



**Report of the Principal Auditor
on the Accounts of the
Housing Works Agency
for the financial year ended
31 March 2016**



REPORT OF THE PRINCIPAL AUDITOR ON THE ACCOUNTS OF THE
HOUSING WORKS AGENCY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

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THE CERTIFICATE OF THE PRINCIPAL AUDITOR TO PARLIAMENT ON THE ACCOUNTS OF THE HOUSING WORKS AGENCY

I certify that I have audited the financial statements of the Housing Works Agency for the financial year ended 31 March 2016 in accordance with the provisions of section 15(2) of the Housing Works Agency Act 2011. These statements comprise the Receipts and Payments Account, the Capital Account, the Balance Sheet and the related notes. These financial statements have been prepared using the cash receipts and disbursements basis of accounting.

Respective responsibilities of the Housing Works Agency and the Principal Auditor

The Housing Works Agency is responsible for the preparation of the financial statements and for being satisfied that they are properly presented. The Housing Works Agency's policy is to prepare the financial statements on the cash receipts and disbursements basis. On this basis revenue is recognised when received rather than when earned, and expenses are recognised when paid rather than when incurred.

My responsibility is to audit, certify and report on the financial statements in accordance with the provisions of section 15(2) and 15(3) of the Housing Works Agency Act 2011. I conducted my audit of the financial statements in accordance with generally accepted government auditing standards.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Housing Works Agency's circumstances and have been consistently applied and adequately disclosed; and, the overall presentation of the financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion, the financial statements properly present the revenue collected and expenses paid by Housing Works Agency during the financial year ended 31 March 2016 and the assets and liabilities arising from cash transactions as at the end of that period in accordance with the cash receipts and disbursements basis of accounting.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you if, in my opinion:

- I have not received all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of the audit; or
- proper books of account have not been kept by the Housing Works Agency, so far as appears from the examination of those books; or
- the Housing Works Agency has not discharged its financial duties and obligations in accordance with the provisions of the Housing Works Agency Act 2011; or
- the financial statements are not in agreement with the accounting records.

Nevertheless, I have to report that during the financial year 2015-16, the Housing Works Agency did not adhere with the provisions stipulated in the Industrial and Technical Staff Collective Agreement, dated 4 February 2011, in as much as the Bonus Payments under the productivity bonus scheme were not calculated as prescribed in the Sixth Schedule of the Collective Agreement. Further details are included in my report on the accounts of the Housing Works Agency for the financial year ended 31 March 2016 on page 3.

Report

The observations on the financial statements are detailed in my Report.



A R Sacramento
Principal Auditor
Gibraltar Audit Office

19 September 2023

HOUSING WORKS AGENCY
ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

REPORT

Matters for which I Report by Exception

- 1.1 Bonus Payments** - In accordance with the Sixth Schedule of the Industrial and Technical Staff Collective Agreement ("the Collective Agreement") dated 4 February 2011, employee teams in different operational roles within the Housing Works Agency are eligible for a productivity bonus equivalent to 25% of basic pay, earned (or lost) on a quarterly basis if they meet the specified benchmark levels of output assigned to the team.
- 1.2** Nevertheless, an examination of expenditure charged to Bonus Payments revealed that the awarding of productivity bonuses was not in adherence with the provisions of the Sixth Schedule of the Collective Agreement.
- 1.3** In the Principal Auditor's report to Parliament on the audit of the public accounts of Gibraltar for the year ended 31 March 2014, specifically in paragraph 4.4.7, my predecessor pointed out to the Head of the Housing Works Agency ("HWA") that the productivity bonus payment system was not being applied in accordance with the provisions of the Collective Agreement; that the employee's eligibility for the productivity bonus was based on both productivity and the employee's willingness to undertake work outside the job description provided it was of a reasonable nature; and that there was no benchmark for productivity but the measure was very much subjective.
- 1.4** The Head of the HWA at the time explained that Government agreed to relax the contractual qualifying conditions of the productivity bonus payment system, prescribed in the Collective Agreement, for the following reasons:
- (i) The productivity bonus arrangements outlined in the Collective Agreement were very specific and designed in close regard to maximum operational capability and achievable only on the basis of the number of staff at the inception of the HWA. However, the HWA's operations complement had vastly decreased as a result of the implementation of the Early Exit Scheme;
 - (ii) A vast amount of maintenance of Government Housing stock had passed to a Government-owned company (i.e. Gibraltar General Construction Company Limited), which conflicted with the design of the bonus scheme, compounded by the secondment of HWA employees to the company; and
 - (iii) The Collective Agreement did not make provision for a potential depletion of specialised trades as operative numbers reduced and the HWA was consequently faced with an unsustainable deficit in specific trades, which demonstrated that the qualifying exigencies of the bonus scheme could not be met.
- 1.5** A subsequent audit inspection of the HWA to December 2018 revealed that the productivity bonus is being paid on the basis of attendance per quarter with deductions being made for sick leave and any lost time in the previous quarter.

- 1.6** In essence, the productivity bonus has now transitioned to an 'attendance-type' bonus. However, the workforce is already entitled to a yearly cash payment of £500 by way of a 'Satisfactory Attendance Bonus' on the basis of certain conditions being met.
- 1.7** It is clear to me that the productivity bonus scheme is outdated and not fit for purpose. The scheme should be reviewed in light of depleting operational capabilities and the continued downsizing of the workforce. Any changes to the productivity bonus scheme should be endorsed in a side letter of agreement to the Collective Agreement.
- 1.8** During the financial year ended 31 March 2016, a total of £414,665 was paid in productivity bonuses to industrial staff and £312,598 to non-industrials.

Variance Report

- 2.1 Recurrent Account – Receipts:** The Government of Gibraltar recurrent contribution to the HWA during the financial year 2015-16 totalled £7,422,000, a decrease of £544,000 compared to the approved budget allocation of £7,966,000.
- 3.1 Recurrent Account – Payments:** The total recurrent expenditure of the HWA in the financial year 2015-16 was £7,418,465, a decrease of £547,535 compared to the approved budget allocation of £7,966,000. The main variances between the approved budget and actual expenditure for the financial year 2015-16 were as follows:
- 3.2 Personal Emoluments** - Total Personal Emoluments for the financial year under review amounted to £2,626,618, a decrease of £457,382 against the approved budget of £3,084,000, attributable to the following:
- (i) Savings in Salaries amounting to £322,609 in respect of unfilled vacancies during the financial year in question. However, there was excess expenditure of £36,733 in relation to the unbudgeted annual pay increase awarded on 1 August 2015;
 - (ii) Savings in Overtime expenses of £40,215, primarily due to a decrease of 'after hours' supervision required at Major Works development sites;
 - (iii) Excess expenditure in Allowances amounting to £52,611, as a result of unbudgeted substitution to cover unfilled vacancies; and
 - (iv) Savings in Bonus Payments totalling £183,902 of which £101,836 related to an error in the HWA's estimates submission; £61,632 was in respect of unfilled vacancies; and £24,474 as a result of the non-qualification by a number of officers of the attendance bonus and the productivity bonus.
- 3.3 Industrial Wages** - Total Industrial Wages for the financial year 2015-16 amounted to £2,526,264, an increase of £140,264 compared against the approved budget of £2,386,000, mainly as a result of the following:
- (i) Excess expenditure in Basic Wages in relation to the HWA's estimates submission being understated by £184,602 as a result of the assumption that a number of non-industrial vacancies would be filled during the financial year 2015-16 by existing industrial employees; and £28,629 in relation to the unbudgeted annual pay review increase awarded on 1 August 2015. However, there was an underspend of £19,778 due to an

industrial employee leaving the HWA and the vacancy not being filled;
and

- (ii) A saving in Bonus Payments totalling £41,835 largely made up of an underspend of £90,198 due to the non-qualification by a number of employees of the productivity bonus and the attendance bonus. On the other hand, the HWA's estimates submission was understated by £46,150 as a result of the assumption that a number of non-industrial vacancies would be filled during the financial year by existing industrial employees.

3.4 Materials - Expenditure in respect of Materials for the financial year under review totalled £311,587, a decrease of £138,413 compared to the approved budget of £450,000, principally as a result of the difficulty in quantifying the volume of tenant demand and a £450,000 ceiling set to cover maximum expected demand based on historical data.

3.5 Self-Repair Scheme - Expenditure amounting to £59,598 was £90,402 less than the approved budget of £150,000. The Head of Finance, Administration and Resources explained that the Self-Repair Scheme is demand led and a ceiling of £150,000 was set for the financial year 2015-16 based on previous years' expenditure trends. However, demand was lower than expected during the financial year in question.

3.6 Outsourced Works - Expenditure against the approved budget of £60,000 rose by £55,299. The Head of Finance, Administration and Resources explained that this service is demand led, difficult to forecast and hence a sum of £60,000 was set during the financial year 2015-16 based on previous years' trends. However, demand was much higher than expected during the financial year in question particularly in connection with emergency works required for pressure jetting and relining of blocked sewers within Government Housing Estates.

3.7 Lift Maintenance - Expenditure related to the Lift Maintenance Contract, totalling £163,683, fell short of the approved estimate by £36,317 principally due to a delay in the installation of lifts in the Government Housing Estates.



A R Sacramento
Principal Auditor
Gibraltar Audit Office

19 September 2023



HOUSING WORKS AGENCY

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016



RECEIPTS AND PAYMENTS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2016

				<u>2015</u>
	Notes	£	£	£
<u>RECURRENT ACCOUNT</u>				
<u>RECEIPTS</u>				
Contribution from the Government of Gibraltar			7,422,000	7,649,000
<u>PAYMENTS</u>				
<u>Personal Emoluments:</u>				
Salaries		2,064,124		2,128,280
Overtime		82,785		147,520
Allowances		147,611		107,370
Bonus Payments	2	<u>332,098</u>		<u>310,892</u>
			2,626,618	2,694,062
<u>Industrial Wages:</u>				
Basic		1,951,453		2,073,564
Overtime		137,646		153,735
Bonus Payments	3	<u>437,165</u>		<u>473,604</u>
			2,526,264	2,700,903
<u>Employer's Contributions:</u>				
Social Insurance Contributions			224,551	232,624
<u>Other Recurrent Expenditure:</u>				
<u>Office Expenditure:</u>				
General Expenses		8,704		12,531
IT Expenses		14,247		12,167
Electricity and Water		14,758		13,991
Telephone Service		31,349		28,490
Printing and Stationery		<u>10,706</u>		<u>11,103</u>
			79,764	78,282
<u>Contracted Services:</u>				
Office Cleaning		27,408		24,864
Maintenance of Estates	4	950,641		1,001,372
Lift Maintenance		163,683		155,916
Estates - Cleaning of Internal Communal Areas		<u>250,951</u>		<u>188,724</u>
			1,392,683	1,370,876
Carried Forward			<u>6,849,880</u>	<u>7,076,747</u>



RECEIPTS AND PAYMENTS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2016

				<u>2015</u>
	Notes	£	£	£
Brought Forward		6,849,880		7,076,747
<u>PAYMENTS (cont.)</u>				
<u>Operational Expenses:</u>				
Materials	5	311,587		302,485
Self Repair Scheme		59,598		118,478
Outsourced Works		115,299		55,914
Protective Clothing and Uniforms		30,622		30,591
Transport Expenses		26,464		34,507
Small Plant and Tools		8,612		11,311
Training		8,090		8,684
Technical and Design Expenses		3,980		3,643
Estates - Upkeep of Communal Lighting		3,095		3,822
		<u>567,347</u>		<u>569,435</u>
Ex Gratia Payments		<u>1,238</u>		<u>642</u>
			<u>(7,418,465)</u>	<u>(7,646,824)</u>
Net Receipts			<u><u>3,535</u></u>	<u><u>2,176</u></u>

CAPITAL ACCOUNT

RECEIPTS

Contribution from the Government of Gibraltar	21,000	71,000
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PAYMENTS

Works and Equipment	(25,439)	(72,716)
Net Payments	<u><u>(4,439)</u></u>	<u><u>(1,716)</u></u>



BALANCE SHEET AS AT 31 MARCH 2016

			<u>2015</u>
	£	£	£
<u>ASSETS</u>			
Recurrent Account			
Amount held by the Government of Gibraltar		26,392	22,857
Capital Account			
Amount due to the Government of Gibraltar		(25,840)	(21,401)
		<u>552</u>	<u>1,456</u>

FINANCED BY

Recurrent Account

Account Balance on 1 April 2015	22,857		20,681
Net Receipts during the year	<u>3,535</u>		<u>2,176</u>
Account Balance on 31 March 2016		26,392	22,857

Capital Account

Account Balance on 1 April 2015	(21,401)		(19,685)
Net Payments during the year	<u>(4,439)</u>		<u>(1,716)</u>
Account Balance on 31 March 2016		(25,840)	(21,401)
General Fund Balance on 31 March 2016		<u>552</u>	<u>1,456</u>

Mr R Rodriguez
Head of the Housing Works Agency

Date: 19/07/23



Notes to the Accounts for the Year Ended 31 March 2016

1) Accounting Policies

The financial statements of the Housing Works Agency have been prepared on a cash receipts and disbursements basis of accounting, in line with the standards prescribed for the preparation of the public accounts of Gibraltar.

		<u>2015</u>
	£	£
2) <u>Personal Emoluments: Bonus Payments</u>		
Productivity Bonus	312,598	289,892
Satisfactory Attendance Bonus	19,500	21,000
	<u>332,098</u>	<u>310,892</u>
3) <u>Industrial Wages: Bonus Payments</u>		
Productivity Bonus	414,665	453,104
Satisfactory Attendance Bonus	22,500	20,500
	<u>437,165</u>	<u>473,604</u>
4) <u>Maintenance of Estates:</u>		
Works, Repairs and Maintenance	680,875	735,289
Caretakers and Security Expenses	175,247	172,459
Management Fees	94,519	93,624
	<u>950,641</u>	<u>1,001,372</u>
5) <u>Materials:</u>		
Out of the total of £311,587 shown under materials, £19,921 represents cleaning materials.		

6) Payments to Retired Employees under the Housing Works Agency Early Exit Scheme

The table below summarises the total amounts paid out in lump-sum payments to retired employees of the Housing Works Agency who participated in the Early Exit Scheme. These Early Exit Scheme payments were made by the Government of Gibraltar and have not been accounted for in the Housing Works Agency's financial statements in each of the financial years shown.

<u>Financial Year</u>	<u>£</u>
2011/12	275,301
2012/13	400,231
2013/14	379,080
2014/15	1,327,197
2015/16	219,578