker, I beg to second that, Sir.

The question was put and resolved in the affirmative, without division.

HEAD 51: MINISTRY OF LABOUR AND THE CIVIL SERVICE

Hon. R. C. EASTMOND: Mr. Chairman, I beg to move that Head 51 stand part.

Hon. R. R. FARLEY: Mr. Speaker, I beg to second that, Sir.

The question was put and resolved in the affirmative, without division.

EXPLANATORY NOTE TO HEAD 14: MINISTRY OF FINANCE

Hon. C. A. MASCOLL: Mr. Chairman, I beg to move that the Explanatory Note to Head 14 in the Second Schedule stand part.

Hon. A. P. WOOD: Mr. Speaker, I beg to second that, Sir.

The question was put and resolved in the affirmative, without division.

On the motion of Hon. C. A. MASCOLL, seconded by Hon. R. R. FARLEY, Mr. CHAIRMAN reported to His Honour the SPEAKER, the passing of one Money Resolution in Committee of Supply and Mr. SPEAKER resumed the Chair and reported accordingly.

On the motion of Hon. C. A. MASCOLL, seconded by Hon. R. R. FARLEY, the Resolution was read a first, second and third time and agreed to.

ORDER NO. 13

RESOLUTION TO RESCIND THE RESOLUTION PASSED BY THE HOUSE OF ASSEMBLY ON THE 27TH DAY OF JUNE, 2006, AND IN THE SENATE ON THE 28TH DAY OF JUNE, 2006, APPROVING THE GUARANTEE BY THE GOVERNMENT OF A LOAN OF \$38 MILLION IN THE CURRENCY OF BARBADOS, BY THE BARBADOS INVESTMENT DEVELOPMENT CORPORATION FROM RBTT MERCHANT BANK LIMITED.

Mr. CHAIRMAN: The Honourable Member for St. Michael North East.

Hon. Miss M. A. MOTTLEY: Mr. Speaker, the Resolution which is before this Honourable House, is to rescind a Resolution, which would have passed both Houses of Parliament. Indeed, on 27th June last year, this Resolution came before this Honourable Chamber and allowed for the authorisation of Government to take a loan from RBTT Merchant Bank Limited, in the sum of \$38 million, Barbados Currency.

Mr. Speaker, you would see in the subsequent Resolution that would come before this Honourable House that we have now agreed, through the Ministry of Finance, that instead of raising \$38 million in Barbados Currency, we will raise \$19 million United States Currency. Consequently, it is necessary to rescind the previous Resolution, which was approved by this Honourable House on 27th June and the Senate on 28th June and to take the new Resolution as the next Order, after we complete this.

Mr. Speaker, in the circumstances, this Resolution is a form of housekeeping and tidying up and in those circumstances, I beg to move that this Resolution do now pass.

Hon. R. R. FARLEY: I beg to second that, Sir.

The question was put and resolved in the affirmative, without division.

2.50 p.m.

Tuesday, March 13, 2007

ORDER NO. 14

RESOLUTION TO APPROVE A GUARANTEE BY THE MINISTER RESPONSIBLE FOR FINANCE OF THE PAYMENT OF PRINCIPAL AND INTEREST IN RESPECT OF \$19 MILLION IN THE CURRENCY OF THE UNITED STATES OF AMERICA BY THE BARBADOS INVESTMENT AND DEVELOPMENT CORPORATION FROM RBTT MERCHANT BANK LIMITED FOR THE PURPOSE OF UPGRADING THE QUALITY OF THE CORPORATION BUILDINGS AND THE RETIREMENT OF DEBT.

Hon. Miss M.A. MOTTLEY: Mr. Speaker, as indicated in the last Resolution, this now is the formal Resolution which allows us to be able to engage in the borrowing to raise the net \$19 million in United States currency. The House would have had a full debate on the substance of these matters on June 27, 2006.

I beg to move that this Resolution do now pass.

Hon. R.C. EASTMOND: I beg to second that, Sir.

The question was put and resolved in the affirmation without division.

ORDER NO. 15

RESOLUTION TO RESCIND THE RESOLUTION PASSED BY THE HOUSE OF ASSEMBLY ON THE 11TH DAY OF AUGUST, 2006 AND IN THE SENATE ON THE 16TH DAY OF AUGUST, 2006 APPROVING THE GUARANTEE BY THE GOVERNMENT OF A LOAN OF \$22 MILLION BARBADOS CURRENCY BY THE TRANSPORT BOARD FROM RBTT MERCHANT BANK LIMITED.

Hon. Miss M.A. MOTTLEY: Sir, equally in relation to the Barbados Transport Board, there was a loan to be raised and this House on August 11th agreed that the loan should be raised with RBTT Merchant Bank Limited in the sum of BDS\$22 million. It is now the wish of the Government to rescind this Resolution and to have it replaced with the one which would follow, which would allow us to raise the equivalent in U.S. currency.

I beg to move that this Resolution do now pass.

Hon. R.R. FARLEY: I beg to second that, Sir.

Mr. SPEAKER: The Honourable Member for St. Lucy.

Mr. D. St.E. KELLMAN: Mr. Speaker, I would just like to observe that we are aware that the Government is

changing this Resolution from borrowing this money in Barbadian currency and borrowing it in U.S. currency.

Mr. Speaker, I just want that point to be placed in the record that the Opposition observes that point.

The question was put and resolved in the affirmation without division.

ORDER NO. 16

RESOLUTION TO APPROVE GUARANTEE BY THE GOVERNMENT OF PRINCIPAL AND INTEREST NECESSARY FOR THE REDEMPTION OF THE BOND ISSUE BY THE TRANSPORT BOARD FROM RBTT MERCHANT BANK LIMITED OF THE SUM OF \$11 MILLION IN THE CURRENCY OF THE UNITED STATES OF AMERICA FOR THE PURPOSE OF PURCHASING 17 NEW BUSES.

Hon. Miss M.A. MOTTLEY: Mr. Speaker, as I indicated this now represents the formal Resolution for the authorisation for the borrowing of \$11 million in the currency of United States of America for the purpose of purchasing new buses at the Transport Board.

I beg to move that this Resolution do now pass.

Hon. R.R. FARLEY: I beg to second that, Sir.

The question was put and resolved in the affirmation without division.

ADJOURNMENT

Hon. Miss M.A. MOTTLEY: I indicated to this Honourable Chamber that the Right Honourable Member for St. Peter would be delivering his the Annual Economic and Financial Statement on Wednesday, March 14, 2007 at 4.00 p.m. In the circumstances, I ask that this House do now adjourn until 3.50 p.m. tomorrow, Wednesday, March 14, 2007, to facilitate the 4.00 p.m. start by the Right Honourable Member for St. Peter.

The question that the House be adjourned until Wednesday, March 14, 2007, at 3.50 p.m. was put and resolved in the affirmative without division and Mr. SPEAKER adjourned the House accordingly.

H128/14:56

Sequence 22

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FARLEY, Hon. R. R.
JONES, Mr. R. D.
KELLMAN, Mr. D. St.E.
MASCOLL, Hon. C. A.

MOTTLEY, Hon. Miss M.A.
PRESCOD, Hon. T. A.
THOMPSON, Mr. D. J. H.
WALCOTT, Dr. the Hon. J. X.
WOOD, Hon. A. P.

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EDITORIAL NOTES — NOT PART OF THE REPORT

Prepared with the transcript; for checking against the recording and the Minutes.

EDITORIAL QUERIES

Points noted while preparing this report from the edited transcript. The text has not been altered except where stated.

Q1. Masthead. The session is not stated in the source, so no session line is printed.

Q2. Order No. 18, Constitution (Amendment) Bill, 2007. The second-reading motion on the Bill is labelled ‘Hon. C.A. FARLEY’; the motion is otherwise attributed in the procedural lines to Hon. C.A. MASCOLL, and Hon. R.R. FARLEY seconds it. Printed as in the source.

Q3. Order No. 18 and Supplementary Estimates. After the House ‘resolved itself into Committee on the Bill’ (the Constitution (Amendment) Bill), the record moves straight to ‘HEAD 14: MINISTRY OF FINANCE’ of the Supplementary Estimates and reports ‘one Money Resolution in Committee of Supply’. No Committee stage, third reading or vote on the Constitution (Amendment) Bill, and no motion taking up the Supplementary Resolution, appears in the source. Please confirm whether text is missing.

Q4. Order No. 13. The speaker call before the Resolution is labelled ‘Mr. CHAIRMAN’, although the House was out of Committee and the Member addresses ‘Mr. Speaker’. Printed as in the source.

Q5. Papers (recommitted), item 1. The first paper reads ‘Barbados Revenue of Expenditure, 2007-2008’, presumably the Estimates of Revenue and Expenditure. Printed as in the source.

DEBATE SUMMARY

(Editorial summary — not part of the record.)

The House of Assembly met on Tuesday, 13th March, 2007 at 10.15 a.m., with His Honour I. A. Roett, the Speaker, in the Chair; prayers were taken by Reverend Canon Ivan Harewood. The Minutes of 6th March were confirmed and the Speaker reported receipt of the Accountant General’s accounts for November, 2006. Hon. Miss M. A. Mottley laid the General Elections Allocations of Broadcasting Time (Amendment) Regulations, 2007 and the Representation of the People Identification Cards Replacement Fee Regulation, 2007, and gave notice of a Resolution for \$7 211 391 to supplement the Estimates 2006/2007. Standing Orders were suspended for the rest of the Sitting.

Hon. C. A. Mascoll, Member for St. Michael North West, obtained leave for a joint debate on Order No. 17, the Financial Management and Audit Bill, 2007, and Order No. 18, the Constitution (Amendment) Bill, 2007. He explained that Government was moving from a cash-based to an accrual accounting system from 1st April, 2007, that the Auditor-General would be given greater financial independence, and that purchases of machinery, equipment and furniture above \$3 000 would be capitalised as assets. He thanked the Accountant-General, whose teams had found that the Constitution also needed amending.

The Leader of the Opposition, Mr. D. J. H. Thompson, Member for St. John, said the Opposition did not object to either measure, recalled the Mencea Cox Commission and noted that special purpose vehicles such as those for the Hall of Justice, the Coast Guard relocation and the flyovers would now come within reach of the Public Accounts Committee. He objected that a constitutional amendment had been circulated only four or five days before debate, calling it an assault on parliamentary democracy, and argued that without it the Estimates would not conform to the law; Mr. Mascoll rose on points of order to say the Estimates could not be unlawfully prepared and that the amendment was for consistency of terms such as ‘paid in’ and ‘charged on’. Hon. R. C. Eastmond disputed Mr. Thompson’s reading, which led to further points of order on Sections 108 and 109 of the Constitution. Mr. D. St.E. Kellman, Member for St. Lucy, said Section 8.2 of the old Act requiring all revenue to be paid into the Consolidated Fund had not been observed.

The Sitting was suspended until 2.00 p.m. On resumption Mr. Eastmond laid the Estimates for 2007-2008, the Schedules of Personal Emoluments and the Revised Estimates, 2006-2007, and the Appropriation Bill, 2007 was read a first time. Hon. R. R. Farley and Mr. R. D. Jones, who said the Democratic Labour Party saw the Bill as a step towards transparency and accountability, supported the Bill, and Mr. Mascoll replied, praising the contribution of the Member for St. Lucy. The Financial Management and Audit Bill passed through Committee (clauses 1 to 51), with Mr. R. D. Marshall in the Chair, and was passed as the Financial Management and Audit Act, 2007. The Constitution (Amendment) Bill was read a second time.

In Committee of Supply Mr. Mascoll justified \$2 040 000 under Head 14 for the entrance fee to the Caribbean Catastrophe Risk Insurance Facility and a payment to LIAT; Heads 24, 25 and 51 and the Explanatory Note to Head 14 were agreed to and the Money Resolution passed. Ms. Mottley then moved four

Resolutions without debate: to rescind the guarantee of a \$38 million loan to the Barbados Investment and Development Corporation from RBTT Merchant Bank Limited and replace it with one for US\$19 million, and to rescind the guarantee of a BDS\$22 million loan to the Transport Board and replace it with one for US\$11 million to buy 17 new buses. Mr. Kellman placed on record that

the Opposition had noted the change to United States currency. All were agreed to without division.

On the motion to adjourn Ms. Mottley explained that the Prime Minister, the Member for St. Peter, would deliver the Annual Economic and Financial Statement at 4.00 p.m. the next day, and the House was adjourned until 3.50 p.m. on Wednesday, 14th March, 2007.