

**Report of the Principal Auditor  
on the Accounts of the  
Housing Works Agency  
for the financial year ended  
31 March 2017**



**REPORT OF THE PRINCIPAL AUDITOR ON THE ACCOUNTS OF THE**  
**HOUSING WORKS AGENCY**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

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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 2017 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 2017 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**

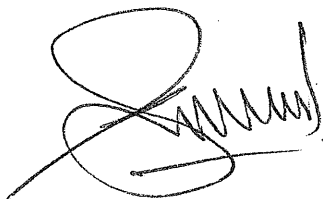
I have nothing to report in respect of the following matters, which I report to you if, in my opinion:

- 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 2016-17, 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 2017 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 2017**

**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 2017, a total of £417,250 was paid in productivity bonuses to industrial staff and £313,282 to non-industrials.

### **Variance Report**

- 2.1 **Recurrent Account – Receipts:** The Government of Gibraltar recurrent contribution to the HWA during the financial year 2016-17 totalled £7,606,000, a decrease of £450,000 compared to the approved budget allocation of £8,056,000.
- 3.1 **Recurrent Account – Payments:** The total recurrent expenditure of the HWA in the financial year 2016-17 amounted to £7,604,870, resulting in a saving of £451,130 compared to the approved budget allocation of £8,056,000. The main variances between the approved budget and actual expenditure for the financial year 2016-17 were as follows:
- 3.2 **Personal Emoluments** - Total Personal Emoluments for the financial year under review amounted to £2,707,026, a saving of £298,974 against the approved budget of £3,006,000. This saving was mainly attributable to the following:
- (i) Savings in Salaries amounting to £257,547 as a result of a number of vacant posts remaining vacant throughout the year;
  - (ii) Excess expenditure in Allowances amounting to £39,117, as a result of unbudgeted substitution to cover unfilled vacancies; and
  - (iii) A saving in Bonus Payments amounting to £67,718 also attributable to the vacant posts.
- 3.3 **Industrial Wages** - Total Industrial Wages for the financial year 2016-17 amounted to £2,621,884, an overspend of £431,884 against the approved budget of £2,190,000, largely as a result of:
- (i) an overspend in Basic Wages amounting to £384,132. The budget estimate assumed that a number of vacant posts within the non-industrial grades would be filled by existing industrial employees during the financial year 2016-17. However, this did not materialise; and
  - (ii) an overspend of £43,250 in Bonus Payments which was also due to the vacant posts within the non-industrial grades not having been filled by existing industrial employees during the financial year.
- 3.4 **Materials** - Expenditure in respect of Materials totalled £221,882, a saving of £198,118 against the approved budget of £420,000. The saving was mainly as a result of an increase in the number of operatives substituting for non-industrial

posts for extensive periods which in turn impacted on the HWA's operational output.

- 3.5 Self-Repair Scheme** - Expenditure in respect of the Self-Repair Scheme amounted to £67,788, representing a saving of £82,212 against the budget estimate of £150,000. The estimate was based on an anticipated increase in demand on the scheme as a result of houses being vacated following the completion of Charles Bruzon House and Sea Master Lodge. However, the demand did not match the expectation.
- 3.6 Outsourced Works** - Expenditure of £83,527 constituted a saving of £31,473 against the approved budget of £115,000. The Head of Agency explained that this subhead was used to meet contracted service costs incurred in addressing emergency works mainly in connection with pressure jetting and relining of blocked sewers within Government Housing Estates. He further explained that the service is demand led and difficult to forecast.
- 3.7 Lift Maintenance** - Expenditure relating to the Lift Maintenance totalled £183,203 and resulted in a £99,797 saving on the budget estimate of £283,000. The saving was due to delays in the installation of lifts in three Government Housing Estates.
- 3.8 Maintenance of Estates** - Total expenditure amounted to £1,042,060 against a budget estimate of £1,250,000, resulting in a saving of £207,940. According to the Head of Agency, caretaker costs were lower than anticipated mainly due to a delay in completing Charles Bruzon House and Sea Master Lodge.
- 3.9 Estates – Cleaning of Internal Communal Areas** - Expenditure amounted to £252,245, representing an overspend of £52,245 against the budget estimate of £200,000. The excess expenditure was mainly as a result of having omitted cleaning costs attributable to Bishop Canilla and Albert Risso House in the bid as the estimated cost of cleaning these estates was included in the budget bid for Maintenance of Estates subhead. The cost of cleaning both housing estates totalled circa £47,000 in the financial year.



A R Sacramento  
Principal Auditor  
Gibraltar Audit Office

19 September 2023



# HOUSING WORKS AGENCY

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ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017





**RECEIPTS AND PAYMENTS ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2017**

				<u>2016</u>
	Notes	£	£	£
<b><u>RECURRENT ACCOUNT</u></b>				
<b><u>RECEIPTS</u></b>				
Contribution from the Government of Gibraltar			7,606,000	7,422,000
<b><u>PAYMENTS</u></b>				
<b><u>Personal Emoluments:</u></b>				
Salaries		2,092,453		2,064,124
Overtime		146,114		82,785
Allowances		136,177		147,611
Bonus Payments	2	<u>332,282</u>		<u>332,098</u>
			2,707,026	2,626,618
<b><u>Industrial Wages:</u></b>				
Basic		2,030,132		1,951,453
Overtime		148,502		137,646
Bonus Payments	3	<u>443,250</u>		<u>437,165</u>
			2,621,884	2,526,264
<b><u>Employer's Contributions:</u></b>				
Social Insurance Contributions			225,061	224,551
<b><u>Other Recurrent Expenditure:</u></b>				
<b><u>Office Expenditure:</u></b>				
General Expenses		10,629		8,704
IT Expenses		13,596		14,247
Electricity and Water		15,121		14,758
Telephone Service		33,607		31,349
Printing and Stationery		<u>10,134</u>		<u>10,706</u>
			83,087	79,764
<b><u>Contracted Services:</u></b>				
Office Cleaning		27,374		27,408
Maintenance of Estates	4	1,042,060		950,641
Lift Maintenance		183,203		163,683
Estates - Cleaning of Internal Communal Areas		<u>252,245</u>		<u>250,951</u>
			1,504,882	1,392,683
Carried Forward			<u>7,141,940</u>	<u>6,849,880</u>



**RECEIPTS AND PAYMENTS ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2017**

				<b><u>2016</u></b>
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>
Brought Forward			7,141,940	6,849,880
<b><u>PAYMENTS (cont.)</u></b>				
<b><u>Operational Expenses:</u></b>				
Materials	5	221,882		311,587
Self Repair Scheme		67,788		59,598
Outsourced Works		83,527		115,299
Protective Clothing and Uniforms		28,318		30,622
Transport Expenses		30,233		26,464
Small Plant and Tools		4,881		8,612
Training		8,604		8,090
Technical and Design Expenses		6,663		3,980
Estates - Upkeep of Communal Lighting		4,800		3,095
			456,696	567,347
Edinburgh Estate - Staircase Lighting		6,055		-
Ex Gratia Payments		179		1,238
			6,234	1,238
Net Receipts			(7,604,870) 1,130	(7,418,465) 3,535
 <b><u>CAPITAL ACCOUNT</u></b>				
 <b><u>RECEIPTS</u></b>				
Contribution from the Government of Gibraltar			24,000	21,000
 <b><u>PAYMENTS</u></b>				
Works and Equipment			(24,912)	(25,439)
Net Payments			(912)	(4,439)



**Notes to the Accounts for the Year Ended 31 March 2017**

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.

	<b><u>2016</u></b>	
	<b>£</b>	<b>£</b>
2) <u>Personal Emoluments: Bonus Payments</u>		
Productivity Bonus	313,282	312,598
Satisfactory Attendance Bonus	19,000	19,500
	<u>332,282</u>	<u>332,098</u>
3) <u>Industrial Wages: Bonus Payments</u>		
Productivity Bonus	417,250	414,665
Satisfactory Attendance Bonus	26,000	22,500
	<u>443,250</u>	<u>437,165</u>
4) <u>Maintenance of Estates:</u>		
Works, Repairs and Maintenance	789,437	680,875
Caretakers and Security Expenses	164,975	175,247
Management Fees	87,648	94,519
	<u>1,042,060</u>	<u>950,641</u>

5) Materials:

Out of the total of £221,882 shown under materials, £14,861 represents cleaning materials.

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

The total lump-sum payments made to retired employees of the Housing Works Agency who participated in the Early Exit Scheme during the financial year ended 31 March 2017 amounted to £71,989. 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.