



**Report of the Principal Auditor
on the Accounts of the
Housing Works Agency
for the financial year ended
31 March 2018**





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 2018 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 2018 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 2017-18, 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 2018 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 2018

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 2018, a total of £485,695 was paid in productivity bonuses to industrial staff and £319,211 to non-industrials.

Variance Report

- 2.1 Recurrent Account – Receipts:** The Government of Gibraltar recurrent contribution to the HWA during the financial year 2017-18 totalled £8,249,000, exceeding the budgeted contribution of £7,693,000 by £556,000.
- 3.1 Recurrent Account – Payments:** The total recurrent expenditure of the HWA in the financial year 2017-18 amounted to £8,245,471, resulting in an overspend of £552,471 compared to the approved budget allocation of £7,693,000. The main variances between the approved budget and actual expenditure for the financial year 2017-18 were as follows:
- 3.2 Personal Emoluments** - Total Personal Emoluments for the financial year under review totalled £2,718,091, an overspend of £22,091 against the approved budget of £2,696,000. This was mainly attributable to the following:
- (i) An overspend of £31,183 in Salaries due to a payment of unbudgeted back pay to a HWA officer for the period August 2014 to August 2017;
 - (ii) Higher expenditure than budgeted for in respect of Allowances. The £10,291 overspend was attributable to substitution allowance payments arising from the retirement of several employees under the Early Exit Scheme; and
 - (iii) A saving of £16,094 in Discretionary Overtime as a consequence of a slowdown in the HWA's operational activity.
- 3.3 Industrial Wages** - Total Industrial Wages for the financial year 2017-18 amounted to £2,687,964, an overspend of £113,964 against the approved budget of £2,574,000. The overspend was primarily attributable to Bonus payments having exceeded the budget by £110,695. At the time of preparing the annual Estimates, it was envisaged that a number of non-industrial posts that were vacant would be filled by industrial employees. However, these posts remained vacant and the HWA's industrial compliment remained higher than anticipated.
- 3.4 Materials** - Expenditure in respect of Materials totalled £158,309, a saving of £91,691 against the approved budget of £250,000. The saving was mainly as a result of operational output being lower than expected as industrial employees were substituting for non-industrial posts which remained vacant.
- 3.5 Self-Repair Scheme** - Expenditure in respect of the Self-Repair Scheme amounted to £145,911, resulting in an overspend of £45,911 against the budget

estimate of £100,000. Based on the previous years' trend, £100,000 was allocated and approved, however, there was a greater uptake on this demand led scheme.

3.6 Outsourced Works - Expenditure of £59,831 constituted a saving of £55,169 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 Maintenance of Estates - Total expenditure amounted to £1,564,186 against a budget estimate of £1,100,000, resulting in a £467,186 overspend. The overspend was mainly due to:

- (i) the approved budget being £157,000 less than the proposed bid; and
- (ii) the budgeted cost of caretaker services for Charles Bruzon House and Sea Master Lodge was set at a rate similar to that being paid in respect of Albert Risso House. However, the provision for this service was directly awarded to another service provider (i.e. Gibraltar Joinery and Building Services Ltd) whose rates were significantly higher and resulted in an additional £264,000 being spent over the course of the year.

3.8 Estates – Cleaning of Internal Communal Areas - Expenditure amounted to £274,463, resulting in an overspend of £74,463 compared to the budget estimate of £200,000. The primary cause of this overspend was the omission of cleaning costs for Charles Bruzon House in the estimates bid, as the cleaning of the communal areas commenced in June 2017. Additionally, the estimated cost of cleaning Bishop Canilla House and Albert Risso House was included in the budget bid for Maintenance of Estates subhead.



A R Sacramento
Principal Auditor
Gibraltar Audit Office

19 September 2023



HOUSING WORKS AGENCY

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

RECEIPTS AND PAYMENTS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2018

					<u>2017</u>
	Notes	£	£	£	£
<u>RECURRENT ACCOUNT</u>					
<u>RECEIPTS</u>					
Contribution from the Government of Gibraltar				8,249,000	7,606,000
<u>PAYMENTS</u>					
<u>Personal Emoluments:</u>					
Salaries		2,160,183			2,092,453
Overtime		73,906			146,114
Allowances		147,291			136,177
Bonus Payments	2	<u>336,711</u>			<u>332,282</u>
			2,718,091		2,707,026
<u>Industrial Wages:</u>					
Basic		2,029,100			2,030,132
Overtime		148,169			148,502
Bonus Payments	3	<u>510,695</u>			<u>443,250</u>
			2,687,964		2,621,884
<u>Employer's Contributions:</u>					
Social Insurance Contributions			242,892		225,061
<u>Other Recurrent Expenditure:</u>					
<u>Office Expenditure:</u>					
General Expenses		5,325			10,629
IT Expenses		10,974			13,596
Electricity and Water		14,625			15,121
Telephone Service		31,443			33,607
Printing and Stationery		<u>7,684</u>			<u>10,134</u>
			70,051		83,087
<u>Contracted Services:</u>					
Office Cleaning		22,880			27,374
Maintenance of Estates	4	1,564,186			1,042,060
Lift Maintenance		233,055			183,203
Estates - Cleaning of Internal Communal Areas		<u>274,463</u>			<u>252,245</u>
			2,094,584		1,504,882
Carried Forward			<u>7,813,582</u>		<u>7,141,940</u>

RECEIPTS AND PAYMENTS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2018

				<u>2017</u>
	Notes	£	£	£
Brought Forward			7,813,582	7,141,940
<u>PAYMENTS (cont.)</u>				
<u>Operational Expenses:</u>				
Materials	5	158,309		221,882
Self Repair Scheme		145,911		67,788
Outsourced Works		59,831		83,527
Protective Clothing and Uniforms		19,342		28,318
Transport Expenses		25,056		30,233
Small Plant and Tools		5,807		4,881
Training		9,340		8,604
Technical and Design Expenses		2,772		6,663
Estates - Upkeep of Communal Lighting		427		4,800
			426,795	456,696
Edinburgh Estate - Staircase Lighting		4,479		6,055
Ex Gratia Payments		615		179
			5,094	6,234
			(8,245,471)	(7,604,870)
Net Receipts			3,529	1,130

CAPITAL ACCOUNT

RECEIPTS

Contribution from the Government of Gibraltar - 24,000

PAYMENTS

Works and Equipment (3,665) (24,912)

Net Payments (3,665) (912)



BALANCE SHEET AS AT 31 MARCH 2018

			<u>2017</u>
	£	£	£
<u>ASSETS</u>			
Recurrent Account			
Amount held by the Government of Gibraltar		31,051	27,522
Capital Account			
Amount due to the Government of Gibraltar		<u>(30,417)</u>	<u>(26,752)</u>
		<u>634</u>	<u>770</u>
<u>FINANCED BY</u>			
Recurrent Account			
Account Balance on 1 April 2017	27,522		26,392
Net Receipts during the year	<u>3,529</u>		<u>1,130</u>
Account Balance on 31 March 2018		31,051	27,522
Capital Account			
Account Balance on 1 April 2017	(26,752)		(25,840)
Net Payments during the year	<u>(3,665)</u>		<u>(912)</u>
Account Balance on 31 March 2018		(30,417)	(26,752)
General Fund Balance on 31 March 2018		<u>634</u>	<u>770</u>

Mr R Rodriguez
Head of Agency

Date: 19/09/23

Notes to the Accounts for the Year Ended 31 March 2018

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>2017</u>
	£	£
2) <u>Personal Emoluments: Bonus Payments</u>		
Productivity Bonus	319,211	313,282
Satisfactory Attendance Bonus	17,500	19,000
	<u>336,711</u>	<u>332,282</u>
3) <u>Industrial Wages: Bonus Payments</u>		
Productivity Bonus	485,695	417,250
Satisfactory Attendance Bonus	25,000	26,000
	<u>510,695</u>	<u>443,250</u>
4) <u>Maintenance of Estates:</u>		
Works, Repairs and Maintenance	951,536	789,437
Caretakers and Security Expenses	493,130	164,975
Management Fees	119,520	87,648
	<u>1,564,186</u>	<u>1,042,060</u>
5) <u>Materials:</u>		
Out of the total of £158,309 shown under materials, £7,689 represents cleaning materials.		
6) <u>Payments to Retired Employees under Early Exit Scheme</u>		
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 2018 amounted to £1,048,800. 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.		