

March 22, 2013

Mr. Marco Rolle
Permanent Secretary
MINISTRY OF LABOUR AND NATIONAL INSURANCE
Poinciana Hill Complex
Meeting Street
P.O. Box N-3915
Nassau, N.P.,
The Bahamas

Dear Mr. Rolle,

**RE: TERMS OF FORENSIC ENGAGEMENT BETWEEN THE MINISTRY OF LABOUR AND
NATIONAL INSURANCE (“the Ministry”) AND GRANT THORNTON
NIB’s ALLEGATIONS AGAINST MR. ALGERNON CARGILL
- November 8, 2012 Termination of Employment of Director Algernon Cargill**

At your request and in accordance with the terms of our engagement letter dated November 30, 2012, we have performed certain forensic procedures under your direction in order to investigate the contents of the letter dated November 8, 2012 addressed to the Honourable D. Shane Gibson, MP, Minister of Labour and National Insurance, which was prepared by the Chairman of The National Insurance Board, the Honourable Gregory K. Moss, MP, with the Subject line “Termination of Employment of Director Algernon Cargill” (**Appendix B**), to ensure that there have been no violations of the Rules and Regulations of the National Insurance Board (“NIB”). Additional matters identified by the Ministry for examination include the following:

1. The Sandilands Rehabilitation Centre Construction Project;
2. Salaries and Bonuses of Executive Management during the years 2008 through 2012.

At the conclusion of our forensic engagement, we will produce a written investigation report, based on the relevant evidence. This forensic engagement was performed in accordance with The International Standard on Related Services applicable to agreed-upon procedures engagements and the terms of this engagement, and we have indicated so in this report.

The procedures performed do not constitute either an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements and consequently, no assurance has been expressed. The Ministry has been provided with our findings as a result of procedures performed in this Factual Finding Report.

1. THE SANDYPORT CONTRACT

SEE NIB's ALLEGATIONS IN SECTIONS 1.1 THROUGH 1.18.

MR. ALGERNON CARGILL'S RESPONSE TO ALLEGATION 1 (See Mr. Cargill's complete Affidavit dated November 27, 2012 at **APPENDIX C**)

Mr. Moss alleged that I was dishonest and complicit in making materially false representations to the Board of Directors of NIB to the effect that I did not know about the Sandyport Contract until the 26th February 2010 after the said contract had already been fully executed. This allegation is false. The contemporaneous record, recollection of Mr. Raymond Wells, Ms. Gail Carey, Mr. Patrick Ward and myself clearly establish this falsity. Mr. Raymond Wells, Vice President of Information Technology and Deputy Director of NIB had executive authority to manage the Board's approved contract for Advanced Integrated Systems Ltd. ("AIS"), a Jamaican based company that was engaged by NIB to provide claims adjudication software for the National Prescription Drug Plan. Mr. Wells' authority included the provision of housing accommodations for the AIS employees while in The Bahamas. The employees were initially accommodated at the Hilton Hotel, and Mr. Wells advises that the employees requested relocation to an apartment, and agreed that they could reside in one unit. It was determined by Mr. Wells, based on the information that he had, that it would be more cost effective to rent an apartment to accommodate the employees.

Based on the search by and recommendation from Ms. Gail Carey, the Assistant to Mr. Wells, Mr. Wells decided to rent an apartment in Sandyport that is owned by Jes El Car Ltd. At no time during the search and/or prior to the execution of the lease by Mr. Wells and/or the ratification by Mr. Patrick Ward, and/or the approval of the payment by me did I have any discussion with Gail Carey, Raymond Wells, Velma Thompson, Maggie Thompson or anyone, including Godwin Cargill, with respect to the SandyPort Apartment.

Mr. Wells, on behalf of NIB, and without my knowledge or any prior discussion, executed the lease agreement on the 25th February, 2012 with an effective commencement date of the 1st March, 2012. When the lease agreement was presented to me on the 26th February 2010 for my authorization of payment of the first month and last month's rent and security deposit, pursuant to the lease agreement, I immediately recognized that the lease agreement was with a related party, my brother, Mr. Godwin Cargill, the beneficial owner of Jes El Car Ltd. I immediately contacted the Chairman, Mr. Patrick Ward, in the presence of Mr. Raymond Wells and we explained on speakerphone the circumstances to the Chairman. After being fully appraised of the circumstances leading to the execution of the lease agreement and the rationale for the same, Mr. Ward ratified the decision to rent the Sandyport apartment, on the basis that, in spite of it being a related party transaction, it was a good business decision for NIB. I then approved the payment recommendation provided to me by Mr. Wells. Copies of my memorandum of the 9th October, 2012, letter of Mr. Patrick Ward dated the 11th October, 2012, emails and memorandum from Mr. Raymond Wells dated the 9th October, 2012 and 1st March, 2012 respectively and the lease agreement are produced and shown to me to be exhibited hereto marked "AMC-3".

1. THE SANDYPORT CONTRACT (continued)

A summary of the important facts is as follows:

1.1 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

As stated by Ms. Gail Carey to the Board, she was instructed by Raymond Wells to find a suitable Apartment for the foreign personnel of AIS, the Jamaican based IT provider that had been engaged by NIB to provide the software for its Prescription Drug Plan. She saw various Apartments and, coincidentally, on or about 23rd February, 2010, she was being given a ride by Velma Thompson (a cousin of Mr. Algernon Cargill, and an employee of NIB) when Ms. Thompson coincidentally received a call from her sister, Maggie. According to Ms. Carey, Ms. Thompson told Maggie that she was riding with Ms. Carey who was looking for an Apartment on behalf of NIB, and Maggie told Ms. Thompson that she knew of an Apartment at Sandyport owned by Dianne Burrows. They then headed to Sandyport and informed the security guard that they were going to see the Dianne Burrows' Apartment, to which the security guard responded that they meant the "Cargill Apartment". Ms. Carey then inquired of Ms. Thompson whether the Apartment was owned by a relative of Mr. Algernon Cargill, to which Ms. Thompson replied yes. Also, Ms. Carey said that once she had seen the Apartment, she went back to NIB and did a search against Mr. Algernon Cargill and Godwin Cargill and discovered that they shared the same parents. She stated that she then informed Mr. Wells about the conflict of interest in renting the Apartment from Mr. Algernon Cargill's brother and advised that the Apartment not be rented.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a.) Excerpts from the December 12, 2012 minutes based on an interview conducted by Grant Thornton ("GT"), with Ms. Gail Carey's ("Ms. Carey") recollection of the events are as follows:

"GT asked Ms. Carey to narrate the events which transpired surrounding the Sandyport Apartment issue."

1. THE SANDYPORT CONTRACT (continued)

1.1 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

Ms. Gail Carey's recollection of events:

"Before Mr. Wells' employment, NIB entered into a contract with AIS to implement the Pharmacy Systems. The two employees from AIS were originally housed at the Hilton and it was under the AIS contract that housing and per diem be provided for each AIS employee by NIB. After three weeks at the Hilton, both AIS employees requested long-term housing because it became uncomfortable due to the large amount of luggage and they wanted a place that included washing facilities.

Mr. Wells requested that Ms. Carey look for a suitable apartment for the AIS employees. It was understood that it could be a maximum of three AIS employees therefore a three bedroom apartment was needed. It was also understood that some AIS employees would be females therefore privacy was also a requirement.

All communication was verbal or through memo routing slips which was a normal form of communication at NIB until Mr. Cargill's arrival, then they transitioned into email correspondence. Mr. Wells discussed most office matters with Ms. Carey personally as she was only situated outside his office. Ms. Carey would take notes of their discussion/instructions/directives. Larren Peart from AIS was in daily contact with Ms. Carey to inform her of their whereabouts as required by Ministry of Health.

In February 2010, Ms. Carey looked at apartments in Stapledon and Cable Beach. She also expressed her search verbally to persons around the NIB office in case someone knew of a suitable apartment. Having favored one place in Stapledon but found out there was a recent break-in, Mr. Wells requested that Ms. Carey look into gated communities. During the last week of February 2010, Ms. Carey then contacted Mark Hussey of Damianos Realty who told her about an apartment in Delaporte Point. On February 23, 2010, Mr. Mark Hussey sent an email with the quotation of a Delaporte apartment. Ms. Carey then set up an appointment to view the apartment. Ms. Carey asked her good friend and coworker Velma Thompson – Analyst/Programmer to accompany her to the appointment and give her opinion. Once at the apartment, they both realized it did not meet the requirements. It only had two bedrooms, and one and a half bathrooms. The requirement was 3 bedrooms and 2 to 3 bathrooms. It also did not have a washer or dryer inside the apartment unit. There were washing facilities in the complex.

During the visit at the Delaporte Apartment, Ms. Velma Thompson got a call from her sister Maggie, who worked in the Accounting Department at SG Hambros at that time, and who asked why Velma wasn't at her desk, and what she and Ms. Carey were up to. Velma said that she was with Gail Carey and they were looking for an apartment to accommodate their foreign consultants. Maggie then suggested they go to Sandypoint to take a look at their "cousin's" apartment. Maggie gave them the contacts for Dianne Burrows and sent them to see apartment 124A. When they arrived at Sandypoint's security gate, Ms. Carey requested to see the Dianne Burrow's 124A apartment, as there was some confusion in identifying the apartment, and the first security guard corrected the second guard and stated that she was referring to Cargill's apartment. Ms. Carey then questioned the relationship of "this Cargill" to Mr. Algernon Cargill. Velma told her "Yes" but did not elaborate.

1. THE SANDYPORT CONTRACT (continued)

1.1 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

Ms. Carey and Ms. Thompson met Ms. Dianne Burrows to see the apartment. Ms. Burrows introduced herself as the property manager. Ms. Carey inquired about the owner of the apartment. Ms. Burrows confirmed that the apartment was owned by Mr. Godwin Cargill. When Ms. Carey saw the apartment, it was exactly what they were looking for. The 3 bedrooms, 3 bathrooms, privacy for females, it fit the requirement perfectly.

She then asked Ms. Burrows to send a quote for the Sandyport Apartment. The quote was dated February 23, 2012 and was stamp received by NIB on February 26, 2010.

Back at work, Ms. Carey started looking into the relationship between Mr. Algernon Cargill and Mr. Godwin Cargill. Ms. Carey asked Ms. Velma Thompson if she is related to Mr. Cargill, referring to her sister's earlier comment about her "cousin's apartment". Ms. Thompson replied that they were "distantly related". Ms. Carey used NIB's IBM AS400 system only to find out that they have the same parents (meaning they are siblings/brothers). Upon Ms. Carey's discovery, she informed Mr. Wells of the conflict of interest and that they should not proceed with the Sandyport Apartment rental. Being pressed for time, Mr. Wells informed Ms. Carey that he would get Mr. Algernon Cargill to declare his conflict of interest to the Board to avoid any further confusion. After Ms. Carey informed Mr. Wells of the conflict and suggested they not proceed, she felt she had done her due diligence and completed the task she was asked to do. Ms. Carey also offered to continue looking to avoid the confusion but Mr. Wells insisted there was no time and he declined her offer. Grant Thornton then confirmed with Ms. Carey that after her discovery, even though Ms. Carey liked the apartment as it fit perfectly with the agreed specifications (i.e., privacy, security, enough space for work area), she was reluctant to proceed with the apartment rental due to the conflict of interest (that is, Mr. Godwin Cargill is Director Algernon Cargill's brother). Ms. Carey confirmed that Mr. Wells told her that the procedure regarding the conflict of interest is to declare it and proceed with the transaction. Ms. Carey also said that at that time, they were trying to meet the deadlines in moving the staff over the weekend, and that Mr. Wells felt that there was also no time to look at other apartments.

Ms. Carey informed Ms. Burrows that they would be going forward with the rental, and a copy of the lease would be sent to Ms. Carey who would in turn send it to Mr. Wells, and then Mr. Algernon Cargill for signature. Upon Mr. Wells' receipt and signature, he assured Ms. Carey he would have Mr. Algernon Cargill declared his conflict of interest. The viewing of the apartment took place at the beginning of the week and it was agreed that the AIS employees would be able to move in over the weekend. The apartment would be fully furnished with bedding and linens.

Between the week of the viewing (last week of February 2010) and the week after the AIS employees moved in (1st week of March 2010), Ms. Carey went to Mr. Algernon Cargill for signature. At that time Mr. Algernon Cargill told Ms. Carey he did not want to get mixed up with the apartment, as he had nothing to do with it. After this encounter, Mr. Wells asked Mr. Carey to write a Memo stating the events leading up to the selection of the Sandyport apartment, and that Mr. Algernon Cargill had no influence. Ms. Carey found this request odd but did it anyway as instructed by her superior. This memo was prepared by Ms. Gail Carey, dated March 1, 2010 and referenced "Clarification of Housing Choice at Sandyport for AIS staff."

1. THE SANDYPORT CONTRACT (continued)

1.1 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

b) In the signed memo prepared by Ms. Gail Carey (**Appendix 1.09**), she noted some inconsistencies with her statement to the Board of Directors on Allegation 1.1 above, outlined as follows:

- The statement follows: "she was being given a ride by Velma Thompson," however it should state that Ms. Velma Thompson was actually riding with me (Ms. Carey).

1.2 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

- In the statement it states: "Maggie told Ms. Thompson that she knew of an apartment at Sandyport owned by Dianne Burrows." **Correction:** Maggie told Velma that she knew of an apartment in Sandyport owned by their cousin (Maggie refers to Maggie Thompson, sister of Velma Thompson).

Prior to the inspection of the Sandyport apartment, Ms. Carey had already inspected many other apartments including an apartment at Delaporte Point, which also provided similar utilities and housekeeping services as the Sandyport apartment, but the Sandyport apartment had an additional bathroom, for the rental sum of \$4,500.00 per month.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a.) Grant Thornton interviewed Ms. Gail Carey and she indicated that the apartment at Delaporte Point did not have similar utilities as the apartment at Sandyport. An excerpt from the December 12, 2012 minutes is as follows:

"...During the last week of February 2010, Ms. Carey then contacted Mark Hussey of Damianos Realty who told her about an apartment in Delaporte Point. On February 23, 2010, Mark Hussey sent an email for the quotation of the Delaporte apartment. Ms. Carey then set up an appointment to view the apartment. Ms. Carey asked her good friend and coworker, Velma Thompson - Analyst/Programmer, to accompany her to the appointment and give her opinion.

1. THE SANDYPORT CONTRACT (continued)

1.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

Once at the apartment, they both realized it did not meet the requirements. It only had two bedrooms and one and a half bathrooms. The requirement was 3 bedrooms and 2 to 3 bathrooms. It also did not have a washer or dryer inside the apartment unit. There were washing facilities in the complex."

b.) Based on the signed memo by Ms. Gail Carey (**Appendix 1.09**), she noted some inconsistencies with her statement to the Board on Allegation 1.2 and they are as follows:

- The apartment at Delaporte Point did not provide similar utilities (its washing facilities were on the property and not inside the unit).
- The apartment at Delaporte Point had two bedrooms and one and a half bathrooms, whereas the apartment in Sandypoint had three bedrooms and three and a half bathrooms along with an additional sitting room on the third level. The layout and floor plans of the two apartments were completely different.
- Grant Thornton noted that two apartment options were presented formally to Mr. Raymond Wells for selection.

c.) Excerpts from the Delaporte Point quotation dated February 23, 2010 from Mark Hussey of Damianos Realty (**Appendix 1.07**) are as follows:

- *Start date: February 27, 2010*
- *Departure Date : June 30, 2010*
- *Option to renew for a further 2 months*
- ***Option 1:** Monthly rental: \$4,500; To include: BEC, Cable TV and Internet and phone (not inclusive of long distance phone to be installed when owner is back in March)*
- ***Option 2:** Monthly rental: \$4,000; In addition to the rent, and payable monthly, BEC, Cable TV and Internet and phone*

1. THE SANDYPORT CONTRACT (continued)

1.3 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Accordingly, the rental rate for the Sandyport apartment of \$6,666.70 was approximately 48% more expensive than the "Option 1" apartment at Delaporte Point with a monthly rental of \$4,500.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a.) The quotation from Mark Hussey of Damianos Realty (**Appendix 1.07**) stated a monthly rental of \$4,000 per month for "Option 2" (excluding fixed utility charges such as electricity, water, cable, phone and internet). An additional quote was provided to include \$500 fixed monthly utility charges (i.e., electricity, phone, cable, water), with this option, the total monthly rent cost would be to \$4,500 for Option 1.
- b.) Based on the quotation from Jes-El Car Company Limited, the Bahamian company that owned the Sandyport Apartment located at 124A Governor's Cay and Sandyport Drive, Sandyport, dated February 23, 2010 and signed by Dianne A. Burrows as Property Manager (**Appendix 1.06**), the monthly rental cost was \$5,000.
- c.) The actual monthly rental of the apartment (exclusive of utilities) was \$5,000. The Rental Agreement (**Appendix 1.05**), signed by Mr. Raymond Wells (Vice President of Information Technology) on behalf of NIB as the Tenant, and Dianne Burrows on behalf of the Landlord (Jes-El Car Company Limited), dated March 1, 2010, indicated that the monthly rental cost was \$6,666.70. Grant Thornton has established that the monthly rental of \$6,666.70 included fixed charges for utilities such as electricity, phone and internet charges totaling \$1,666.70 (**Appendix 1.06**).

1. THE SANDYPORT CONTRACT (continued)

1.3 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

Below is a breakdown of the two rental options concerning the Sandyport apartment (with and without electricity):

	Rental Option 1	Rental Option 2 (excluding electricity)
Rent	\$5,000.00	\$5,000.00
Electricity	1,200.00	-
Phone	38.00	38.00
Water	80.00	80.00
Cable	30.00	30.00
Internet	38.70	38.70
Maid	280.00	280.00
	\$6,666.70	\$5,466.70

d.) Grant Thornton recalculated the excess of the available alternative rental rate which was actually 25%, that is, the "Rental Option 2" Sandyport apartment, versus the "Rental Option 1" Delaporte apartment, and the computation is as follows (exclusive of fixed monthly utility charges):

- $(\$5,000 - \$4,000)/\$4,000 = 25\%$

The calculation of forty eight percent (48%) excess rent paid by NIB by leasing Mr. Godwin Cargill's Sandyport apartment as opposed to the Delaporte Option 1 apartment is determined as follows:

- $(\$6,666.70 - \$4,500)/\$4,500 = 48\%$

1.4 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

On 25th February, 2010 Mr. Wells wrote a Memorandum to Mr. Cargill to advise him of the alternative accommodations at Sandyport and at Delaporte Point and ended by stating: *"I seek your approval and assistance in this matter."* The Memorandum was signed by Mr. Algernon Cargill and dated 26th February, 2010 and a note from Ms. Carey that a cheque be prepared *"for Rental Option 1 in the amount of \$18,333.40"*.

1. THE SANDYPORT CONTRACT (continued)

1.4 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) Grant Thornton obtained the February 25, 2010 memo (**Appendix 1.19**) prepared by Mr. Raymond Wells and addressed to Mr. Algernon Cargill (Director), and confirmed that the memo had “the Director” stamp along with Mr. Algernon Cargill’s signature, and we noted the following (subsequently agreed by Grant Thornton to the specimen signature list):

- *Date of memo: February 25, 2010;*
- *Last sentence of the memo wrote: “I seek your approval and assistance on this matter”;*
- *Director’s approval stamp and signed by Mr. Algernon Cargill dated February 26, 2010; and*
- *A handwritten note signed by Ms. Gail Carey stating “Please prepare cheque for Rental Option 1 in the amount of \$18,333.40.”*

Grant Thornton determined that the amount of \$18,333.40 pertains to the first and last monthly payments of \$13,333.40 (\$6,666.70 x 2) and the security deposit of \$5,000. The details of the breakdown are outlined in the quote (**Appendix 1.06**). However, the last month payment of \$6,666.70 was not explicitly indicated in the Rental Agreement (**Appendix 1.05**).

- b) Grant Thornton engaged the services of independent real estate brokers (Mr. Patrick Strachan and William Wong & Associates Realty) to conduct a review of the reasonableness of the terms and cost of the Sandyport apartment versus similar apartments, and to provide their respective professional opinion. With regard to the payment of \$18,333.40 for the Sandyport apartment, Patrick Strachan’s report (**Appendix 1.44**) mentioned the following: “Normally, the first, last and one month’s security is required upfront, which in this case totals \$15,000. However, a total of \$18,333.40 was paid up front, obviously to cover the expenses. However, that is not normal but it may have been done because it was a short term rental.”

1. **THE SANDYPORT CONTRACT (continued)**

1.4 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

b) (continued)

- Mr. Patrick Strachan mentioned that the monthly rent of an apartment in Sandyport with the same specifications (3 beds, 3 ½ baths) should be in the range of \$4,000-\$4,500/month. The 124A apartment was rented out at \$5,000 per month. The monthly rental of \$5,000 should include 4 beds and 3 ½ baths specifications.
- Also, Patrick Strachan's report had comparisons with apartments similar to the Sandyport apartment (3 beds, 3 ½ baths) with monthly rental in the range of \$4,000-\$4,500 per month, versus \$5,000 per month rent paid by NIB for the Sandyport apartment, exclusive of the utilities.

Further, William Wong & Associates' report (**Appendix 1.45**) mentioned the following: *"The security deposit, first and last month's rent fit in with normal industry standards."*

- In the rental agreement, the rental period was not stated. This is inconsistent with industry practice;
 - It is unusual that the first payment of \$18,333.40 included the utilities amounting to \$3,333.40. Advance payments should only include the rental of \$5,000 per month with the security deposit in the total amount of \$15,000 (first and last month's rent plus \$5,000 security deposit);
 - It is not a standard practice to include a fixed electricity charge. Electricity charges/bills are usually paid directly by the lessee to Bahamas Electricity Corporation ("BEC") (electrical company). Also, the electricity of \$1,200 per month appeared high. During the summer months, it would usually be around \$1,000 per month and in winter months, it would usually be around \$800 per month;
- c) An excerpt of the Sandyport Rental Agreement (**Appendix 1.05**) on the payment details is as follows:
- Monthly Rental: \$6,666.70 (Such payment to be made on the 1st day of each month); and
 - Security Deposit: \$5,000.00 (To be paid on the execution of this lease and to be reimbursed to the Tenant on the expiration of this agreement).

1. THE SANDYPORT CONTRACT (continued)

1.5 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

The reference to *“Rental Option 1”* is a reference to a letter from Jes-El Car Company Limited to Ms. Gail Carey dated 23rd February, 2010 in which two Options were put to NIB for the rental of the Sandyport Apartment and in which (and only in which) a request was made for a deposit of \$18,333.40. That document was received by NIB on 26th February, 2010 – the same date as Mr. Algernon Cargill’s approval of the memorandum from Mr. Wells requesting *“approval and assistance”* in renting the Sandyport apartment.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a.) The quote from Jes-El Car Company Ltd. (Sandyport apartment) (**Appendix 1.06**) indicated a “PAID” stamp by NIB’s accounts payable department, dated February 26, 2010. Also, the “Rental Option 1” refers to the \$6,666.70 monthly payment quote which was broken down as a monthly apartment rental of \$5,000 and a fixed utility charge of \$1,666.70.
- b.) The memo dated February 25, 2010 (**Appendix 1.19**) indicated a Director’s approval stamp with Mr. Cargill’s signature agreed to NIB Specimen Sheet dated February 26, 2010.
- c.) Based on Ms. Gail Carey’s January 18, 2013 signed memo (**Appendix 1.09**) *“The memo from Jes-El Car provides a breakdown of the \$18,333.40 requested for payment/deposit. It states the specific amounts for first and last months’ rent as well as the security deposit amount. The three amounts added together totaled \$18,333.40. However, I think that it should have said “Total Payment” instead of “Total Deposit” (bottom of the page).”*

1. THE SANDYPORT CONTRACT (continued)

1.6 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Notwithstanding those clear references to Mr. Algernon Cargill's approval having been requested by Mr. Wells, and approved by Mr. Algernon Cargill, at the Board meeting of 16th October, 2012, both Mr. Algernon Cargill and Mr. Wells denied that Mr. Algernon Cargill gave approval for the rental of the Sandypoint Apartment. Instead, Mr. Wells made a shocking statement that notwithstanding his knowledge of the conflict of interest and notwithstanding his request for Mr. Algernon Cargill's *approval and assistance* in facilitating the rental of the Sandypoint Apartment, he nonetheless proceeded to execute a rental agreement for the Sandypoint Apartment without the approval of Mr. Algernon Cargill.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) A resolution was approved at the October 16, 2012 NIB Board of Directors meeting and is detailed below, and subsequent to this resolution Mr. Algernon Cargill was placed on administrative leave. An excerpt of the October 16, 2012 Board Minutes (**Appendix 1.16**) with the resolution is as follows:

"Be it resolved that the Board of Directors approves:

- (i) To summarily terminate the services of Director Algernon Cargill and Mr. Raymond Wells, Vice President - IT Department for gross misconduct in relation to the rental of Apartment 124A, Sandypoint, by NIB from Jes-El Car Company Limited, a company owned by Mr. Godwin Cargill, the brother of Mr. Algernon Cargill;*
- (ii) To authorize the Chairman to invite both Mr. Cargill and Mr. Wells to resign from their employment with immediate effect as an alternative to having their employment summarily terminated in which case the Chairman was authorized to pay them up to one year's salary each;*
- (iii) To appoint the current Senior Deputy Director of Operations, Mrs. Cecile Bethel to act as Director of NIB pending the appointment of a Director and*
- (iv) To authorize Mrs. Bethel to identify a suitable person (s) within IT Department to carry on that function.*

The above is subject to Ministerial approval"

1. **THE SANDYPORT CONTRACT (continued)**

1.6 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

FINDINGS (continued)

b) The timeline of events (**Appendix 1.15**) and corresponding document supports are as follows:

EXCERPTS FROM THE OCTOBER 16, 2012 9TH SPECIAL MEETING OF NIB BOARD OF DIRECTORS – Paragraph 2.1.4

“2.1.4 Director Davis took members through a chronology of events as follows:

- *14th January, 2010 - AIS personnel working on the Drug Plan system arrived in The Bahamas. (Appendix 1.17)*
- *23rd February, 2010 - Email from Damianos to Gail Carey outlining rental option for Delaporte Apartment \$4,500 and \$4,000 utility included. (Appendix 1.07)*

Letter from Jes-El Car Rental to Gail Carey outlining rental options for Sandyport Apartment - \$6,666.70 with utilities, cable, phone, internet, maid service and \$5,466.70 without electricity. (Appendix 1.06)

- *25th February, 2010 - Memo from Mr. Wells to Mr. Cargill outlining reasons for moving AIS staff from hotel to apartment. (Appendix 1.19)*

Mr. Wells indicated that rental will be for three months initially and month-to-month thereafter.

Two locations outlined. Delaporte Point \$4,500 and Sandyport \$6,666.70. Mr. Wells recommends Sandyport for \$6,666.70. Mr. Wells asks for Mr. Cargill's approval and assistance in the matter.

- *26th February, 2010 - Cheque #20100956 for \$18,333.40 approved by Mr. Cargill and was paid to Jes-El Car Rental. (Appendix 1.20)*

Amount represented 1st (\$6,666.70), last (\$6,666.70) and security deposit (\$5,000).

Lease only called for 1st and security deposit.

Memo routing slip from Sonia Gill (Financial Controller) to Raymond Wells asking status of rental agreement as we are paying large security deposit. (Appendix 1.21)

Mr. Wells writes on Memo slip in response to Mrs. Gill that he spoke with Legal and formalized a suitable lease agreement. No indication of the date of his response.

- *1st March, 2010 - Lease signed between NIB and Jes-El Car rental Company for rental of #124A Governor's Cay & Sandyport Drive, Sandyport. (Appendix 1.05)*

1. THE SANDYPORT CONTRACT (continued)

1.6 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

FINDINGS (continued)

Raymond Wells signs on behalf of NIB.

Dianne Burrows signs on behalf of Jes-El Car Rental.

Monthly lease is \$6,666.70 due 1st of each month.

Term is a short term lease for up to 12 months.

Deposit is \$5,000 due on execution of lease to be refunded on expiration of lease.

Utilities included.

- *1st March, 2010 - Memo from Gail Carey to Raymond Wells clarifying selection process for apartment. (Appendix 1.22)*

Memo indicated that Mr. Algernon Cargill only became aware that the apartment was his brother's at the point of final approval.

Gail Carey gave reasons why apartment was selected: safety, layout, size, cost, etc.

- *5th March, 2010 - Altercation at apartment between NIB staff members (Raquel and Daisy) in second floor bathroom after being invited by David Brown, AIS staff. (Appendix 1.23)*

Minor damage to mirror. David Brown from AIS paid D. Burrows for any damages.

AIS confirmed that matter was discussed with Mr. Cargill and Mr. Wells.

- *1st April, 2010 - Second payment on lease \$6,666.70. (Appendix 1.24 (Cheque Images) See related cheque #20101579 dated April 1, 2010)*
- *19th December, 2010 - AIS personnel used the apartment for last time in 2010. The Apartment was rented for a total of 159 days by AIS personnel in 2010. (Appendix 1.17 - See also Appendices 1.41-1.43 for detailed analysis. Per analysis, the apartment was rented by AIS Consultants for about 160 days)*
- *15th January, 2011- Jes-El Car Rental carried out works at apartment at the request of NIB to change the lock and the touch up painting job. They also changed linens as requested by NIB since various consultants used the apartment. (Appendix 1.25)*
- *27th February, 2011- AIS personnel used the apartment for first time in 2011; two days in February (27th & 28th) and three days in March (1st to 3rd). (Appendix 1.17)*

1. THE SANDYPORT CONTRACT (continued)

1.6 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

FINDINGS (continued)

- 25th March, 2011 - The explanation from Gail Carey on the invoice from Jes-El Car Rental in the amount of \$300 indicated that the "payment is for the lock that was changed at our request for the apartment in Sandypoint and the touch up painting job. We are also paying for the linens that were requested for the apartment since we started using multiple consultants." (**Appendix 1.25**)
- 3rd April, 2011 - Memo Routing slip from Mr. Deleveaux to Mr. Wells asking what invoice from Jes-El Car Rental for \$300 dated January 15, 2011 was in reference to. Deleveaux wanted to know who lived at the apartment. (**Appendix 1.25**)

Gail Carey's handwritten response at the bottom of Memo slip indicated that "the apartment was rented at Sandypoint for the Drug Plan. We are now using it for other consultants so we had the (lock) changed and minor painting done."

- 11th April, 2011 - Cheque #20111601 for \$300.00 was paid by NIB to Jes-El Car for rekeying front door, installed dead lock on third floor closet, touch up interior paint and replenish towels for new guest. (**Appendix 1.25**)

\$300 invoice for minor repairs to apartment approved by Mr. Cargill.

- 7th May, 2011 - Last day AIS personnel's stay in Sandypoint apartment. The apartment was used a total of 21 days by AIS personnel in 2011. (**Appendix 1.17**)

Memo from Gail Carey to AIS stating that NIB will move AIS consultants to Hilton Hotel as they (NIB) had other consultants coming in to use the apartment.

- 28th July, 2011 - Email dated 7/28/11 from Sonia Gill to Raymond Wells on the subject of the Sandypoint rental wrote further to her query of several months ago and questioned whether it was appropriate to charge the rental of the apartment to the drug plan. (**Appendix 1.26**)

Mrs. Gill further stated that she was surprised that the memo for the August 1st payment was submitted even though she had asked this question on it.

Mr. Wells responds to Mrs. Gill's email of 7/28/11 (**Appendix 1.26**) and confirmed that the apartment at Sandypoint since February, 2011 was being utilized by a number of consultants including those from LWRL who were working on the request for proposal for the new insurance administration system. Mr. Wells further wrote that as for the use of the apartment after the end of August that he would have liked to terminate the agreement but "if all goes well and our project is approved" he believed that other consultants for the approved project would be living there.

- 9th August, 2011 - Letter to Jes-El Car Rental signed by Mr. Wells giving notice to the landlord of its intention to vacate the apartment on October 31, 2011. (**Appendix 1.27**)

1. THE SANDYPORT CONTRACT (continued)

1.6 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

FINDINGS (continued)

Letter reference agreement signed March 1, 2010.

Letter requests landlord to schedule an inspection of apartment and discuss security deposit.

- *31st August, 2011 - Last payment of lease \$6,666.70 representing lease for September, 2011. (Appendix 1.40)*
- *31st October, 2011 - Apartment was vacated by NIB. (Appendix 1.27)*
- *13th April, 2012 - Letter to Jes-El Car Rental signed by Mr. Wells as follow-up to August 9, 2011 letter trying to schedule inspection times and discussed the refund of deposit. (Appendix 1.28)*

Handwritten note on bottom of letter says: Painting, cleaning of carpet and hairline crack in vanity in white bathroom

Signature to handwritten note appears to be D. Burrows.

- *28th April, 2012 - Last day AIS personnel in the Bahamas. Lodged at British Colonial. Paid for own travel and lodging. (Appendix 1.17)*
- *14th September, 2012 - Patrick L. Davis' email to Mrs. Maynard requesting her to obtain evidence of delegated authority on which Mr. Wells relied to lease apartment. (Appendix 1.29)*
- *24th September, 2012 - Mrs. Maynard emailed Patrick L. Davis indicating that she met with Mr. Wells and that he stated that he had blanket authority to enter into leases. (Appendix 1.31)*

Email also indicated Gail Carey did not wish to meet with her without union representation.

- *1st October, 2012 - Patrick L. Davis' email to Mrs. Maynard requesting opinion on likelihood of recovering deposit on the apartment. (Appendix 1.30)*

Mrs. Maynard made request to Mr. Wells by forwarding Patrick L. Davis email.

- *8th October, 2012 - email from Mr. Wells to Godwin Cargill requesting status of NIB security deposit of \$5,000. Email from Godwin Cargill to Mr. Wells indicating that damage to the apartment as noted after inspection with Gail Carey. There were damages to bathroom fixtures, cleaning of carpet, repainting of wall and missing knobs on Jacuzzi tub. He stated that repairs would be deducted from deposit. (Appendix 1.32)*

1. THE SANDYPORT CONTRACT (continued)

1.6 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

FINDINGS (continued)

- 9th October, 2012 - Email from Patrick L. Davis to Mr. Wells requesting his presence at Contracts meeting of October 11, 2012. Chairman and Committee members copied. (Appendix 1.33)

Email from Mr. Wells to Patrick L. Davis stating that he will not be able to attend.

Email from Chairman Moss to Mr. Wells directing that he attend Committee meeting and some of the matters he would be expected to address.

Email from Mr. Wells to Chairman Moss and Patrick L. Davis answering matters raised by Chairman in his email and reiterating that he cannot attend committee meeting.

Email from Patrick L. Davis to Mr. Cargill inviting him to attend committee meeting to address Mr. Wells blanket authority to enter into the rental contract with his brother.

- 10th October, 2012 - email from Mr. Cargill to Patrick L. Davis indicating he would not be able to attend committee meeting on October 11, 2012. (Appendix 1.34)

Email from AIS to Patrick L. Davis confirming that they last occupied apartment on May 7, 2011 and attached schedule of lodging for their employees who worked on the Drug Plan system.

- 11th October, 2012 - Contract and Tenders (Special) Committee meeting to discuss Sandyport contract. (See draft minutes attached as Appendix 1.35)

Mr. Cargill presented his letter dated October 9, 2012 addressed to Chairman Moss and copied to the PM, Deputy PM, NIB Minister Gibson, NIB Deputy Chairman Evans and Patrick Ward, former Chairman of NIB. (Appendix 1.36)

Mr. Cargill presented his letter dated October 9, 2012 from former Chairman Ward on Sandyport apartment approval process purporting to support Mr. Cargill's claim that the then Chairman and former Prime Minister gave Mr. Cargill and Mr. Wells' approval to rent the apartment at Sandyport. (Appendix 1.37)

Deposit of \$5,000 remains outstanding from Jes-El Car Rental Company."

Grant Thornton is unaware as to whether Mr. Wells had the authority to enter in such a significant contract on behalf of NIB. In fact, the apartment rental cost, including the security deposit, totaled \$138,334 before the lease was terminated on October 31, 2011, and Grant Thornton has examined no evidence that provided Mr. Cargill with the signing authority for that spending level. There was no Board of Directors approval.

1. THE SANDYPORT CONTRACT (continued)

1.6 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

FINDINGS (continued)

Additionally, Mr. Cargill signed no Conflict Declaration for NIB's rental of his relative's apartment as required by NIB.

Also, Grant Thornton has seen no approval to rent the Sandyport apartment from either the Board of Directors in 2010 or the Minister responsible for NIB, former Prime Minister, the Honourable Hubert Ingraham.

1.7 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

In the clear overwhelming majority consensus of the Board, both Mr. Algernon Cargill and Mr. Wells were dishonest in making statements to the Board to the effect that Mr. Algernon Cargill either did not give his approval for the rental of the Sandyport Apartment, or did not do so until after the Rental Agreement had been executed by Mr. Wells. Further, it is the clear overwhelming majority consensus of the Board that Mr. Algernon Cargill and Mr. Wells agreed to misrepresent the facts to the Board regarding the knowledge and involvement of Mr. Algernon Cargill with a view to exculpating Mr. Algernon Cargill from any responsibility for his approval for the rental of the Sandyport Apartment notwithstanding his clear conflict of interest in having done so.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

1. THE SANDYPORT CONTRACT (continued)

1.7 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

FINDINGS

a.) The Contracts and Tenders Committee met on October 1, 2012 and made recommendations to the board of Directors. See recommendations below:

“Be it resolved that in regards to the execution of the rental agreement dated 1st March 2010 between Jes-El Car Company Ltd. (Sandy Port) and The National Insurance Board, the Contracts and Tenders Committee approves and recommends to the Board of Directors for approval that with immediate effect the following persons be placed on administrative leave with full pay and benefits pending a determination of the Board of Directors for dereliction of duty, gross misconduct, insubordination, gross negligence and conflict of interest:

1. *Mr. Algernon Cargill, Director;*
2. *Mr. Raymond Wells, Deputy Director/Vice President/ I.T. Department, for the following reasons:*

1. *The contract was executed in favor of a company which was beneficially owned by the brother of NIB’s Director, Algernon Cargill;*
2. *Such contract was executed by Mr. Raymond Wells on behalf of NIB without the knowledge or approval of the Board of Directors;*
3. *The contract was executed for a more expensive property notwithstanding that there were other comparable properties that were available;*
4. *The contract which was executed on March 1, 2010 for twelve (12) months was allowed to continue for seventeen (17) months to 31st October, 2011 notwithstanding that the contract was a short term contract for up to 12 months and that AIS (Drug Plan) personnel last stayed at the apartment May 7th 2011;*
5. *The deposit paid was in excess of \$5,000 stated in the contract – for a total amount of \$18,333.40 which represented first and last month’s rent and security deposit (monthly rental was \$6,666.70), which the contract did not call for;*
6. *Mr. Raymond Wells was requested to attend the Contracts and Tenders Committee Meeting on 11th October, 2012 and to provide a report on the Consultants’ staff lodging but declined to attend and did not provide the requested report.*

Be it further resolved that the Contracts and Tenders Committee approves and recommends to the Board of Directors for approval that Mrs. Cecile Bethel be appointed to act as Director and that she be authorized to identify a suitable person from within the I.T. Department to carry on the functions of that department in the absence of Mr. Raymond Wells.

1. THE SANDYPORT CONTRACT (continued)

1.7 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

Further, Mrs. Bethel is authorized to put all of the necessary measures in place to prevent the individuals stated above from being able to access the I.T. System or gain entry to the NIB premises, subject to Ministerial approval."

Based on the Board minutes dated October 16, 2012 (**Appendix 1.16**) subsection 2.1.164 states "*In view of the foregoing and recommendation put forth by the Contracts and Tenders Committee and following some further discussion, on a motion duly made seconded and carried with one opposing vote...*"

b.) Mr. Algernon Cargill is listed as an officer of the Company (Vice President and Director) on the June 2004 Annual Return obtained from the Registrar General's Department (**Appendix 1.11**). No other Annual Returns were filed and available for review from the Registrar General's Department. We obtained a copy of the NIB's AS400 query results (**Appendix 1.01**) which showed that Mr. Godwin Cargill is a sibling of Mr. Algernon Cargill (NIB Director).

- *The rental contract with Jes-El Car Company Limited, owned by Mr. Cargill's brother, appears to be a violation of NIB's "Conflict of Interest" policies.*

c.) We engaged the services of Evans & Co. to perform a company search for Jes-El Car Company Limited and noted the following items on the Sandyport apartment in its email correspondence dated January 18, 2013 (**Appendix 1.02**):

- *Conveyance: Lot #124 Sandyport Drive in the Subdivision called and known as Governor's Cay situate in the Western District of the Island of New Providence was conveyed to Jes-El Car Company Limited from Christian McCabe and Lisa McCabe on September 30, 2004.*
- *Mortgage: Godwin Cargill and Jes-El Car Company Limited to FirstCarribean International Bank.*
- *In 2012, Sandyport Homeowners Association Ltd. brought an action against Jes-El Car Company Limited Writ filed August 17, 20120; Judgment in Default in Defence October 18, 2012.*
- *Directors/Officers: Madge Cargill - President & Director, Algernon Cargill - Vice President & Director and Tootsie Vernicka Hunter - Secretary & Director.*

1. THE SANDYPORT CONTRACT (continued)

1.7 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

- Shareholders: Tootsie Hunter (1 share) and Debbie Michele Gilbert (1 share).
- Date of incorporation: May 31, 2000.
- Last annual return: June 14, 2004.

d.) Excerpt of the Conflict of Interest Policies (**Appendix 1.39**) is as follows:

Code of Business Conduct Paragraph 6.0 states that "...They shall avoid acquiring business, commercial or financial interest, participating in any activity or becoming involved in any relationship that would tend.... (c) To engage in any contracts or conducts business on behalf of the The National Insurance Board with immediate family including your spouse, live-in companion, children, father, mother, in-laws, uncles, aunts.... Disclosure: National Insurance Board employees are required to make prompt disclosures to management in writing, or as may be otherwise authorize, of all interest or activities, business, commercial, financial or otherwise that might be regarded as creating an actual or potential conflict of interest with their duty to the National Insurance Board. A National Insurance Board member who has a conflicting or possibly conflicting interest with respect to any transaction must advise management of that interest so that it may take into account in the consideration of the transaction."

Paragraph 15.0 Disclosure Procedure: "Employees whose jobs are considered by The National Insurance Board to be such that a conflict of interest may arise could be required to report annually on this matter. As part of this reporting procedure, the Board will provide the employee with a statement for signature. This statement will indicate that the employee has been made aware of the Company's Conflict of Interest policy and will include a place for the insertion by the employee of any relationship of which the employee of any relationship of which the employee feels the Board should be aware... The Manager is also responsible for bringing to the attention of the executive responsible for the department/division any information on the statement which could expose the employee to a potential conflict. In such cases, the employee will be removed from the procurement action so that he or she is not in a position to influence the purchase decision. Any employee who misrepresents information to the Board in this area shall be subject to dismissal. As this constitutes a major breach, the penalties of major breaches will be applied."

Policy No. 25 (1) states that "No employee of the Board is allowed to participate in, or influence, the purchase of goods or services on behalf of the Board from any Company or business concern in which that employee has a direct or indirect financial interest. In the event that the employee becomes aware that the Board is engaged in a business transaction with a company or business concern that the employee has direct or indirect interest in, the employee should forthwith disclose the relationship." Policy No. 25 (5) states that "Those employees whose jobs are considered by the Board to be such that a conflict of interest may arise may be required to report annually on this area. As part of the reporting procedure, the Board will provide the employee with a statement for signature."

1. THE SANDYPORT CONTRACT (continued)

1.7 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

This statement will indicate that the employee has been made aware of the conflicts of interest policy and will include a place for the insertion by the employee of any relationships which the employee feels the Board should be aware of."

- e.) We obtained and reviewed the December 31, 2010 Related Party/Conflict of Interest Disclosure Form for Mr. Algernon Cargill (**Appendix 1.12**). We obtained the Summary of Conflict of Interest/Related Party signed by Mr. Algernon Cargill on July 6, 2011 (**Appendix 1.13**) as well as the Related Party Policy approved in September 2011 - effective in the year 2011 (**Appendix 1.14**).
- f.) No disclosure was made on the "Conflict of Interest Disclosure Form" by Mr. Algernon Cargill that he had a potential conflict of interest or was a related party to Jes-El Car Company Limited. Grant Thornton confirmed with Ms. Heather Maynard, NIB Legal Officer, that the executives only signed the Related Party/Conflict of Interest Disclosure Form as of the year end December 31, 2010, and this was the only signed form made available for our review.

1.8 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

To the contrary, it is clear that Mr. Wells was aware of the conflict of interest, requested Mr. Algernon Cargill's approval to rent the Sandyport Apartment from his brother notwithstanding that conflict of interest and received approval from Mr. Algernon Cargill to proceed with the rental notwithstanding that conflict.

(See Sections 1.3 (c) and 1.4 (a). Also, Section 1.6 (b) for "chronology of events.")

1.9 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

It is also clear that the approval by Mr. Algernon Cargill for the rental of the Sandyport Apartment was given prior to the execution of the Rental Agreement and that the Lease for the Sandyport Apartment was executed with his full knowledge and consent and notwithstanding his conflict of interest. That position is confirmed by the following facts:

1. THE SANDYPORT CONTRACT (continued)

1.9 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

a.) Refer to our Comments and Appendices on the subparagraphs of Point 1.9 below.

- (i) The date of the signature of Mr. Algernon Cargill on the abovementioned Memorandum from Mr. Wells to him is 26th February, 2010.

(Grant Thornton's Comment: The Memorandum above (**Appendix 1.19**) was signed and approved by the Director on February 26, 2010).

- (ii) The request by Mrs. Carey, disclosed in her Memorandum in which she requested the issuance of a cheque is in reference to the terms of the letter from Jes-El Car Company Limited dated 23rd February, 2010 and received by NIB on 26th February, 2010, and not in reference to the actual Rental Agreement, since:

(Grant Thornton's Comment: This request refers to the \$18,333.40 payment which includes the security deposit and first and last months' payment, see Sandyport apartment quote (**Appendix 1.06**)).

- (a) That letter is the only document on which there is a reference to two options being "*Rental Option 1*" and "*Rental Option 2*";

(Grant Thornton's Comment: This letter is the Sandyport apartment quote (**Appendix 1.06**))

- (b) That letter is the only document in which there is a reference to a deposit in the sum of \$18,333.40 as being the required deposit; and

1. THE SANDYPORT CONTRACT (continued)

1.9 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

(Grant Thornton's Comment: This letter is the Sandyport apartment quote (Appendix 1.06))

- a) By a Memo Routing Slip dated 26th February, 2010 from Sonia Gill to Mr. Wells, Mrs. Gill requested advice on *"the status of the rental agreement as we are paying a large security deposit"* without having a formal rental agreement in place. That note is followed by an undated notation from Mr. Wells to the effect that he had *"Spoke with legal and formalized a suitable lease agreement – see attached"*.

(Grant Thornton's Comment: A copy of the memo routing slip is attached as Appendix 1.21)

- (iii) In 2010, February 26th was the last business day of the month.

(Grant Thornton's Comment: February 26, 2010 was a Friday and NIB's last business day of the month)

- (iv) The Lease Agreement is dated 1st March, 2010. In that regard, Mr. Algernon Cargill stated verbally before the Board and in a formal letter dated 9th October, 2012 (at the second paragraph, on page 2) that although the Rental Agreement was dated 1st March, 2010 it was in fact executed at some unknown date *"prior to 26th February, 2010"*, being of course a date prior to Mr. Algernon Cargill's approval of the same as noted on the abovementioned Memorandum from Mr. Wells to Mr. Algernon Cargill dated 25th February, 2010.

When confronted with the verbal comments by Mr. Wells to the Board on 16th October, 2012 to the effect that the Lease was in fact executed on 26th February, 2010 (and not merely some unknown date prior to 26th February, 2010) Mr. Algernon Cargill sought to recast his statement above by stating to the Board that when in his letter he referred to the Lease having been executed *"prior to 26th February, 2010"* the reference to *"prior to 26th February, 2010"* would include the Lease having been executed on the morning of 26th February, 2010. That comment was roundly rejected by the Board.

1. THE SANDYPORT CONTRACT (continued)

1.9 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

(Grant Thornton's Comment: See timeline of events attached as **Appendix 1.15**. Grant Thornton noted that based on the documents examined, Rental Agreement and internal memorandum of Mr. Raymond Wells dated February 25, 2010, the approval to select the Sandypoint apartment was February 26, 2010 when the Director signed the internal memorandum from Mr. Wells and that the commencement period of the lease started on March 1, 2010).

(v) As to why the Rental Agreement would have been postdated to a date after the date of its actual execution, Mr. Algernon Cargill and Mr. Wells both stated that although it was formally dated 1st March, 2010, only to commence the lease but it was actually executed before that date (in the words of Mr. Algernon Cargill) or on that date (in the words of Mr. Wells) so that the AIS employees could move into the Sandypoint Apartment over the weekend. But those statements are patently inconsistent because of the following:

(a) The Rental Agreement has both a commencement date and an execution date. On the first page of the Rental Agreement it is stated: *"LEASE TO COMMENCE: March 1st, 2010"*. Thereafter, on the second page of the Rental Agreement it is stated after the signatures: *"THIS LEASE MADE THE 1st DAY OF March, 2010"*. If the Rental Agreement had been executed at a date earlier than its commencement date of 1st March, 2010 it would simply have stated so. Instead, it clearly and expressly states that not only was its commencement date 1st March, 2010, but that date was also the execution date.

(Grant Thornton's Comment: The signed Rental Agreement (**Appendix 1.05**) indicated the following details: Lease to Commence - March 1, 2010; Duration of the Lease Agreement; Short Term (Less than 12 months). Termination date: Either Party can terminate this agreement by giving the other party 30 days written notice.)

1. **THE SANDYPORT CONTRACT (continued)**

1.9 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

- (b) At the bottom of the first page of the Rental Agreement, which is in the NIB file, are some upside down words and numbers which show the date that the Rental Agreement was faxed to NIB and the name of the party from whose phone the Rental Agreement was faxed. The words and numbers clearly record that the Rental Agreement was faxed by Dianne A. Burrows to NIB on 2nd March, 2010 at 11:17am. As a result, it is clear that the Rental Agreement was not forwarded to NIB on or about 26th February, 2010 (which would have been consistent with it having been executed on that date so that AIS employees could have moved in over the weekend) but rather that it was forwarded to NIB on 2nd March, 2010 (which is consistent with it having been executed on 1st March, 2010).

(Grant Thornton's Comment: Based on the copy of the Rental Agreement (**Appendix 1.05**), there is a facsimile stamp stating that the file was sent by Dianne Burrows on March 2, 2010 11:17am from facsimile number 242-327-2551 on the bottom of the first page of the Rental Agreement. The second page indicated that "this Lease was made on the 1st day of March 2010.")

- (c) The security deposit which was required under the Rental Agreement was only in the sum of \$5,000.00. There was no requirement under the Rental Agreement for a security deposit of \$18,333.40. The amount of \$18,333.40 figure was only requested under the aforementioned letter dated 23rd February, 2010 from Jes-El Car Company Limited to Ms. Gail Carey, as being the deposit for "*Rental Option I*". In that regard, the Memo Routing Slip dated 26th February, 2010 from Sonia Gill to Mr. Wells, requesting advice on "*the status of the rental agreement*" clearly recorded that as at that date of 26th February, 2010 NIB was in the actual process of paying the security deposit in the sum of \$18,333.40 (as per the request by Ms. Carey mentioned above) for the rental of the Sandyport Apartment.

1. THE SANDYPORT CONTRACT (continued)

1.9 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

As she stated, "*As we discussed, please advise on the status of the rental agreement, as we are paying a large security deposit*". That note is followed by an undated notation from Mr. Wells to the effect that as at the date of his response (which is an unknown date), he had "*Spoke with legal and formalized a suitable lease agreement – see attached*". As at 26th February, 2010 there was no Rental Agreement to produce to Ms. Gill and the next business day was 1st March, 2010.

(Grant Thornton's Comment: See related documents such as the Rental Agreement (Appendix 1.05), Sandyport Rental quote (Appendix 1.06) and Memo Routing Slip from Mrs. Sonia Gill dated February 26, 2010 (Appendix 1.21)

b.) In Point 1.94, Ms. Gail Carey discussed in her memo (Appendix 1.09) stating "*To address the point of when the rental agreement was executed, I can say that I spoke to Ms. Burrows concerning the staff of AIS moving into the apartment over the weekend. We verbally agreed that they could move in on the Saturday (February 27, 2010). I know that at that point she said that she would fax me the lease agreement and that lease would start from the 1st of March 2010. I was told by Ms. Burrows that she was working on the lease and also was in the process of purchasing a few things of the apartment.*

She stated to me that that she would get the lease to us as soon as she completed it. I related all of this to Mr. Wells as I was the contact person."

1.10 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

In the overwhelming majority consensus of the Board, both Mr. Algernon Cargill and Mr. Wells were dishonest in making statements to the Board to the effect that the Rental Agreement for the Sandyport Apartment was executed either on 26th February, 2010 (in the words of Mr. Wells) or prior to 26th February, 2010 (in the words of Mr. Algernon Cargill). Further, it is the clear overwhelming majority consensus of the Board that Mr. Algernon Cargill and Mr. Wells agreed to misrepresent the facts to the Board regarding the date of the execution of the Rental Agreement with a view to exculpating Mr. Algernon Cargill from any responsibility for his approval for the rental of the Sandyport Apartment notwithstanding his clear conflict of interest in having done so.

1. THE SANDYPORT CONTRACT (continued)

1.10 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

(See Section 1.9. However, Grant Thornton notes that this is a personal statement and/or conclusion statement from NIB Chairman Gregory Moss)

1.11 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Further, the overwhelming majority consensus of the Board is that after the execution of the Rental Agreement for the Sandyport Apartment, Mr. Algernon Cargill and Mr. Wells attempted to create a document trail, or to change the document trail, with a view to exculpating Mr. Algernon Cargill from any responsibility for his approval of the Sandyport Apartment's rental agreement notwithstanding his clear conflict of interest in having done so.

(See Section 1.9. However, Grant Thornton notes that this is a personal statement and/or conclusion statement from NIB Chairman Gregory Moss.)

1.12 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

That attempt started with a Memorandum dated 1st March, 2010 from Gail Carey to Mr. Wells. Ms. Carey stated that she was invited by Mr. Wells to prepare the Memorandum in order to show that Mr. Algernon Cargill was not involved in the decision to rent the Sandyport Apartment. By that Memorandum, after stating that NIB had an obligation to provide accommodations for AIS staff, that it was determined that it was more cost-effective to house those staff in a house, condominium or apartment rather than a hotel, that it was determined that the Sandyport Apartment was the best of all options (without having commented upon the justification for the excess 48% cost of doing so when compared to the Delaporte Point apartment), she then went on at great length to address the conflict of interest point and to greatly stress that the conflict was only discovered after IT decided to rent the Sandyport Apartment. As regards the conflict of interest issue she stated as follows:

"It was after IT decided to go with the SandyPort option that it was discovered that the apartment was owned by the Directors brother Mr. Godwin Cargill. Given the fact that we needed to move the two (2) staff members from AIS out of the Hilton urgently, it was decided to move forward with the request for the apartment."

1. THE SANDYPORT CONTRACT (continued)

1.12 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

During the search and decisions to utilize the apartment in SandyPort, it should be clear that the Director had no influence or knowledge in the procurement of the apartment.

It was only after the decision was made and at the point of final approval that the matter of ownership was brought to his attention. I hope that this clarifies any potential misunderstanding."

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a.) The memo from Ms. Gail Carey dated March 1, 2010 (**Appendix 1.22**) documented the reasons why Ms. Gail Carey recommended the Sandyport apartment for approval and the circumstances surrounding the potential conflict of interest of Mr. Algernon Cargill at that time. However, Grant Thornton noted that Mr. Algernon Cargill should have known by February 26, 2010 when he approved the internal memo (**Appendix 1.19**) together with the attached quotation (**Appendix 1.06**) that he had a potential conflict with Jes-El Car Company Limited based on the 2004 Annual Return (**Appendix 1.11**) which identified him as the Vice President and Director of the Company. Also, this can also be corroborated by the fact that Mr. Algernon Cargill signed himself, as one of the Class A signatories, on the cheque payment made to Jes-El Car Company Limited dated February 26, 2012 (**Appendix 1.24**).
- b.) Ms. Gail Carey stated as documented in her memo (**Appendix 1.09**) stating that *"To address the point where it says that I went to great length to address the conflict of interest point. Clarification: Two sentences were written on finding out about the ownership of the apartment and two sentences were written about Mr. Cargill's knowledge of the procurement of the apartment. I cannot say that four sentences could be described as great lengths."*

1. **THE SANDYPORT CONTRACT (continued)**

1.13 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

The Memorandum was not well received by the Board as:

- (i) It was written upon the request of Mr. Wells.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) See Grant Thornton's Comments on subparagraphs of Point 1.13 below.
- b) In Point 1.13c, Ms. Gail Carey stated in her memo (**Appendix 1.09**) that *"In Point C - it was stated that it differed from Ms. Carey's statements to the Board as to when she became aware of the fact that the Sandyport apartment was owned by Mr. Algernon Cargill's brother and Point D - it did not mention that Ms. Carey immediately informed Mr. Wells of the conflict of interest on 23rd February. Clarification - I told the Chairman and Deputy Chairman that I did not remember the date that I saw the Sandyport apartment and I said the same thing at the Board meeting. I said to the Chairman and Deputy Chairman that the day that I saw the apartment and heard the name Cargill that I did a query on the system and realized that Mr. Godwin Cargill was a sibling of Mr. Algernon Cargill."*
- (ii) It raised the question as to why it was thought necessary to prepare it if there was no concern as to a conflict of interest on the part of Mr. Algernon Cargill.

(Grant Thornton has seen no documentation that gave Mr. Wells the authority to enter into the Sandyport contract. However, Grant Thornton notes that this is a personal statement and/or conclusion statement from NIB Chairman Gregory Moss.)

- (iii) It differed from Ms. Carey's statements to the Board as to when she became aware of the fact that the Sandyport Apartment was owned by Mr. Algernon Cargill's brother.

1. THE SANDYPORT CONTRACT (continued)

1.13 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

(No specific procedure performed. This is a personal statement and/or conclusion statement from NIB Chairman Gregory Moss.)

- (iv) It did not mention that Ms. Carey immediately informed Mr. Wells of the conflict of interest on 23rd February, 2010 and that Mr. Wells then sought Mr. Algernon Cargill's "*approval and assistance*" by his Memorandum to Mr. Algernon Cargill dated 25th February, 2010 (some 4 days before the Rental Agreement was executed) and obtained that approval on 26th February, 2010.

(No specific procedure performed. This is a personal statement and/or conclusion statement from NIB Chairman Gregory Moss.)

- (v) It did not address how Mr. Wells had any authority to execute the Rental Agreement for the Sandyport Apartment without the consent of Mr. Algernon Cargill (as he now purports that he did) although by his request to Mr. Algernon Cargill for his "approval and assistance", Mr. Wells himself recognized that he had no such authority.

(Grant Thornton has seen no documentation that gave Mr. Wells the authority to enter into the Sandyport contract. However, Grant Thornton notes that this is a personal statement and/or conclusion statement from NIB Chairman Gregory Moss)

1.14 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Further, the overwhelming majority consensus of the Board is that the conflict of interest of Mr. Algernon Cargill, and his direct and continued involvement in the favourable treatment of his brother by way of the Sandyport Rental Agreement, has continued to this date as shown by the following:

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

1. THE SANDYPORT CONTRACT (continued)

1.14 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

FINDINGS

- a) Grant Thornton interviewed Mrs. Sonia Gill, Financial Controller, on November 29, 2012 and as documented in the minutes of meeting noted that the IT department (spearheaded by Mr. Wells and assisted by Ms. Gail Carey) was the department responsible for the foreign IT consultants as well as the project (National Prescription Drug Programme). It was managed by the IT department. Mrs. Gill also explained that there is no specific department in NIB responsible for these matters (i.e., housing and accommodation, leasing process and the like). Further, it was pointed out that there was no specific policy in housing and accommodation of foreign consultants.

Grant Thornton noted that the closest thing to a policy relating to leasing the apartment is the "2011 Purchasing Policies and Procedures" attached as **Appendix 1.04** - see section 1.9 under "For all purchases that are not subject to the NIB Tender Process" together with the Delegated Authority to Spend Budget Allocations 2001 version with 2009 amendments (attached as **Appendix 1.03**) and the September 2010 version (attached as **Appendix 1.02**). The 2011 Purchasing Policies and Procedures document is still up for approval by the Board.

However, its' approval only pertains to the documentation of the existing policies and procedures as supported by **Appendix 1.02 and Appendix 1.03**. Based on the existing policies relating to the leasing of the apartment (purchasing of services), Grant Thornton noted the following deficiencies:

- (i) No documentation to support that the Sandypoint rental has been submitted to and reviewed by the Budget Department;
- (ii) No requisition forms submitted by the IT department to request the canvassing of quotes or documenting such quotes; and
- (iii) No evidence as to the procedures on Vendor Management as outlined in **Appendix 1.04** were followed as prescribed.

1. THE SANDYPORT CONTRACT (continued)

1.14 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

Grant Thornton obtained and reviewed the vendor file and the Rental Agreement (attached as **Appendix 1.05**), quotes from Jes-El Car Company Limited (attached as **Appendix 1.06**) and Damianos Realty on the Delaporte apartment (attached as **Appendix 1.07**).

- b) Grant Thornton noted a number of payments where Mr. Algernon Cargill approved the request of payment memo from Raymond Wells and actual cheques. Also, Grant Thornton noted a number of missing sign-offs evidencing lack of proper review of payment packages. Details of these exceptions are indicated in **Appendix 1.40**.
- c) Based on the detailed analysis on **Appendices 1.41, 1.42 and 1.43**, we noted the following:
 - (i) Based on the number of days the AIS staff were not in the Bahamas, there were about **447** days or an equivalent **14.90** months that the apartment was not occupied by NIB consultants (from March 1, 2010 to October 31, 2011) - See **Appendix 1.42** for further analysis;
 - (ii) Based on the months situated and the frequency of number of days stayed, ideally, the apartment could have been rented out only up to September 2010 (or a total of 7 months). As the number of personnel and days stayed gradually decreased from October 2010 and onwards. The AIS personnel could have been housed in a hotel to minimize cost;
 - (iii) The period from June 2011 to October 2011 (or a total of 5 months) was unaccounted for in relation to accommodation of AIS staff. Based on the communication from Mr. Wells, there were other consultants outside AIS who stayed in this apartment during this time but no actual evidence was made available for our review to support such a claim;
 - (iv) Detailed analysis on the number of days is documented in **Appendix 1.42**; and

1. THE SANDYPORT CONTRACT (continued)

1.14 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

- (i) Based on the cost-benefit analysis presented in **Appendix 1.43**, the apartment rental at Sandyport for AIS staff was more expensive by an estimated \$47,465 based on a month-to-month comparison (March 2010 to October 2011) and by an estimated \$62,548 if based on mixed accommodation (hotel and apartment). Further it was noted that other consultants stayed a total of 38 days in the apartment. This accommodation had an equivalent of an estimated \$8,702 of hotel cost.
- d) Ms. Gail Carey noted inconsistencies based on her own accounts as documented in her memo (**Appendix 1.09**) with regards to the subparagraphs of Allegation 1.14 as follows:

- ***Point b** - speaks to the sum of \$18,333.40 being paid as the deposit. **Clarification:** the sum of \$18,333.40 was for first and last months' rent and security deposit.*
- ***Point c** - The apartment was available for use exclusively by AIS from March 1, 2010 through December 31, 2010 (304 days). The apartment was initially to be rented on a short term basis with a view that AIS would meet their deliverables in a timely manner; AIS did not meet their deliverables in a timely manner. For example, the **Inventory module** was just completed in **September 2012**.*
- ***Point d** - Where it says that May 2011 Ms. Gail Carey advised AIS that its staff would no longer be staying at the Sandyport apartment and would be moving them to the Hilton.*

***Clarification:** AIS was advised January 6, 2011 via a conversation (Gail Carey and Bovel Blake) and email "that all further visits to The Bahamas will have to be coordinated as the apartment in Sandyport will no longer be used exclusively by AIS, but will now be for corporate use for all other projects (IT projects)."*

- ***Point f** - Where it says that up to the date of the Last Board meeting on October 16, 2012, the security deposit was never refunded to NIB or demanded by NIB. **Clarification:** (1) The lease termination states that we would like to inspect the apartment and discuss the Security deposit. (2) A letter dated April 13, (see attached) was also sent to Sandyport in reference to the refund of the Security deposit.*

1. THE SANDYPORT CONTRACT (continued)

1.14 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

- *Where it states that AIS paid Dianne Burrows directly for the damages: Clarification: When I was advised of the fight in the apartment, Larren Peart who was the senior employee of AIS and I spoke about the damages. I informed him that any damages paid would be deducted via payment to AIS by NIB.*

Ms. Burrows and I spoke concerning the damages and she never indicated that payment was offered for the damages by AIS.

- *Where it states that “as late as 11th April, 2011 NIB paid out an invoice from Jes-El dated 15th January, 2011:” Clarification: Following the January 6th conversation between Bake/Carey, I asked Ms. Burrows to change the locks for security reasons. The decision was already made to use the apartment for other consultants for IT projects. To that end, the lock was changed in the event that it had been copied. The apartment showed signs of wear and tear from AIS’ staff so we sought to have it touched up (Painted), a dead lock was put on the third floor closet to secure AIS staff belongings. Towels and supplies were added for the use of all the consultants i.e. hand towels, toilet tissue.*

- (i) The Sandyport Rental Agreement was executed for a period of up to 12 months although initial negotiations with Jes-El Car Company Limited (as shown by its letter to Gail Carey dated 23rd February, 2010) was for a “*Short Term rental*” and although the Memorandum dated 25th February, 2010 from Mr. Wells to Mr. Algernon Cargill only requested approval for a 3 month lease period and thereafter from month to month.

(Grant Thornton’s comment: See Rental Agreement (Appendix 1.05), Sandyport quote (Appendix 1.06) and Memo from Mr. Raymond Wells (Appendix 1.19))

- (ii) Although the Rental Agreement only required a deposit of \$5,000.00 the actual deposit which was paid was in the sum of \$18,333.40.

(Grant Thornton’s Comment: See Findings on Point 1.4b)

1. **THE SANDYPORT CONTRACT (continued)**

1.14 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

(iii) Although the AIS staff members used the Sandyport Apartment for only **159** days in 2010 up to 19th December, 2010, and for only **21** days in 2011 up to 7th May, 2011, NIB nonetheless continued to rent the Sandyport Apartment for the period from 1st March, 2010 up to 31st October, 2011 without any continued cost benefit analysis to support that continued rental at the exorbitant rental sum of 48% in excess of comparable rental at Delaporte Point.

(Grant Thornton's Comment: See Findings of Point 1.14c)

(iv) In May 2011, Gail Carey advised AIS that its staff would no longer be staying at the Sandyport Apartment and would be moving them to the Hilton. Thereafter, NIB used the Sandyport Apartment for housing other NIB consultants without having undertaken any cost benefit analysis to support that continued rental at the exorbitant rental sum of 48% in excess of comparable rental at Delaporte Point. As early as 28th July, 2011, by an email from Sonia Gill to Raymond Wells, Mrs. Gill noted her inquiry "*of several months ago*" regarding the continued rental of the Sandyport Apartment and as to whether it was appropriate to be charging the National Prescription Drug Plan for rental of the Sandyport Apartment while it was not being used for the AIS staff in relation to that Plan.

(Grant Thornton's Comment: Refer to chronology of events as documented in Point 1.6b and Appendix 1.15)

(v) Notice was not given by NIB to Jes-El Car Company Limited to terminate the Rental Agreement until 9th August, 2011 and the Rental Agreement was not terminated until 31st October, 2011, some 20 months after it commenced.

(Grant Thornton's Comment: Refer to chronology of events as documented in Point 1.6b and Appendix 1.15)

1. THE SANDYPORT CONTRACT (continued)

1.14 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

(vi) Notwithstanding the eventual termination of the Rental Agreement, up to the date of the last Board Meeting on 16th October, 2012 (some 12 months later) the security Deposit in the sum of \$5,000.00 was never refunded to NIB or demanded by NIB. Upon the initiative of the Board, demand was made by Mr. Wells on 8th October, 2012 for the return of the security deposit. By a response from Godwin Cargill dated 8th October, 2012, Mr. Cargill made reference, some 12 months after the Sandyport Apartment had been vacated by NIB, to alleged damage to the Sandyport Apartment which had been observed by himself and Miss Burrows during an inspection at which no representative of NIB was present.

That allegation did not mention the fact that the *“fight”* incident to which Mr. Godwin Cargill referred to justify the withholding of the security deposit had occurred on 5th March, 2010 (some 9 days after the Sandyport Apartment had been initially rented) as mentioned in the email dated 14th October, 2012 from Darren Peart (an AIS employee) to Douglas Halsall of AIS and forwarded by AIS to Director Davis.

Nor did that allegation address the fact that there was only minimal damage resulting from that incident and that AIS paid Dianne Burrows, as a representative of Jes-El Car Company Limited who lived next door, directly for all such damage. Nor does that allegation address the fact that as late as 11th April, 2011 NIB paid an Invoice from Jes-El Car Company Limited dated 15th January, 2011 in the sum of \$300 to Jes-El Car Company Limited by cheque number 20111601 for rekeying the front door of the Sandyport Apartment, installing a dead lock on the third floor closet, touching up interior paint and replenishing towels. At that time, no claim was made by Jes-El Car Company Limited in relation to any alleged sum which was due to them for any alleged damage to the Sandyport Apartment. That Invoice was paid with the express approval of Mr. Algernon Cargill.

(Grant Thornton’s Comment: Refer to chronology of events as documented in Point 1.6b and **Appendix 1.15.** Based on Darren Peart’s (one of the AIS consultants) personal account with regards to the altercation/fight incident at Sandyport apartment as stated in her email response dated October 14, 2012 (**Appendix 1.23**) that the following week after the incident, she had a meeting in Mr. Algernon Cargill’s office along with Mr. Raymond Wells and Mrs. Richenda King (VP of Human Resources & Training).

1. THE SANDYPORT CONTRACT (continued)

1.14 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

Grant Thornton inquired of Mrs. King and she confirmed that the meeting did happen as documented in her email reply to Grant Thornton dated January 28, 2013 (**Appendix 1.10**).

1.15 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

In addition to everything else, Mr. Algernon Cargill represented to the Board (in the alternative, as I understand it) that *“A conflict is only a conflict if it is not disclosed”* and that he had disclosed his conflict to the then Chairman of the Board of NIB, Mr. Patrick Ward, and to the then Prime Minister. In fact, Mr. Algernon Cargill produced to the Board a letter dated 11th October, 2012 a letter from Mr. Ward addressed to him by which Mr. Ward repeated Mr. Algernon Cargill’s allegation as to disclosure to him and to the then Prime Minister and by which Mr. Ward also alleged that disclosure had been made to you as Minister with responsibility for National Insurance *“during the briefing/handover exercise”* which you jointly conducted not long after your appointment.

(**Grant Thornton’s Comment:** We see no evidence where Mr. Algernon Cargill stated his relationship in regards to the Sandyport apartment prior to October 11, 2012.)

1.16 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

As with the Memorandum from Ms. Gail Carey to Mr. Wells which attempted to explain that Mr. Algernon Cargill was not involved in the decision to rent the Sandyport Apartment, the letter from Mr. Ward was not well received by the Board as:

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

a) See Grant Thornton’s Comments on subparagraphs of Point 1.16 below.

1. **THE SANDYPORT CONTRACT (continued)**

1.16 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

- (i) There is no documentation whatsoever in the files of NIB as to any such disclosure.

(Grant Thornton's comment: This disclosure was only brought about by the letter from former Chairman Patrick Ward dated October 11, 2012 (**Appendix 1.37**). No other documentation was made available for review regarding the disclosure of conflict of interest. Grant Thornton reviewed the Board Minutes and noted no documented discussion or disclosure of Mr. Algernon Cargill with the Board before the October 2012 Board of Directors ("BOD") Meeting.

This is also evident on the Conflict of Interest Disclosure Form of Mr. Algernon Cargill as of December 31, 2010 (**Appendix 1.12**) and Summary of Conflict of Interest signed by Mr. Algernon Cargill on July 6, 2011 (**Appendix 1.13**) as related parties such as Mr. Godwin Cargill/Jes-El Car Company was not disclosed in these documents.)

- (ii) It appears that no resolution or disclosure was ever brought before the Board, or passed by the Board, to allow the Sandyport Apartment to be rented notwithstanding that conflict.

(Grant Thornton's Comment: No other documentation was made available for review regarding the disclosure of conflict of interest. Grant Thornton reviewed the Board Minutes and noted that there are no documented discussion of Mr. Algernon Cargill with the Board before the October 2012 BOD Meeting. This is also evident on the Conflict of Interest Disclosure Form of Mr. Algernon Cargill as of December 31, 2010 (**Appendix 1.12**) and Summary of Conflict of Interest signed by Mr. Algernon Cargill on July 6, 2011 (**Appendix 1.13**) as related parties such as Mr. Godwin Cargill or Jes-El Car Company Limited were not disclosed in these documents.)

- (iii) The ultimate cure for any conflict of interest would have been to cancel the Rental Agreement at the earliest opportunity. Instead of doing that, the initial rental period was extended, a greater deposit was paid than was needed, the contract was allowed to run for 20 months and overall a total of \$138,709.00 was paid by NIB for the rental of the Sandyport Apartment from the brother of Mr. Algernon Cargill over less than 2 years.

(Grant Thornton's Comment: See Findings in points 1.14b and 1.14c and **Appendices 1.40-1.43** for detailed analysis)

1. THE SANDYPORT CONTRACT (continued)

1.16 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

- (iv) Mr. Algernon Cargill approved or signed the cheques for all rental payments of the Sandyport Apartment either directly or by way of his instructions to Raymond Wells to send all such requests for approval to Richenda King, and his instructions to Richenda King to approve those requests notwithstanding that Richenda King did not occupy any financial office in NIB but was, and is, the Vice President of Human Resources.

(**Grant Thornton's Comment:** Approval of request of payments and cheque payments are detailed in **Appendix 1.40**. The engagement team noted the dates when Mr. Algernon Cargill and Mrs. Richenda King signed the request for approval and cheques.)

- (v) In any event, disclosure is irrelevant in this matter as Mr. Algernon Cargill did not then recuse, exclude or disqualify himself from participating in the decision making process in respect of the rental of the Sandyport Apartment. Instead, he was actively involved in approving and maintaining that rental.

(**Grant Thornton's Comment:** See Findings in points 1.14b and 1.14c and Appendices 1.40 - 1.43. No other documentation was made available for our review evidencing documentation of Conflict of Interest except those of **Appendix 1.12** and **Appendix 1.13**.)

- i. The Memorandum is, itself, a strong indication of an awareness of a continuing conflict of interest on the part of Mr. Algernon Cargill as there would otherwise have been no reason or justification for the writing of the same.

(**Grant Thornton's Comment:** No comment as the statement is the personal opinion or conclusion of NIB Chairman Gregory Moss)

1. THE SANDYPORT CONTRACT (continued)

1.17 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

As a result of those facts and findings by the Board, the following resolutions were passed by the Board on 16th October, 2012:

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

a.) Grant Thornton verified the subparagraphs 1.17a to 1.17c as documented in the minutes (**Appendix 1.16**)

- (i) *"To summarily terminate the services of Mr. Algernon Cargill and Mr. Wells for gross misconduct;*
- (ii) *To authorize me, as Chairman, to invite both Mr. Cargill and Mr. Wells to resign from their employment with immediate effect as an alternative to having their employment summarily terminated in which case I was authorized to pay them up to one year's salary each; and*
- (iii) *To appoint the current Senior Deputy Director, Mrs. Cecile Bethel to the office of Acting Director of NIB."*

1.18 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Those resolutions of the Board have not been implemented as a result of your indication that they should not be implemented without the approval of the Cabinet of The Bahamas. While accepting the wisdom of your approach, that decision has resulted in a state of uncertainty at NIB as the facts of the Sandyport Apartment rental and many of the other issues mentioned below are within the knowledge of the two NIB Unions and other member of staff who have expressed their continuing bewilderment as to why Mr. Algernon Cargill continues to be employed at NIB in light of those excesses.

(Grant Thornton's Comment: This is a personal statement and/or conclusion statement from NIB Chairman Gregory Moss.)

1. THE SANDYPORT CONTRACT (continued)

Please note below the 2010 NIB action brought against Mr. Godwin Cargill, during the time when his Sandyport apartment was being rented by NIB, regarding NIB contributions:

The Minutes of the 8th (Regular) Meeting of the Board of Directors of The National Insurance Board held on Thursday, 28th October, 2010 in the Boardroom of The National Insurance Headquarters Building situated on Baillou Hill Road, at 4:00 p.m.

- Present:** Mr. Patrick G.W. Ward, Chairman
Rev. Etienne E. Bowleg, Deputy Chairman
Mr. Van Diah, Member
Mr. Brian Nutt, Member
Mr. John Pinder, Member
Mr. Evan Dean, Member
Dr. Robin Roberts, Member
Ms. Debbie Ferguson, Member
- Apologies:** Ms. Nicole Martin, Member
- In Attendance:** Mr. Algernon Cargill, Director
Mrs. Ernestine Kelson, Secretary to the Board of Directors
- By Invitation:** Mrs. Sonia Gill, Financial Controller
Mrs. Phaedra Mackey-Knowles, Deputy Director/VP/Investments

4.0 NEW MATTERS

4.1 NIB (10) 056 – Cases for Prosecution No. 8/2010

- 4.1.2 Following a brief review of the cases presented to the Board for approval for prosecution, on a motion made by Mr. Brian Nutt, seconded by Mr. Evan Dean and unanimously carried, the following resolution was adopted:

“The Board being satisfied that it has sufficient evidence, authorizes prosecution pursuant to Section 53(3) of The National Insurance Act of the following in relation to the businesses, persons, periods and amounts stipulated in the attached paper No. Legal/Pros/8/2010:

1. **Godwin A. Cargill – Refusing and/or neglecting to furnish information or produce documents.**

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT

SEE NIB's ALLEGATIONS IN SECTIONS 2.1 THROUGH 2.7.

MR. ALGERNON CARGILL'S RESPONSE TO ALLEGATION 2 (See Mr. Cargill's complete Affidavit dated November 27, 2012 at APPENDIX C)

Mr. Moss alleges that I (i) refused to follow the instructions of the Cabinet to re-tender the contract for property insurance of NIB and to exclude Bahamas First from the re-tender exercise; (ii) provided the Board with incompetent advice in relation to the Bahamas First policy by advising that The Bahamas First policy was for a fixed 3 year term and could not be terminated in the interim; (iii) provided the Board with incompetent advice in relation to the Bahamas First policy by advising that substantially all of the premium would be lost if the policy were terminated; and (iv) caused NIB to be saddled with the Bahamas First policy until 31st May, 2013 when such a policy should never have been effected in the first place because of conflict of interest of the then Chairman Mr. Patrick Ward, and that the insurance policy contract was illusory and not reinsured as per the terms of the tender document. Each and every one of these allegations is false. Nassau Underwriters Insurance Agents & Brokers ("NUA"), a wholly owned subsidiary of Bahamas First Group of Companies ("BFG") of which Mr. Patrick Ward is the President and CEO, has had a relationship with NIB since 1987 under the banner of Carib Insurance in the first instance, and subsequently directly under NUA after Carib Insurance Company was subsumed by NUA. In every year that Mr. Ward was Chairman of NIB, he declared his related party interest and recused himself from any Board discussion and deliberations involving NUA/BFG. Both the Board Minutes and the Annual Declarations to the external Auditors will confirm that Mr. Ward acted in accordance with the universally accepted corporate governance practice of disclosure and recusal in any discussion or deliberations involving NUA/BFG. This disclosure is included in the Annual Financial Statements prepared by PriceWaterHouseCoopers. In fact, Mr. Ward wrote the Hon. Perry G. Christie, Prime Minister of the Commonwealth of The Bahamas on June 28, 2012, after the second Insurance Tender on June 13, 2012, and explained his concern about the management of this matter by NIB. A copy of the said letter of Mr. Ward is now produced and shown to me to be exhibited hereto marked "AMC-4". During the initial meeting of the newly appointed Board of Directors of NIB on the 26 July, 2012, the management was asked whether the insurance contract with NUA could be cancelled and the next closest bidders be requested to tender in what would be a third tender exercise for the placement of NIB's General Insurance Business due to the apparent conflict of Mr. Ward. After NIB had invited the next two closest bidders to participate, Star General Insurance Company and J.S. Johnson Insurance Company Ltd, I subsequently received a request from Mr. Gregory Moss on September 5, 2012, to appoint Star General Insurance Company as a Broker for NIB's General Insurance business. I immediately advised Mr. Moss on September 5, 2012 in writing that it was improper for NIB to appoint Star General as J.S. Johnson had not yet responded to the tender. Again on September 5, I advised Mr. Moss that management's job was to provide the Board of Directors with the best advice we could, given all of the circumstances and facts and bearing in mind our previous history on certain matters. It was my duty as CEO to ensure that management was acting properly in advising Mr. Gregory Moss that it was improper to appoint one of two companies invited to tender as the Broker for our General Insurance business, particularly when we already had a relationship with Nassau Underwriters. I subsequently advised that I would seek clarification from the Superintendent of Insurance. I received a response from the Commissioner of Insurance, dated September 17, 2012, confirming management's concerns to be material. Copies of the correspondence with the Insurance Commissioner, my emails to Mr. Moss on the 5th September, 2012 are now produced and shown to me to be exhibited hereto marked "AMC-5".

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

MR. ALGERNON CARGILL'S RESPONSE TO ALLEGATION 2 (See Mr. Cargill's complete Affidavit dated November 27, 2012, at **APPENDIX C**) (continued)

During the Board of Directors meetings in which Mr. Moss claims in his September 18, 2012, communication to The Minister of Labour and National Insurance, that the tender exercise carried out by Executives of NIB can "best be described as ineptitude (and which should probably accurately be described as complicity) by various executive members of NIB in presenting the Board with misleading! distorted, and materially inaccurate statements with regards the NUA policy...", it was Ms. Phaedra Mackey-Knowles, the Vice for Investments and Risks, who informed the Board that, based on written advice that she had received from NUA, that if NIB sought to cancel the insurance policy, in the middle of the hurricane season, that in addition to the short rate applying, NIB could also be penalized to the full extent of the premium paid.

This information was not misleading or inaccurate and reflected the written and verbal communications held with NUA. In fact, all communication with the Chairman and/or the Board with regards the terms of the insurance coverage and/or clarifying any of the questions raised by Mr. Gregory Moss were executed by Ms. Phaedra Mackey-Knowles and not me. I received instructions from Minister Shane Gibson to re-tender the General Insurance contract. I neither received written nor oral instructions from the Cabinet or any other source to exclude Bahamas First/NUA from the re-tender exercise. A second Public Tender exercise was undertaken on June 13, 2012 and at no time after the publication of the Public Tender Exercise and the opening of the bids was management advised by the Minister or the Chairman, or any other Board member that the notice should exclude NUA. The bids were publicly opened in the presence of all of the bidders on the 22nd June, 2012 at NIB's Board Room. The results of this tender were the same as the previous public tender: NUA provided the best price offer, with a savings of approximately \$800,000.00 from its nearest competitor, Star General Insurance. Notwithstanding the outcome of the retender process, I continued to receive "directions" from Mr. Gregory Moss and Mr. Patrick Davis to cancel the General Insurance contract with NUA and award the same to Star General Insurance Company, in spite of the outcome of the public re-tender exercise. I informed Minister Shane Gibson of these "directives" from Mr. Moss and Mr. Davis and was instructed by Minister Shane Gibson not to follow those "directives", and/or the directives of the Board of Directors to cancel the NUA/Bahamas First policy and effect payment of approximately an additional \$800,000 to Star General for the same insurance coverage. On the 18th September, 2012, Mr. Patrick Davis in an email alleged that, in addition to the conflict of interest issue in awarding the contract to Bahamas First, there were also "serious deficiencies in the contract with regard to overseas reinsurance, deductible in the case of loss and the large variation in NUA's premium as compared to the next lowest bidder." On the 18th September, 2012, Mr. Moss sent an email to Minister Shane Gibson, Bernard Evans, Frederick Munnings, Philip Beneby, Josephine Bartlett, Patrick Davis, Jayson Moxey, Marquista J. Thompson, Merrit Storr, Harry Collie and copied to myself, Phaedra Mackey-Knowles, Cecile Bethel and Ernestine Kelson in which he expressed his grave concern at the Minister's view that the Bahamas First insurance policy should not be cancelled and alleged, in part, that "... the exercise of what can best be described as ineptitude (and which should probably accurately be described as complicity) by various members of NIB in presenting the Board with misleading, distorted and materially inaccurate statements as to the duration of that initial policy..." By email of the same date, at 4:05 p.m. I replied to Mr. Moss and wrote to Minister Shane Gibson, in defence of myself and the executives of NIB, and requested that he substantiate the allegations of ineptitude and complicity or immediately withdraw the same. I have not received a response to this communication, nor an apology from Mr. Gregory Moss. Ms. Phaedra Mackey-Knowles also expressed a concern about the comments made by Mr. Moss in his September 18, 2012, communication, and subsequent comments made by Patrick Davis at the September 2012 Board of Directors meeting that she had misled the Board with regard to the NIB Insurance matter, and contracted Attorneys Cash Fountain and Company to act on her behalf in protection of her sterling professional reputation. William F.P. Fountain wrote Mr. Moss on October 9, 2012, with regard to the allegations made by Mr. Moss. To my knowledge, Ms. Mackey-Knowles' attorney has also not received a response from Mr. Gregory Moss. A copy of Attorney Fountain's October 9, 2012 letter is now produced and shown to me to be exhibited hereto marked "AMC-6."

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

MR. ALGERNON CARGILL'S RESPONSE TO ALLEGATION 2 (See Mr. Cargill's complete Affidavit dated November 27, 2012, at **APPENDIX C**) (continued)

The communication between Gregory Moss and Patrick Davis, to Phaedra Mackey-Knowles, me and the Minister of Labour and National Insurance continuously ignored the recommendation of the Minister to not terminate the NUA/Bahamas First Insurance contract. For example, Mr. Gregory Moss wrote to Minister Gibson, on September 18, 2012, and copied the entire Board of directors, me, Phaedra Mackey-Knowles, Cecile Bethel and Ernestine Kelson, with the following statement: "I implore you to consider your comments below. In the event that you remain of that view, I will convene the Board pursuant to section 7 of the Act, in order that you may act in "consultation with the Board" in issuing whatever directive you may choose to issue in this matter. Regrettably, I will also be compelled at such meeting to record my views as expressed above and to formally express my dissent from such a directive although I shall, of course, thereafter carry out your directive."

Mr. Patrick Davis wrote to Minister Shane Gibson on September 18, 2012, and copied Phaedra Mackey-Knowles, Gregory Moss, and me and included the following comments. "In all of my years in public and private practice and having negotiated a number of similar contracts for large multinational organizations, I can tell you without fear of contradiction Mr. Minister that this policy is a bad policy and not one that is in the best interest of the Board or the Bahamian people." In the same email communication, he also stated the following: "From where I sit and in my professional and humble opinion, I believe that a new policy with Star General is the best path for NIB in the circumstances."

With the assistance of Justice Ricardo Marques, Consultant at Law Reform, and Mrs. Deborah Fraser, Director of Legal Affairs, an addendum to the General Insurance Agreement with Bahamas First was agreed with Bahamas First on the 3rd October, 2012 to address the concerns of the Board. Cooper Gay wrote a letter dated the 1st October, 2012 confirming that NUA and Bahamas First had reinsurance cover in place for 100% of insured risks. I was caught between "directives" from Mr. Gregory Moss and Mr. Patrick Davis, on the one hand, and a contrary direction from Minister Shane Gibson to respect the outcome of the public re-tender. Consequently, Minister Shane Gibson convened a specially called Board of Directors' meeting on Sunday, 7th October, 2012, attended by Minister Shane Gibson, in which I was threatened in the presence of the entire Board of Directors, members of the Executive Management Team, and Minister Shane Gibson, with termination for refusing to cancel the General Insurance contract with Bahamas First and awarding the same to Star General. Further, on October 6, 2012, prior to the October 7th, 2012, specially called Board of Directors meeting, the Minister of Labour and National Insurance appointed Mr. Nick Dewar of McCiarens Young International to review the General Insurance Policy with Bahamas First, communicate with the reinsurers to confirm that coverage was indeed in place, and confirm that the policy was a "good policy". Mr. Nick Dewar confirmed to NIB and the Board of Directors on October 7, 2012, that reinsurance was indeed in place, and secondly, that he found no concerns with the Insurance Contract issued by Bahamas First. Copies of the emails from me, Mr. Moss, Minister Shane Gibson, Mr. Patrick Ward and Mr. Patrick Davis of the 13th, 14th, 17th 18th and 19th September, 2012, and the October 8, 2012, communication to Prime Minister Perry G. Christie outlining this and other troubling matters at NIB, and a request for a formal meeting to discuss these concerns, are now produced and shown to me to be exhibited hereto marked "AMC-7".

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.1 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

This issue concerns the insurance of the property of NIB by Bahamas First General Insurance Company Limited ("*Bahamas First*") through the Agency of N.U.A. Insurance Agents & Brokers Limited ("*NUA*") as both Bahamas First and NUA were companies with which the then current Chairman of the Board of NIB, Mr. Patrick Ward, was affiliated by Policy Number Frp – 0003595 dated 20th July, 2012, with effect as at 1st June, 2012. The issue is the obvious conflict of interest involved in the award of that contract since the then Chairman of NIB was the President of Bahamas First.

(See Section 2.8 for FINDINGS, beginning on page 50)

2.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

In that regard, reference is made to the meeting of the Board of Directors of NIB which was held on 25th July, 2012 at which, inter alia, a discussion was held in respect of the captioned policy. The germane point of that discussion was that the Board expressed grave concern as to the apparent conflict of interest involved in awarding that contract of insurance and as to the terms of that policy.

(See Section 2.8 for FINDINGS, beginning on page 50)

2.3 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Upon further discussion, the Board inquired as to whether the policy could be extended for a further month during which time the matter could be re-opened to further tenders, not including Bahamas First, and were advised by Director Cargill and Mrs. Phaedra Mackey-Knowles that the entire premium had already been paid to Bahamas First and that cancellation of the policy was not a practical option as the "*short rate*" which would be payable upon cancellation during the term of the policy would be substantially equivalent to the annual premium sum and that the policy was for a fixed term of three years which could not be terminated.

(See Section 2.8 for FINDINGS, beginning on page 50)

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.4 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

I (“Greg Moss”) also spoke with you (“Minister Gibson”) and inquired as to whether you were aware of this issue. You indicated that you were aware of the issue and that once the Cabinet had become aware of the matter it had, in fact, insisted that the matter be put out to a second tender to exclude Bahamas First from the tender exercise because of the conflict of interest. You stated that you had communicated that position to Director Cargill and that the matter had gone out to a second tender but that Director Cargill had failed to exclude Bahamas First from that second tender exercise with the result that the Cabinet had felt compelled, in the light of the impending hurricane season, to award the policy to Bahamas First on the basis that it had presented the lowest bid at one-third less than the other two tenderers.

(See Section 2.8 for FINDINGS, beginning on page 50)

2.5 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

The fact that the Board was advised that the policy could not be terminated for 3 years, that it had been advised that substantially all of the premium would be lost in the event of a termination and that the premium which was quoted by Bahamas First was one-third less than the other two tenderers caused me grave concern. As a result, I requested sight of the Bahamas First insurance Policy.

(See Section 2.8 for FINDINGS, beginning on page 50)

2.6 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Upon my review of the Bahamas First Policy it became obvious that the comments by Director Cargill and Phaedra Mackey-Knowles to the Board to the effect that the policy was for a fixed term of three years and that even if it could be cancelled the short rate premium would be substantially the same as the annual premium, were incorrect. The Policy expressly provided that it could have been terminated by NIB at any time. Also, the Short Rate Cancellation Table which is appended to the Policy and marked with “*Document ID: London|2862551.1*” provides that the “*Earned Premium*” upon cancellation at two (2) months was Twenty-Seven percent (27%) of the annual premium

(See Section 2.8 for FINDINGS, beginning on page 50)

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.7 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

The results have been that Director Cargill has:

- a) Refused to follow the instructions of the Cabinet of The Bahamas by allowing Bahamas First to retender for the NIB insurance policy even after he had been informed by you that the Cabinet wanted to have Bahamas First excluded from the tender exercise because of the obvious conflict of interest in having a tender submitted by the then Chairman of NIB.

(See Section 2.8 for FINDINGS, beginning on page 50)

- b) Provided the Board with incompetent advice in relation to the Bahamas First policy by advising that the Bahamas First policy was for a fixed 3 year term and could not be terminated in the interim.

(See Section 2.8 for FINDINGS, beginning on page 50)

- c) Provided the Board with incompetent advice in relation to the Bahamas First policy by advising that substantially all of the premium would be lost if the policy was terminated.

(See Section 2.8 for FINDINGS, beginning on page 50)

- d) Caused NIB to be saddled with the Bahamas First policy until 31st May, 2013 when such a policy should never have been effected in the first place.

(See Section 2.8 for FINDINGS, beginning on page 50)

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS

BACKGROUND

Insurance executive Mr. Patrick Ward, President and Chief Executive Officer of Bahamas First Holdings Limited (“Bahamas First”), was appointed Chairman of the Board of Directors of NIB on July 24, 2007 for a two year period with effect from July 1, 2007 (**Appendix 2.01**). Bahamas First Holdings Limited is incorporated under the laws of the Commonwealth of The Bahamas, and its wholly-owned subsidiaries, according to its “2007 Annual Report” (on the Company’s website) are the following entities:

Registered General Insurers:

- *Bahamas First General Insurance Company Limited (“BFG”)*
- *Allied Bahamas Insurance Company Limited (“ABI”)*

Registered Insurance Agencies:

- *Nassau Underwriters Agency Insurance Agents and Brokers Limited (“NUA”)*
- *Moseley Burnside Insurance Agency Limited (“MBI”)*
- *Carib Insurance Agents and Brokers Limited (“CIA”)*

Management Company:

- *Bahamas First Corporate Services Limited (“BFCS”)*

Bahamas First, along with its wholly-owned subsidiaries, are referred to as “the Group” and its primary activity is the carrying on of general insurance business.

Carib Insurance Agents and Brokers Limited (“Carib”), a privately held company, negotiated general insurance for NIB dating back to June 3, 2003 when the annual premium was \$1,001,994.30 for coverage of assets valued at tens of millions of dollars. The following sequence of events relate to Carib’s sale to Bahamas First Holdings in 2007:

- a) A review of correspondence supplied by Mr. Ward, between Mr. Patrick Ward (Bahamas First) and Mr. Philip Rock of Cooper Gay, London based broker and majority owner of Carib dating back to April 4, 2006, indicate that Bahamas First initially proposed purchasing a nine percent (9%) share in Carib, and subsequently a twenty percent (20%) share acquisition in Carib (see emails dated April 4, 2006, April 5, 2006 and May 31, 2006 **Appendices 2.01 - 2.01.20**).

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

a) (continued)

Additionally, the Central Bank of The Bahamas in its July 26, 2006 letter (**Appendix 2.01.3**) acknowledged that Commonwealth General Insurance Company Limited, a wholly-owned subsidiary of Carib (according to Patrick Ward) was placed in liquidation on 19th April, 2006 and “In this regard, it is understood that CGI’s portfolio of insurance business has been sold to Bahamas First General Insurance Company (“BFG”), such sale effected, as follows, by way of CGI’s affiliate broker in the United Kingdom, Cooper Gay & Company Limited (“COG”).”

The Central Bank letter further states that CGI’s remaining assets will be assigned and transferred to CIA (“CIA”), the immediate parent company. In this regard, permission is hereby granted for the assignment and transfer of its rights and obligations relative to the denominated group loan asset, now valued at B\$1,489,003.13 from CGI (i.e. Commonwealth General) to CIA.

Additionally, Cooper Gay’s Chief Operating Officer for the Caribbean, Phil Rock’s 18th October, 2006 letter acknowledges Bahamas First’s desire to acquire a minimum of twenty percent (20%) shareholding in Carib, and correspondence between Bahamas First and Cooper Gay during the period January 23, 2007 through March 9, 2007 disclose Bahamas First’s intention to purchase one hundred percent (100%) of Carib’s outstanding shares.

- b) A **Sales Purchase Agreement** was negotiated between Bahamas First Holdings Limited and Carib Insurance Agency limited (Carib) for the sale of one hundred percent (100%) of the outstanding shares of Carib to Bahamas First Holdings Limited (received by Grant Thornton by email from Mr. Patrick Ward on February 4, 2013). The Agreement is dated **June 22, 2007** with effect from **January 1, 2007**. (This means that the transaction would be as if it occurred on January 1, 2007 rather than on June 22, 2007) (**Appendix 2.02**).
- c) Bahamas First Holdings Limited’s “Secretary’s Certificate” regarding the referenced “Sales Purchase Agreement” between Carib Insurance Agency Limited and Bahamas First Holdings Limited (received by email by Grant Thornton from Mr. Patrick Ward). The Certificate is dated **July 23, 2007** (that is, one day before Mr. Ward’s appointment letter dated **July 24, 2007**, naming Mr. Patrick Ward Chairman of NIB’s Board, effective July 1, 2007 (**Appendix 2.01**).

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

- d) NIB's First Meeting of the New Board of Directors was held on August 30, 2007. Mr. Ward confirmed during his February 13, 2013 interview that he knew of his appointment to NIB's Board as Chairman sometime in late May 2007.
- e) Office of the Registrar of Insurance Companies (Ministry of Finance) letter dated September 26, 2007 advising "that the Honourable Minister of Finance, Minister with responsibility for insurance matters effective **September 14, 2007**, has granted approval for the sale of 100% equity in Carib Insurance Agency Limited to Bahamas First Holdings Limited (Grant Thornton received by email from Mr. Ward on February 1, 2013). The letter is dated **September 26, 2007** and is stamped "Received" by Carib on October 4, 2007 (**Appendix 2.04**).
- f) A review of Bahamas First Holdings Limited's ("BFH") Annual Report and Consolidated Financial Statements for the year ended December 31, 2006 (**Appendix 2.09**), downloaded by Grant Thornton from the Company's website, indicates that the Independent Auditors' Report was signed on June 7, 2007 and Note 27 of the "Notes to the Consolidated Financial Statements," under the caption "Events after the balance sheet date," states that during March 2007, BFH acquired agency is an agent to BFG. Consideration of \$500,000 for this acquisition was applied to the trade accounts receivable of the Agent with BFG." Mr. Ward has indicated that this investee company refers to General Brokers & Agents Limited, and that Bahamas First bought 30% of that Company in 2007 and then acquired a 100% ownership stake subsequently. "As a result, no evidence exists to suggest that the Board of Directors approved the purchase of Carib at any time before BFH's December 31, 2006 financial statements Audit Report date of July 7, 2007.
- g) Mr. Patrick Ward was interviewed by Grant Thornton on January 25, 2013 and on February 13, 2013, respectively, and Mr. Ward acknowledged that he learned that he would be appointed Chairman of NIB's Board of Directors sometime in late May 2007. During the February 13, 2013 interview Mr. Ward further stated that "We had a Memorandum of Understanding already signed during the 1st week of May 2007. This transaction was already in place before it was actually signed on June 22, 2007. Grant Thornton has noted that the Bahamas First's auditors made no mention of the purchase of Carib's outstanding shares through June 7, 2007, that is, the December 31, 2006 audit report date.

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

g) (continued)

The Bahamas First Annual Report includes the Chairman's (Ian Fair) Message reviewing the Company's 2007 results, he indicates "Second, we acquired Carib Insurance Agency, a well-respected and recognized agency in The Bahamas. We welcome that staff and clients to the Bahamas First family." Also, Mr. Ward, as President of BFH, indicates in the 2007 Annual Return that "The integration of the Carib Agency into the Group structure has proceeded as expected and the additional resources that have been introduced into our organization have already benefited us in many respects." The references to BFH's acquisition of Carib in the 2007 Annual Report by both Bahamas First's Chairman, Ian Fair, and its President, Patrick Ward, indicated that the Carib acquisition was significant to the Group.

Carib's audited financial statements for the eighteen (18) months ended December 31, 2007 are presented at **Appendix 2.11** and the audited financials for the year ended December 31, 2007 are presented at **Appendix 2.12**.

An excerpt of the minutes of the 4th (Regular) meeting of the Board of Directors of the National Insurance Board held on Thursday 30th August 2007, which was the first meeting of the Board of Directors with Mr. Patrick Ward as Chairman, the subject of conflicts of interest is introduced by Chairman Ward, and the provision of general insurance by Carib Insurance Agents and Brokers Limited, and is as follows:

3.0 New Matters

3.1 Declaration of Conflict of Interest as regards Board of Directors

3.1.1 The Chairman (Patrick Ward) asked members to indicate whether they had any conflict of interest which might affect their service to the Board.

3.1.2 He said he had one such conflict of interest to declare, and that is with Carib Insurance Agency which has coverage of the National Insurance Board's assets. He said that he will recuse himself from any discussions on this matter.

3.1.3 He went on to say that the company with which he is employed recently purchased Carib Insurance Agency, and that NIB's relationship with the company existed prior to the purchase taking place."

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

It is important to note that Mr. Ward did not disclose to the Board of Directors any particulars of the Carib purchase, and the fact that the relevant Sales Purchase Agreement was signed on June 22, 2007. Also, absent from the disclosure by Mr. Ward was the fact that Bahamas First had not yet received approval to finalize acquisition of one hundred percent (100%) of the outstanding shares of Carib Insurance Agency Limited from the Government (that is, the Office of the Registrar of Insurance Companies which came under the purview of the Ministry of Finance). Approval to purchase Carib was granted by the Government effective September 14, 2007, two weeks after the August 30, 2007 Board Meeting at which Mr. Ward declared that Bahamas First had purchased Carib.

Furthermore, Grant Thornton is not able to determine from the documents provided by Mr. Ward the "Completion Date" of the transaction between Carib Insurance and Bahamas First, as defined below in Sections 4 & 5 of the Share Purchase Agreement (**Appendix 2.02.2**):

- (4) *The Completion Date shall be the date agreed between the parties hereto being a date no later than Fourteen (14) days after BFH and the Vendors jointly agree that all Regulatory Approvals (as defined in Section 6.2(2) of this Agreement) have been received, or such other date as may be agreed between the parties. In the event that one party to this Agreement determines that all Regulatory Approvals have been obtained, he shall notify the other party in writing, at which time both parties will agree the Completion Date or notify the other party of Regulatory Approvals outstanding.*
- (5) *Subject to the terms of this agreement on the Completion Date BFH will be the sole legal and beneficial owner of and will have good and valid title to the Shares.*

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

GENERAL INSURANCE RENEWAL - 2008

A review of the Minutes of the 4th (Regular) Meeting of the Board of Directors of The National Insurance Board held on Thursday, 24th April, 2008 in the Boardroom of The National Insurance Headquarters Building situated on Baillou Hill Road, at 4:00 p.m. indicated the following:

*Present: Mr. Patrick G.W. Ward, Chairman
Mr. Van Diah, Member
Mr. Harold Watson, Member
Ms. Philcher Grant, Member
Mr. Brian Nutt, Member
Mr. Winston Rolle, Member
Mr. Troy Sampson, Member
Mr. John Pinder, Member
Mr. Dennis Williams, Member*

4.3 NIB (08) 09 – General Insurance Renewal 2008 - 2009

4.3.1 The Chairman asked that this paper be deferred to the end of the meeting, when he will recuse himself, as he has an interest in the Company which has NIB's general insurance coverage.

5.0 ANY OTHER BUSINESS

5.2 NIB (08) 009 – General Insurance Renewal 2008 – 2009 Cont'd.

5.2.1 The Chairman recused himself from the meeting at this point.

5.2.2 Mr. Van Diah questioned why this request for renewal was only coming to the Board at this time, and not two months ago, when considering the amount of monies involved.

5.2.3 Members were advised that this was the third year of a three year cycle. A public tender exercise is planned for the next renewal period.

5.2.4 Members asked about the Chairman's relationship to Carib Insurance Company.

5.2.5 It was pointed out that the Board was already insured with the Company when the Chairman was appointed to the Board of Directors, and Bahamas First General Insurance Company later purchased Carib Insurance Company.

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

5.2.6 *Mr. Dennis Williams stated that he agrees that the Board should renew its coverage with the Company, but the Board should be given three months' notice for renewal for the next period.*

5.2.7 *Members agreed with Mr. Williams, and on a motion made by Mr. Van Diah, seconded by Mr. John Pinder and unanimously carried, the following resolution was adopted:*

"Be it resolved that the Director is authorized to renew the general insurance with Carib Insurance Agency Limited for the period June 1, 2008 to May 31, 2009 for a total of \$1,234,152.87 based on existing sums insured, and the Board should be given three months' notice for renewal for the next period."

Section 5.2.5 above of the Minutes of the April 24, 2008 Board of Directors meeting is indeed interesting because it states that "the Board was already insured with the Company when the Chairman was appointed to the Board of Directors, and Bahamas First General Insurance Company later purchased Carib Insurance Company," as it gives the impression that when the Chairman joined the Board, his Company owned Carib, a company which provided general insurance to NIB since 2003. The Board was unaware that the Carib purchase "Completion Date" was subsequent to August 30, 2007 when Mr. Ward stated "that the Company with which he is employed recently purchased Carib Insurance Agency, and that NIB's relationship with the Company existed prior to the purchase taking place."

This therefore raises conflict of interest concerns, and what is of note is that this significant related party transaction was never disclosed in the notes to audited financial statements, beginning with the 2007 audited financials, as required by International Accounting Standard 24 (IAS 24), particularly considering that the audited annual financial statements of the National Insurance Board are tabled in Parliament each year.

See **Appendix 2.13** for the PWC's (Gowen Bowe's) email response to Director Cargill's email about PWC's non-disclosure of the related party transaction regarding Bahamas First's purchase of Carib Insurance and the related significant general insurance contract.

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

RENEWAL OF THE THREE YEAR GENERAL INSURANCE CONTRACT - 2009

Minutes of the 4th (Regular) Meeting of the Board of Directors of The National Insurance Board held on Thursday, 7th May, 2009 in the Boardroom of The National Insurance Headquarters Building situated on Baillou Hill Road, at 4:00 p.m.

*Present: Mr. Patrick G.W. Ward, Chairman
Mr. Van Diah, Member
Mr. Harold Watson, Member
Ms. Philcher Grant, Member
Mr. Brian Nutt, Member
Mr. Winston Rolle, Member
Mr. Troy Sampson, Member
Mr. John Pinder, Member
Mr. Dennis Williams, Member*

*Apologies: Archdeacon Etienne E. Bowleg, Deputy Chairman
Mr. van Diah, Member
Ms. Philcher Grant, Member
Mr. Dennis Williams, Member*

*In Attendance: Mr. Algernon Cargill, Director
Mrs. Sonia Gill
Mrs. Ernestine Kelson, Secretary to the Board of Directors*

4.7 NIB (09) 022 - Tenders for General Insurance

4.7.1 The Chairman recused himself from discussion on this matter, due to conflict of interest.

4.7.2 The Director led the discussion, and indicated that the Chairman was the President of Bahamas First General Insurance Company Ltd. and Nassau Underwriters Agency, of which Carib Insurance Agency is a part.

4.7.3 He said that as per the attached Board paper marked Annexure III, the Board was again being asked to place its general insurance portfolio with Carib insurance Agency who had the lowest bid. He said that NIB has been totally satisfied with Carib Insurance's performance.

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

SEE APPENDIX 2.5 FOR THE MEMORANDUM OF THE DIRECTOR RE: TENDERS FOR GENERAL INSURANCE

The total premiums quoted using a 2% deductible on the property All Risk as follows:

<u>TENDERER</u>	<u>AMOUNT</u>
Orry J. sands	\$1,357,522*
J.S. Johnson	1,333,758
Carib Insurance	1,004,470
Chandler Gilbert (Travel & liability only)	28,400

**The quote is for 70 million sub-limits.*

4.7.4 *On a motion made by Mr. Harold Watson, seconded by Mr. Troy Sampson and unanimously carried, the following resolution was adopted:*

"Be it resolved that the Director is authorized to place the general insurance coverage with Carib Insurance Agency Limited for the three year period commencing June 1, 2009, subject to annual renewal.

Be it further resolved that the Board approves the premium of \$1,004,470, based on Property All Risk sum insured of \$137,491,000 for the period June 1, 2009 to May 31, 2010, and approves the placement of and payment for any additional coverage that may be required."

Per Appendices 2.5 and 2.5.1, a comparison of Carib's 2008 and 2009 policy (that is, for the third year in a three year cycle) and Carib's 2009 tender is as follows:

	2008 - 2009	2009 - 2010	Difference
	(3 rd year of 3 year contract)	(1 st year of 3 year contract)	
Premium	\$ 1,234,528.87	1,004,470.00	229,682.87
Property All Risk Sum Insured	129,248,000.00	137,491,000.00	8,243,000.00

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

Grant Thornton notes that the general insurance premium paid to Carib for the year June 1, 2008 to May 31, 2009 was \$1,234,152.87 to cover total assets of \$129,248,000, while the premium for the period June 1, 2009 to May 31, 2010 was \$1,004,470 to cover the total assets of \$137,491,000.

In other words, Carib's quoted premium for the period 2009 to 2010 decreased by \$229,683 (that is, from \$1,234,153 to \$1,004,470), and the total value of assets covered increased by \$8,243,000 (that is, from \$129,248,000 to \$137,491,000 for the 2009 to 2010 period). Also, it should be noted that of the \$137 million fixed assets insured for Property All Risk, only \$43 million in assets relate to NIB occupied properties. The fixed assets difference of \$94,000,000 represents cost related to Government buildings, which is charged out as a recovery for repayment to NIB by the Government.

Appendix 2.04.2 represents payments in respect of general insurance provided to NIB for the years 2009 through 2013, and it is interesting to note that once the Board of Directors approved "Carib" as the general insurance provider for the three year period 2009 through 2012 at a premium of \$1,004,470, for the first year of the three year cycle, the following payment information is noted in NIB's accounting records and reflect additional payments to Carib:

History	Jun-09	5/29/2009	148261	INSURANCE COVERAGE - 06/09 - 05/10	20092650	\$1,004,470.83
History	07/2009A	7/17/2009	150779	INSURANCE - B.M.C. BLDG. - J.F.K. DR.	20093612	\$ 71,201.73
History	Aug-09	8/12/2009	151068	MIN. OF TOURISM BLDG. - J.F.K. DR.	20093838	\$ 60,888.45
History	08/2009A	8/20/2009	151152	MIN. OF TOURISM BUILDING	20093970	\$ 84,671.48
History	9-Sep	9/4/2009	152235	PREMIUM - GRAND CAY CLINIC	20094504	\$ 8,342.47

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

Grant Thornton noted that, subsequent to the Board of Directors granting the general insurance contract to Carib in May 2009, there were no subsequent requests for bids from insurance companies, in respect of providing general insurance to NIB, nor were there any resolutions approving subsequent payments to Carib for the following payments:

<u>Date</u>	<u>Amount</u>
July 17, 2009	\$ 71,201.73
August 12, 2009	60,888.45
August 8, 2009	84,671.48
September 4, 2009	8,342.47
	<u>\$225,104.13</u>

Our **Appendix 2.04.2** indicates that these payments do not relate to the April 24, 2008 \$1,004,470 contract granted to Carib that was approved by the Board of Directors. Mrs. Sonia Gill, NIB's Financial Controller, has indicated that NIB's practice is once an insurance company is approved by NIB for the three year period, all other general insurance required by NIB during that approved three year period will not go out for tender, but is given to the company winning the initial three year contract. In this case Carib was given all additional business.

During Grant Thornton's ("GT") January 25, 2013 interview with Patrick Ward ("PW"), the following discussion ensued on the question of his Company's conflict with NIB:

GT asked PW: "I'm asking you, I'm talking about you in your mind. Think about the public's perception, did you think about how you were going to deal with this major contract between your Company and NIB. You were the chairman at the time?"

PW replied that he had two answers for that: "One, there was a precedent from a former chairman (at NIB) having a similar situation when he was previously a director of the Board. Exact similar arrangement, he was the chairman of NIB, and that Chairman's company had an interest in the insurance contract at NIB and it was all disclosed."

GT asked whether Prime Minister Ingraham ("PM") would have known of the contract at the time of appointment. PW replied that he couldn't say that the PM did not know. All he could say was that he (PW) did not specifically disclose the matter to the PM. GT then asked if PW did not disclose it to the Prime Minister at the time of the appointment that Bahamas First had a contract with NIB. PW replied No, because the contract was already in existence, having been entered into before 2007.

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

PW disclosed to the Board that he was the President & CEO of Bahamas First Holdings Limited (BFHL) and that BFHL had a relationship with NIB through Carib Insurance which became subsumed into NUA (BFHL's wholly owned subsidiary) sometime between 2005 and 2008. Carib Insurance was the insurance provider of NIB before it merged with NUA sometime in 2008. PW is to supply evidence.

PW continued that when he was Chairman of the Board, he initiated improvements in the process in dealing with potential conflicts of interest such as declaring/disclosing the related party or potential conflicts and recusing oneself from the decision making process. PW also discussed that he signs (together with the members of the Board) an annual Conflict of Interest Disclosure Form. His relationship with BFHL is documented in that form and this was submitted to the external auditors (of NIB, PWC). PW also mentioned that this disclosure was important especially in determining any conflicts of interest that would arise in the tender process of NIB's capital projects or transactions, and that this is best practice of corporate governance.

GT then asked PW whether he disclosed his conflict to the Board and to Mr. Cargill at the time? PW replied that disclosure was made to the Board, and Mr. Cargill wouldn't have been there in 2007. It was not his determination.

GT stated that it appears that PW did not disclose the conflict to the Prime Minister at any time, and PW responded that Minister Ken Russell and subsequently the PM would have gotten the board minutes. PW replied that the formal procedure for every NIB issue would be contained in the NIB board packet which is sent to the Ministry of Finance. PW knew they (Finance) would get a copy of it and the reason why it wasn't on the forefront of PW's mind at the very beginning was because the contract NIB had with Bahamas First in 2007 was already in existence, and it had 2 more years to run. Again, PW continued that the packet, which would have included the board minutes of every meeting, was sent to the relevant Ministry. It was really just to keep them aware of what was happening with NIB. "Management sends them" and PW did not send them personally. The Secretary of the Board can confirm the dates that they were sent.

At this point it is important to note that Carib and not Bahamas First had the contract with NIB since 2003. Bahamas First completed its purchase of Carib sometime after September 14, 2007.

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

The interview continued:

PW said he was never asked to fill out, or to supply, any conflict information when he was approved Chairman of NIB. Everyone in the Bahamas knows that he works with Bahamas First, "anyone in the financial sector, and who is in the know. It was no secret."

GT asked when PW came into NIB as Chairman, wouldn't PW expect to improve their processes? "Was there anything you did to improve their disclosure practices?" PW replied that they created a tenders process which was a complete revamp. There was a Tenders Committee at the Board that made sure that the tendering process, and also the way in which the tenders were opened, was more transparent. Anyone who had a conflict was required to disclose that conflict in relation to things that came up and to recuse him/herself from any discussion that came up during Board Meetings in respect to that matter. PW stated that the best practice he took was, "in a country the size of the Bahamas you can't avoid conflicts of interest issues. The best thing to do is to disclose it, and secondly recuse yourself from any further discussion or deliberation or involvement in the decision making process." To PW's knowledge he thinks that's what the best practice requires in relation to the kind of issues that GT was talking about.

GT then asked if PW didn't think there was ever an instance where one might say that this is so significant where it may be more than just that? GT then cited that Bahamas First was insuring all of NIB's property. PW replied that "No, because we were fully reinsuring (100%) some of those. We did not have a direct liability and if you look at the direct premium income Bahamas First has, it's a very small number. Less than a couple or may be less than \$100,000." PW continued that the majority of that million dollar plus premium, Bahamas First was only fronting that policy. The reason why Bahamas First was fronting it was because it allows for the most cost effective approach for NIB. Bahamas First was not prepared to take that exposure.

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

Continuation of January 25, 2013 interview with Mr. Patrick Ward

GT discussed getting back to best practices, Grant Thornton had a chance to look at Bahamas First financials for a number of years and there were disclosures on related parties, and as PW spoke about best practices, the question from GT was: why were best practices not instituted at NIB in terms of related party issues? IAS 24 states that the general insurance contract should have been disclosed in the notes to the financial statements. PW stated that GT was getting in the territory of the audits, and Grant Thornton needs to ask PWC that question. GT continued that PW signed off on the statements, and PWC will tell you, management is responsible for the financial statements. PW continued that every year at NIB he signed a questionnaire that required all Board Members to disclose related parties transactions. GT then injected that this is significant. Bahamas First was insuring the assets of NIB and that PW was the NIB Chairman, and the President & CEO of Bahamas First, holding top positions for both of the entities.

GT then asked if PW reviewed the related party disclosures in the notes to the financial statements. PW replied "No, because I'm not an auditor, as far as I was concerned I have performed my obligation which was to disclose to the auditors a very important issue, related party transactions. If we were not in compliance with a specific requirement under the IFRS standard, to me that's one of the things an auditor should sight."

GT then asked PW whether it should have been the auditors' responsibility. PW replied that "If it's not in the notes then I think it should be their responsibility to bring it to our attention that we are not in conformance with the IFRS standards." GT continued to ask PW that considering hindsight, because related party transactions were not disclosed, PWC was not following the rules? PW's answer was that it would not have bothered him either way if they had disclosed it or not because he was not seeking to hide or not disclose his relationship with Bahamas First. It would not have made any difference in his point of view at all.

GT discussed that looking at 5 years of NIB statements through 2011, Bahamas First Insurance continued with the general insurance coverage so it was not a matter of one year's omission, but the omission from statements for five years. PW as the Chairman said that everything was done in conformance with IFRS. PW said that he had no issues with the disclosure of the relationship with Bahamas First, but he's okay with the fact that it was not disclosed in the statements for five years? PW replied that in his perspective, if he was not asked by the auditors to sign a declaration on his related party transactions then he would have thought that there was more than he needed to do. He thought he disclosed all that he was required to disclose to the external auditors and whether they put a note in the report was for them to decide. "If the auditors felt that there was something that should be disclosed, they should have asked the individuals concerned to disclose or they would qualify the report and there was no discussion of that point. It never came up. There was no issue. All the board members were aware. There was never an issue relating to that. It was no secret."

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

What is missing in this whole Board of Directors approval process is the question about the system in place when the proposals were received by NIB, and did any company have “an unfair advantage.” There is no discussion at the Board level about this point.

The Minutes of the 4th (Regular) Meeting of the Board of Directors of The National Insurance Board held on Tuesday, 1st May, 2012 in the Boardroom of The National Insurance Headquarters Building situated on Baillou Hill Road, at 4:00 p.m.

*Present: Mr. Patrick G.W. Ward, Chairman
Rev. Etienne E. Bowleg, Deputy Chairman
Mr. Van Diah, Member
Mr. John Pinder, Member
Mr. Evan Dean, Member
Dr. Robin Roberts, Member
Ms. Debbie Ferguson, Member
Mr. Robert D.L. Sands, Member*

*Apologies: Mr. Brian Nutt, Member
Ms. Nicole Martin, Member
Mrs. Belinda Wilson, Member*

*In Attendance: Mr. Algernon Cargill, Director
Mrs. Phaedra Mackey-Knowles, Deputy Director/Vice
President/Investments
Mrs. Sonia Gill, Financial Controller
Mr. Raymond Wells, Deputy Director/Vice President/
Information Technology
Mrs. Ernestine Kelson, Secretary to the Board of
Directors*

2.6.12 Insurance Tenders

2.6.13 Tenders for Proposals for insurance coverage for the 2012-2015 periods have been issued with the closing on April 27th, 2012. Current coverage expires May 31, 2012.

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

2.6.12 *Mrs. Mackey-Knowles reported that assessment of the tenders was not complete, and the Board paper on NIB's general insurance coverage would have to be round-robin in a day or two.*

2.6.13 *The Chairman wished to declare his affiliation (though not directly) with one of the companies participating in the bid process and the current carrier of NIB's general insurance coverage. He said that Nassau Underwriters is one of the subsidiary companies which make up a part of a conglomerate of companies of which he heads.*

2.6.14 *He wished to specifically state his exclusion from participating in the voting process on this matter to avoid any appearance of a conflict of interest.*

The Minutes of the 5th (Regular) Meeting of the Board of Directors of The National Insurance Board held on Thursday, 25th July, 2012 in the Boardroom of The National Insurance Headquarters Building situated on Baillou Hill Road, at 4:00 p.m.

Present:

Mr. Gregory K. Moss, Chairman
Mr. Bernard Evans, Deputy Chairman
Mr. Jayson Moxey, Member
Ms. Linda Denise Evans, Member
Mr. Freddie Munnings Jr., Member
Dr. Josephine Bartlett, Member
Mr. Philip Beneby, Member
Mr. Patrick Davis, Member
Mr. Merrit Storr, Member
Mr. Marquista Thompson, Member
Bishop Harry Collie, Member

Apologies:

Mrs. Sonia Gill, Financial Controller

In Attendance:

Mr. Algernon Cargill, Director
Mrs. Phaedra Mackey-Knowles, Deputy Director/Vice President/Investments
Mrs. Ernestine Kelson, Manager/Secretary to the Board of Directors

5.6 NIB (12) 037 – Tenders for General Insurance

5.6.1 *Mrs. Phaedra Mackey-Knowles informed the Board that an initial insurance tender was issued via a public notice and opened on April 30, 2012. She said that eight proposals were received, of which five were related to the property All Risks. NUA Insurance Agents & Brokers was selected for the three year period commencing July 1, 2012, subject to annual renewal, annual premium of \$1,699,522.60 based on Property All Risk sum insured of \$227,892,500.*

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

NIB's acceptance of the proposal was rescinded and the insurance was retendered on 14th June, 2012 and opened on 22nd June, 2012. Four proposals inclusive of NUA were received in response to the public notice.

- 5.6.2 *Mr. Patrick Davis stated that he was deeply concerned and commented that while Mr. Patrick Ward, President of Bahamas First General Insurance Company Limited and its subsidiary company, N.U.A. Insurance Agents & Brokers Limited (NUA), and then Chairman of NIB disclosed his interest in NUA, there is conflict of interest in the Board selecting this company to place its general insurance portfolio over the past years, as well as going forward. He said that Mr. Ward has a competitive advantage over the other companies who have participated in the bidding process.*
- 5.6.3 *The Chairman added that Mr. Ward would have known from previous bids what each person's bid was.*
- 5.6.4 *He said that the Minister is aware of the concerns the present Board is having with approving the placement of NIB's insurance coverage with NUA.*
- 5.6.5 *Members raised concern about the disproportionate premium, and questioned how NUA was able to quote and get coverage.*
- 5.6.6 *Mrs. Mackey-Knowles responded that the tender process was a transparent one, where everyone who submitted bids was invited to the opening.*
- 5.6.7 *The Board inquired as to whether the Policy could be extended and retendered.*
- 5.6.8 *Mrs. Mackey-Knowles advised that the previous contract had expired, the hurricane season was upon us and the premiums quoted was less than the others who had quoted, and thus the reason why Management recommended placement of the insurance portfolio with NUA.*
- 5.6.9 *In further discussing this matter, members were informed by Mrs. Mackey-Knowles that the premiums were already paid and that it would not be a practical option to cancel the policy, as the "short rate" which would be payable upon cancellation during the term of the policy would be substantially equivalent to the annual premium sum.*
- 5.6.10 *The Chairman then requested that he be provided with the insurance Policy for his review.*
- 5.6.11 *He then suspended the meeting at this point to speak with the Minister to get further clarification on this issue.*

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

5.6.12 *Following the Chairman's conversation with the Minister, the meeting resumed, at which time he reported that the Minister informed him that there were two tenders which were recommended, and NUA Insurance Agents & Brokers came in with the lowest bid. He said that the placement of the NIB insurance portfolio with NUA was agreed to by Cabinet, but with great concern and reluctance. He went on to say that Cabinet wishes to have the Policy cancelled as soon as possible, perhaps in one year's time, and further, if the Board has another way to get out of the contract, they are free to proceed.*

5.6.13 *In response to a question raised by members, Mrs. Mackey-Knowles said that there is a policy in place where the insurance coverage is approved for a three-year term, which is subject to annual renewal.*

5.6.14 *The following letter dated 28th June, 2012 to the attention of Mrs. Phaedra Mackey-Knowles from Mr. Gregory Williams of NUA was read:*

"We refer to your e-mail of 28th June 2012 and have noted your instructions to extend all existing policy coverage to 1st August 2012.

Before a further 30 day extension can be put in place we will require a deposit payment of 30% of the annual premium for both property and computer covers.

As you will appreciate, we are in the middle of an active hurricane season and the largest proportion of these premiums covers this exposure. In the event of subsequent cancellation this will be adjusted on at least a short rate basis, again because we are in the middle of the hurricane season.

We will also require a 30% deposit payment for all other covers as there is no guarantee cover will be required after extension expires.

All covers are subject to no deterioration in loss record.

We enclose our Statement of Account and look forward to receiving payment in the sum of B\$509,856.78 on or before close of business on 2nd July 2012."

5.6.15 *The Chairman informed the Board that once this matter has been thoroughly investigated, members' approval can be canvassed via round robin, or wait until the next Board meeting to deal with the same.*

5.6.16 *The Chairman returned to the delegated investment authority issue, and informed the Board that in speaking with the Minister he has indicated that he is not aware of Management's delegated authority to invest NIB funds.*

6.8.4 *NIB (12) 029 – Tenders for General Insurance*

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

6.8.5 *"Be it resolved that the Director is authorized to place the general and supplemental insurance cover with NUA Insurance Agents & Brokers for the three year period commencing June 1, 2012, subject to annual renewal, and it is also agreed that any new assets added to our portfolio also be covered under the coverage being provided by the proposed insurance company, NUA Insurance Agents and Brokers Ltd.*

Be it further resolved that the Board approves the proposed annual premium of \$1,699,522.60 based on Property All Risk sum insured of \$227,892,500 and supplemental coverage for the period June 1, 2012 to May 31, 2015."

The Minutes of the 6th (Regular) Meeting of the Board of Directors of The National Insurance Board held on Thursday, 30th August, 2012 in the Boardroom of The National Insurance Headquarters Building situated on Baillou Hill Road, at 4:00 p.m.

Present:
Mr. Gregory K. Moss, Chairman
Mr. Bernard Evans, Deputy Chairman
Mr. Jayson Moxey, Member
Ms. Linda Denise Evans, Member
Mr. Freddie Munnings Jr., Member
Mr. Philip Beneby, Member
Mr. Patrick Davis, Member
Mr. Merrit Storr, Member
Mr. Marquista Thompson, Member
Bishop Harry Collie, Member

Apologies:
Dr. Josephine Bartlett, Member
Mrs. Phaedra Mackey-Knowles, Deputy Director/Vice
President Investments
Mrs. Sonia Gill, Financial Controller

In Attendance:
Mr. Algernon Cargill, Director
Mrs. Cecile Bethel, Senior Deputy Director, Operations
Mrs. Ernestine Kelson, Manager/Secretary to the Board
of Directors

2.9 Tenders for General Insurance

2.9.1 *The Chairman spoke of the conflict of interest that existed with the then Chairman of NIB, who was President of Bahamas First General Insurance Company Limited and parent company of the subsidiary N.U.A. Insurance Agents & Brokers Limited (NUA) with which NIB's general insurance portfolio was placed.*

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

2.9.2 *He said that there were four areas which gave great cause for concern:*

1. The Short Rate Issue

He was advised that if the policy was cancelled, NIB would lose the premium already paid, but it was discovered that only four months' premium would be lost. He said that the policy is very clear, as there is a "short rate" schedule.

2. The Deductible Issue

Mrs. Mackey-Knowles in her letter clarified that the word "total" was omitted in error in her memorandum and she agreed that the deductible "per location" is "2% of the total sum insured per location".

3. The Weather Condition Issue

It was pointed out to Management that the Policy indicates that it does not insure against loss or damage caused by exposure to weather conditions.

Mrs. Mackey-Knowles in her letter stated that she have no further comments.

4. The Underwriter Issue

The Chairman informed the Board that Mrs. Mackey-Knowles made the following comments:

- "1. The policy is actually insured by Bahamas First in the first instance and they reinsure with international reinsurers in accordance with normal market practice.*
- 2. The policy is underwritten by Bahamas First and the policy reflects this.*
- 3. Yes I am saying NUA through its Lloyd's brokers has secured "reinsurance support" for Bahamas First to cover potential loss under the NIB policy.*
- 4. NUA and formerly Carib Insurance since 2003 and also several years in the 1990's have been our brokers. One of their roles has been assisting the carrier Bahamas First and in earlier years Commonwealth General Insurance to obtain "reinsurance support". See attached details of the current "reinsurance support" including names and their percentage support.*

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

5. *In accordance with the schedule mentioned in item 4 above you can see Bahamas First reinsures 100% with the noted reinsurers. Please bear in mind that NIB benefits from the significant pricing that this arrangement allows for compared to other options."*

2.9.3 *The Chairman pointed out that the report provided by NUA is not on letterhead, as this is what he thought was requested in the first instance.*

2.9.4 *The Director responded that he can have the report provided on NUA's letterhead.*

2.9.5 *One member stated that the Board was provided with inaccurate, false and misleading information, which comes back in the face of the Directors, and which did not allow the Board to make a more timely decision on the insurance issue.*

2.9.6 *Another member commented that insurance companies do not do their own underwriting.*

2.9.7 *Further comments were made that there would not be a policy where the insurance company is the underwriter.*

2.9.8 *The question was asked if NIB opted to cancel, what would be the penalty.*

2.9.9 *It was explained that the longer the policy remains in effect, the less the loss would be to NIB.*

2.9.10 *Members also commented that Bahamas First is supposed to be a reputable company, and questioned whether NIB had been given a bogus contract.*

2.9.11 *Following some further discussion on this matter, on a motion duly made, seconded and unanimously carried, the following resolution was adopted:*

"Be it resolved that the Board of Directors authorizes the Contracts and Tenders Committee to attend to source replacement insurance coverage for the NIB properties presently insured by Bahamas First General Insurance Company Ltd., through its agent N.U.A. Insurance Agents & Brokers Limited (NUA) and to invite the two other companies which were previously involved in the bidding process (Star General Insurance Agents & Brokers Ltd. and J.S. Johnson Company Ltd.) to resubmit tenders, and upon the identification and placement of a suitable replacement policy of insurance coverage for the NIB properties, to terminate the contract with Bahamas First General Insurance Company Ltd. and recoup the balance of the premium previously paid."

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

The Minutes of the 7th (Regular) Meeting of the Board of Directors of The National Insurance Board held on Thursday, 27th September, 2012 in the Boardroom of The National Insurance Headquarters Building situated on Baillou Hill Road, at 4:00 p.m.

- Present:*
- Mr. Gregory K. Moss, Chairman*
 - Mr. Bernard Evans, Deputy Chairman*
 - Mr. Jayson Moxey, Member*
 - Ms. Linda Denise Evans, Member*
 - Mr. Freddie Munnings Jr., Member*
 - Dr. Josephine Bartlett, Member*
 - Mr. Philip Beneby, Member*
 - Mr. Patrick Davis, Member*
 - Mr. Merrit Storr, Member*
 - Mr. Marquista Thompson, Member*
 - Bishop Harry Collie, Member*
- Apologies:*
- Mrs. Phaedra Mackey-Knowles, Deputy Director/Vice President Investments*
 - Mrs. Sonia Gill, Financial Controller*
- In Attendance:*
- Mr. Algernon Cargill, Director*
 - Mrs. Cecile Bethel, Senior Deputy Director, Operations*
 - Mrs. Ernestine Kelson, Manager/Secretary to the Board of Directors*

2.9 Tenders for General Insurance

- 2.9.1 *Members questioned whether the Contracts and Tenders Committee should not have come back to the Board for further approval once a suitable replacement policy of insurance had been identified (in this case Star General Insurance Agents & Brokers Ltd. had been selected).*
- 2.9.2 *Contracts & Tenders Committee Chairman, Director Patrick Davis said that this was not necessary as the resolution passed at the last Board meeting which he referred to stated that "...upon the identification and placement of a suitable replacement policy of insurance coverage for the NIB properties, to terminate the contract with Bahamas First General Insurance Company Ltd. and recoup the balance of the premium previously paid."*
- 2.9.3 *It was pointed out that N.U.A. Insurance Agents & Brokers Limited (NUA) had placed a portion of its insurance overseas. NUA was still the agent of record.*
- 2.9.4 *Members were informed that Star General Insurance Agents & Brokers Ltd. at their request was given an Agent of Record letter.*

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

- 2.9.5 *J.S. Johnson could have requested the same letter, but they did not do so.*
- 2.9.6 *Some members were of the view that perhaps NIB should have gone out to a general tender.*
- 2.9.7 *Director Philip Beneby pointed out that as a general practice, if the first company selected does not work out for whatever reason, the next lowest bid is selected – Star General was the next lowest bid.*
- 2.9.8 *The Chairman informed the Board that there were several emails between the Director, Phaedra Mackey-Knowles and himself regarding this issue. He said that there were also direct talks with the Minister who has indicated that the initial policy with Bahamas First should remain in place.*
- 2.9.9 *There was further discussion on this matter where it was stated that the insurer and the underwriter were the same party, the 2% deductible issue, the conflict of interest issue and the re-insurance issue.*
- 2.9.10 *The Chairman said that the Minister has requested the in-house Legal Officer as well as the Attorney General to look at the policy for a way out. He said that both individuals said that there is a way out.*
- 2.9.11 *The Director stated that he had spoken with the Legal Officer, and asked for the amendments to be made.*
- 2.9.12 *He went on to say that it was the Minister and not him who requested the policy to be amended.*
- 2.9.13 *He said that he was only here to advise and not to go against the wishes of the Board.*
- 2.9.14 *Director Freddie Munnings was of the view that even if there is an amendment, there is still a direct conflict of interest.*
- 2.9.15 *Director Merrit Storr commented that Bahamas First policy has been renewed consecutively prior to last year, and certain procedures had to have been in place.*
- 2.9.16 *Some members were concerned that the related party transaction was not tracked, as the former Chairman signed the related party disclosure form.*
- 2.9.17 *The Chairman pointed out that the premiums of Bahamas First came in far less than the other companies who submitted bids.*
- 2.9.18 *He said that he will not countenance or support what is happening, as it will be seen as a cover up.*

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

- 2.9.19 *He went on to say that Star's policy is very clear.*
- 2.9.20 *In the case of Bahamas First, the insurance company is the underwriter, and questioned how this can be.*
- 2.9.21 *Deputy Chairman, Bernard Evans asked whether we can get an independent person to look at the entire issue.*
- 2.9.22 *The Chairman said that the Minister invited him to seek the services of an independent person to investigate this matter. He said that he checked and no one wants to take on the responsibility based on the "dormant" position of Bahamas First.*
- 2.9.23 *Director Merrit Storr said that the Minister and Attorney General seem to be on the same page. He questioned Cabinet's position.*
- 2.9.24 *Members questioned whether Bahamas First has the base to provide funding.*
- 2.9.25 *Director Munnings commented that the policy was renewed, but the related parties disclosures were not revealed.*
- 2.9.26 *Members were of the view that they now needed to resolve to revoke their own resolution which authorized the Contracts & Tenders Committee to attend to source replacement insurance coverage for NIB's properties.*
- 2.9.27 *The Chairman stated that during the first meeting it was discussed that when the bids were to be retendered, Bahamas First was to be excluded from the bidding process. The Director however, did not share the same view.*
- 2.9.28 *The Chairman informed the Board that he invited the Minister on two occasions to come and issue a directive to the Board.*
- 2.9.29 *In light of the insurance matter and the direction it appeared to be headed, members further questioned how they were going to deal with other issues the Board is faced with.*
- 2.9.30 *They discussed upholding the earlier resolution, and wondered whether this position would force the Minister to give a directive.*
- 2.9.31 *The Director informed the Board that the in-house Legal Officer, Mrs. Heather Maynard is waiting to hear from the Attorney General on the addendum which was drafted.*

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

- 2.9.32 *Director Freddie Munnings questioned why the point was being belabored. Members were of the view that the resolution was passed since last meeting to attend to source replacement insurance coverage and Management seemed to not be acting on the Board's instructions.*
- 2.9.33 *Senior Deputy Director, Mrs. Cecile Bethel who was filling in for the Director at the time the resolution was passed by the Board, stated that she sent a request to Mrs. Mackey-Knowles to prepare a cheque for Star General Insurance Company, however she has not received a response.*
- 2.9.34 *The Director informed the Board that the Minister instructed Mrs. Mackey-Knowles not to proceed with the Board's decision.*
- 2.9.35 *The Board was of the view that Management should be directed to implement its instructions.*
- 2.9.36 *Director Merrit Storr said that he was concerned that the Minister has a different view from that of the Board.*
- 2.9.37 *The Board was further of the view that there was nothing legal that could prevent them from moving forward.*
- 2.9.38 *The Board also recognized that the premium to be refunded at this point of \$950,000 was becoming less, the longer the policy remained in place.*
- 2.9.39 *After some further discussion on this matter, the Board agreed that it would uphold its earlier resolution; they understood that while the Minister can give a directive to allow the policy to remain with Bahamas First, it was agreed that the Minister should be given a final courtesy to be informed of the Board's decision. Members took a break at 6:15 p.m. and the Chairman proceeded to contact the Minister to inform him of what the Board intended to do.*
- 2.9.40 *When the meeting was reconvened, the Chairman informed the Board that he had a discussion with the Minister, and informed him of the Board's intention.*
- 2.9.41 *The Chairman further informed the Board that the Minister wanted the Board to be very clear that he does not want to stand in the way of any decision it wishes to make, and if they wish to proceed with terminating the Bahamas First contract they may do so, however, if anything comes back, then he will cast the blame on the Board.*

2. THE BAHAMAS FIRST HOLDINGS LIMITED CONFLICT (continued)

2.8 FINDINGS (continued)

- 2.9.42 *The Director referred to item 2.9.5 of the previous minutes which stated in part that “the Vice President/Investments provided the Board with inaccurate, false and misleading information, which comes back in the face of the Directors”. The Director said that the Vice President/Investments is very concerned about the statement made against her, which she said is not true and she has asked for a legal opinion. He said that if it was felt that certain information regarding the insurance coverage was conveyed in a particular way, it was certainly not her intent.*
- 2.9.43 *Director Patrick Davis in his response said that the views expressed are his, and he continues to hold those views.*
- 2.9.44 *The Chairman added that he will not withdraw his statement, as he felt that the advice given was less than competent, and that he was not adding any gloss or interpretation to what was said.*
- 2.9.45 *Members unanimously agreed that the “Vice President/Investments” title would be removed from the minutes as stated earlier and replaced with “the Board”.*
- 2.9.46 *The Director informed the Board that the Vice President/Investments would be seeking a legal opinion on being called inept and complicit.*

What is indeed clear is that Bahamas First did in fact offer the lowest premiums for general insurance coverage at NIB each year, however due to the conflict by Chairman Patrick Ward, there is the perception that he had an unfair advantage, particularly if he was in a position to know what other companies would bid.

3. THE KENUTH'S ELECTRIC ISSUE

SEE NIB's ALLEGATION IN SECTIONS 3.1 THROUGH 3.6.

MR. ALGERNON CARGILL'S RESPONSE TO ALLEGATION 3 (See Mr. Cargill's complete Affidavit dated November 27, 2012 at **APPENDIX C**)

Mr. Moss alleges that Kenuth Electric, owned by Mr. Kenuth Knowles, received directly from NIB the sum of \$2,093,619.82 for work performed on NIB properties during the period 9th December 2008 to 29th August, 2012 and that Kenuth Electric was a subcontractor for numerous NIB contractors in the total amount of \$8.304 million for the period 2007-2012 because he is purportedly my close friend and former colleague. Kenuth Knowles, the principal of Kenuth's Electric and I have never been colleagues. The various contracts approved by the Board of Directors of NIB, in which Kenuth Electric was awarded subcontracts, would have been independent decisions of the contractors. I would not have been involved in the decision-making. The Minutes of the Board will reflect, with respect to the mini hospitals in Abaca and Eleuthera, that Kenuth Electric was nominated by the General Contractors and approved as the electrical subcontractor due to the Board's decision to standardize all subcontractor services for these projects with reputable sub-contractors, and one who had prior experience with a medical facility, after having had a negative experience with the Ministry of Tourism building where the remedial electrical work had been carried out by Electrical Engineers Graphite Engineering Services and Kenuth's Electric. Neither I nor any other employee of NIB had the authority to award the \$8.304 million worth of contracts to any contractor or subcontractor. Mr. Moss materially misrepresents the amounts of the direct NIB payments to Kenuth's Electric that had been provided to him by NIB's Internal Audit Department as \$2,093,619.82 and not \$1,062,360, and also misrepresents narrative comments in his November 8 communication with respect to the majority of the invoices that NIB settled with Kenuth Electric. Mr. Osbourne Maxey has informed NIB and Mr. Moss that the comments, coding and narrative in NIB's accounting system of Mr. Knowles' invoices were not consistent with his authorization of these invoices and that the entire file, inclusive of independent invoices, should be reviewed in order to obtain an accurate narrative of the work performed by Kenuth Electric between 2008 and 2012. For example, the invoice for \$22,225, with a notation made by Mr. Moss in his November 8, 2012, communication of "Checking/Changing Parking Lot Bulbs on the 4th February, 2009" is inconsistent with the original invoice that states that that invoice was for the 50% deposit for the conversion of the existing NIB network from a wireless environment to a wired environment. This conversion, authorized by Mr. Andre Bethel pursuant to the recommendation of the IT professionals, was required as the wireless environment was unstable and frequently dropped transactions. Financial transactions are more secured in a wired environment. The invoice for \$8,005 paid on the 29th March, 2010, which was authorized by Mr. Osbourne Maxey, with a narrative made by Mr. Moss in his November 8, 2012 communication of "remove flags from poles". However, the actual invoice reveals that this invoice represents 50% of the cost of installing parking lot lights in the new NIB parking lot for NIB's employees constructed in 2010 at the NIB's Headquarters building. Further, the invoice for the amount of \$2,072 dated the 19th March, 2010 with a narrative made by Mr. Moss in his November 8, 2012 communication of "miscellaneous electrical work". A review of the original invoice reveals that this invoice represents a compilation of six (6) invoices for various electrical works relative to the installation of electronic time clocks throughout NIB's properties related to a Human Resources Project (Kronos) and electrical work at NIB. On the invoice for \$1,015 with a notation made by Mr. Moss in his November 8, 2012 communication for use of Bucket Truck to replace a bulb, a review of the original invoice reveals that this invoice relates to the Kenuth Electric's invoice #04816 for running of new data lines in the Accounts Department, a new section in NIB and the checking of lines on the first and second floors. During the 2009 to 2012 period, NIB's Headquarters building was completely renovated, new workstations installed, furniture purchased, two new parking lots were created, conversion from a completely wireless to wired environment, all of which work required electrical services. Prior to these works being undertaken, NIB's Project Manager, Osbourne Maxey, an Engineer, had recommended that, due to the specificity of electrical work required, NIB not engage a variety of electricians for various projects so as not to compromise the environment and to be able to determine which company was at fault.

3. THE KENUTH'S ELECTRIC ISSUE

MR. ALGERNON CARGILL'S RESPONSE TO ALLEGATION 3 (See Mr. Cargill's complete Affidavit dated November 27, 2012 at **APPENDIX C**) (continued)

Copies of the findings of the Internal Audit Department of NIB, and the actual invoices recommended for payment and approved for payment, showing all of the deliberate misrepresentations by Mr. Gregory Moss are now produced and shown to me exhibited marked "AMC-8".

3. THE KENUTH'S ELECTRIC ISSUE (continued)

3.1 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

I am informed that Kenuth Electric is owned by Kenuth Knowles, a close friend and former colleague of Mr. Algernon Cargill.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) Grant Thornton visited the Registrar General's Office and obtained the annual return for Kenuth's Electric Company Limited dated October 8, 2011, that showed that the 12 issued and outstanding shares of Kenuth's Electric Company Limited were owned by the following: (See **Appendix 3.01** for the Annual Return)

11 Shares Kenuth Knowles
1 Share Kenuth Knowles, Jr.

- b) In an interview with Mr. Dave Neymour, Senior Manager - Facilities, on December 14, 2012, Mr. Neymour stated that "they seemed to be friends" (that is, Mr. Algernon Cargill and Mr. Kenuth Knowles). Grant Thornton was not able to corroborate this statement. Mr. Neymour stated that "he recalled a time when Mr. Cargill invited him to Mr. Kenuth's home." The invitation was for social reasons and not work related. Mr. Neymour explained that he felt "misplaced."
- c) Grant Thornton sent a registered letter/confirmation request to Kenuth's Electric Company Ltd. (**Appendix 3.02**). No response was ever received.
- d) Grant Thornton telephoned Kenuth's Electric Company Limited on January 31, 2013 and February 1, 2013 and left a message for Mr. Kenuth Knowles in order to arrange an interview further to our letter (above). Grant Thornton subsequently received a telephone call from a person purporting to be Mr. Kenuth Knowles. He said that the examiners should speak to his lawyer.

3. THE KENUTH'S ELECTRIC ISSUE (continued)

3.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Grant Thornton noted that the records of NIB substantiate that the sum of \$2,093,619.82 were paid directly by NIB to Kenuth Electrical for work performed on NIB properties during the period 9th December, 2008 to 29th August, 2012. That sum is a substantial sum and constitutes an average direct payment by NIB to Kenuth's Electrical of \$46,524.89 per month for 45 months. That fact alone raises serious concerns.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) Grant Thornton obtained the general ledger print out of all payments by NIB to Kenuth's Electric Company Limited for the period 2008 to 2012, the first payment started in 2009. Grant Thornton performed a detailed analysis on payments made to Kenuth's Electric Company Ltd.

Disbursements per Allegation Letter December 9, 2008 to August 29, 2012, \$2,093,619.82.

THE NATIONAL INSURANCE BOARD

Kenuth's Electric Co. Ltd.

Total Disbursements for the years 2009, 2010, 2011 and 2012

Disbursements recorded/unrecorded:

(amounts included in supporting documents)

2009	\$278,020.47	
2010	191,448.21	
2011	133,459.90	
2012	423,548.39	1,026,476.97

Add: unrecorded disbursements:

(amounts not traced to accounting records)

2009	4,610.72	
2010	34,754.00	
2011	65,100.66	104,465.38

TOTAL DISBURSEMENTS

\$1,130,942.35

3. THE KENUTH'S ELECTRIC ISSUE (continued)

3.2 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

- b) Grant Thornton inquired of the Financial Controller of NIB as to why the amount in the allegation letter of \$2,093,619.82 did not agree with the general ledger amounts of NIB.

It was confirmed by the Financial Controller of NIB that the amount in the letter did not agree to the financial records of NIB.

On the matter of the difference, the following is a response from NIB's Financial Controller, Mrs. Sonia Gill:

1. The figure quoted in the letter regarding payments made by NIB would have been the total for invoices AND the payments associated with the invoice. (i.e. the total is duplicated). Actual payments are \$1million plus.
 2. The amounts you identified for construction projects are between Kenuth and the contractor. NIB would not have paid these amounts, nor can I confirm if these figures are correct.
- c) Based on the interviews with Mr. Osbourne Moxey (Property Manager), Mr. Dave Neymour (Facility Manager) and Mr. Bertram Pople and Mr. Sydney Barr (Property Managers) (See Appendices 3.05, 3.06, 3.07 and 3.08), Kenuth's Electric was the sole electrical contractor who was engaged for the electrical repairs and maintenance for all NIB buildings in Nassau.
- d) Grant Thornton noted only one project where Kenuth's Electric was hired as the direct contractor (Poinciana Hill Parking Lot Extension) which is supported by a contract.

3. THE KENUTH'S ELECTRIC ISSUE (continued)

3.3 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Some examples of the type of work that Kenuth's Electric did for NIB included the following:

(a) Check A/C (23/12/2008):	\$ 2,600.00
(b) Checking/changing parking lot bulbs (2/4/2009):	\$ 22,225.00
(c) Removal of light pole (2/22/2009):	\$ 5,006.76
(d) Electrical inspection (5/4/2009):	\$10,305.34
(e) Check Yard lights (6/12/2009):	\$ 8,800.00
(f) Special crane service (6/15/2009):	\$ 14,958.75
(g) Use bucket truck to replace a bulb (10/17/2009):	\$ 1,015.00
(h) Install time clock (12/17/2009):	\$ 2,385.12
(i) Miscellaneous Electrical work (1/29/2010):	\$ 11,119.34
	\$ 11,428.70
(j) Close Floor boxes (2/19/2010):	\$ 2,375.64
(k) Checkup (3/2/2010):	\$ 4,710.79
(l) Install plug (3/19/2010):	\$ 2,072.00
(m) Remove flags from poles (3/29/2010):	\$ 8,005.50
(n) Install plug for printer (11/24/2010):	\$ 5,618.26

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

a) **Check A/C (23/12/2008) - \$2,600.00**

This description is not complete as the work done was for twenty-six (26) Duplex Receptacles. The amount billed is in line with industry standards.

b) **Checking/changing parking light bulbs (2/4/2009) - \$22,225.00**

The description is not complete and is inaccurate. This payment of 50% was for new data installation at the Blue Hill Road Complex. This 50% should have been tendered to control costs.

c) **Removal of light pole (2/22/2009) - \$5,006.76**

This payment was for a new lighting protection system at Claughton House on Shirley Street. We do not see evidence of consultation with an engineer.

3. **THE KENUTH'S ELECTRIC ISSUE (continued)**

3.3 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

d) **Electrical inspection (5/4/2009) - 10,305.34**

This is an aggregate of three smaller invoices. There are large variations in the labour rates used, from \$35.35 to \$105.55.

e) **Check yard lights (6/12/2009) - \$8,800.00**

This was additional work for new light pole installation jobs at the Blue Hill Road Complex. We did not see evidence of any contract in place.

f) **Special crane service (6/15/2009) - \$14,958.75**

Lighting Protection system at Blue Hill Road Complex.

g) **Use bucket truck to replace a bulb (10/17/2009) - \$1,015.00**

The description is not accurate. This was work done to run data lines in the Accounts Department and check lines on first and second floor.

h) **Install time clock (12/17/2009) - \$2,385.12**

This work consisted of additional data lines and wiring for time clocks in the elevator shaft of the Blue Hill Road Complex.

i) **Miscellaneous electrical work (1/29/2010) - \$11,119.34**

This consisted of three (3) smaller invoices and labour rates fluctuate from \$37.14 to \$75.

j) **Close floor boxes (2/19/2010) - \$2,375.64**

The work consisted of uninstalling power/data/telecom outlets in the Blue Hill Road Complex, HR Department and reinstallation. No issues identified.

k) **Checkup (3/2/2010) - \$4,710.79**

The work consisted of cubicle installation and disconnecting whips (feeds), relocation of data lines. The hours total 78 and seem quite high.

3. THE KENUTH'S ELECTRIC ISSUE (continued)

3.3 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

l) **Install plug (3/19/2010) - \$2,072.00**

The work consisted of installation of data wiring at the Blue Hill Road Complex.

m) **Remove flags from poles (3/29/2010) - \$8,005.50**

The work consisted of supply and installation of four (4) parking lot lights, poles and spare lights.

n) **Install plug for printer (11/24/2010) - \$5,618.26**

The 80.5 hours listed on the invoice appear unjustified given the scope. The invoice lists less than \$400 in materials.

FINDINGS

- a.) The sample transactions listed in the allegation letter were traced to the vendor invoices and cheque payments made to Kenuth's Electric Company Ltd. Grant Thornton noted that these payments are composed of multiple invoices. See **Appendix 3.0** for details.

Based on the review of these specific payments, Grant Thornton noted that payments made to Kenuth's Electric Company Ltd. for electrical work at the MOT Building totaled \$410,762.88. The project work at the MOT Building was not put out to tender. Further, we have not seen any contract for the significant work performed.

3. THE KENUTH'S ELECTRIC ISSUE (continued)

3.3 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

b.) Grant Thornton engaged the services of Applied Consultants & Engineering (ACE) to issue a report (**Appendix 3.10**) based on their review of invoices and payments made to Kenuth's Electric Company Ltd. and Grant Thornton noted the following key findings:

- i.) Labor rate: The labor rate was not consistent on the invoices reviewed. We observed hourly rates as low as \$33.03/ hour and as high as \$105.05/hour. Hourly rates could not be deduced in many cases as the relevant work breakdown structure was not given and the job was priced as a lump sum.
- ii.) Invoices: No invoice was present in the case of several of the transactions reviewed. The format of the invoices was not consistent. The majority of the invoices were handwritten (with omissions, additions and corrections).
- iii.) On projects performed at the MOT building, invoices covered work performed between May 2011 and July 2012. There was no evidence of a formal contract being issued. There was also no evidence of other contractors' proposals being considered. Kenuth's Electric billing was paid a total of \$410,762.88 for works at the MOT building. The report produced by Graphite Engineering did not validate the corrective works, but it estimated a completion time of 3 to 4 weeks. Lastly, the scope of work outlined in Graphite Engineering report made no mention of major lighting deficiencies. It called for missing lights to be installed in one (1) stairwell, one (1) storage room, and one (1) IT closet. Kenuth's Electric billed and was paid \$30,000 for the supply of emergency lights, ballasts, exit lights, signs and bulbs.
- iv.) On work performed at SRC, no contract documents were available for review. Kenuth's Electric billed NIB \$14,000 for "extras to SRC contract". The funds were allegedly for the purpose of 2,500 Amp current transformers (CT's). There is no practical explanation as to how CT's on a large electrical system installation/upgrade could have been overlooked and not included in the original contract. They are an integral component of the system. More documentation should have been requested/provided to ensure that the Contractor/Engineer was not negligent prior to disbursement of funds.

3. THE KENUTH'S ELECTRIC ISSUE (continued)

3.3 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

v.) On work performed at The Clifford Darling Complex (NIB headquarters), Kenuth's Electric billed NIB some \$122,785.80 for various data installations at the BHR complex via 16 different invoices, proposals and or quotations.

3.4 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Those are just some examples of the type of invoices, and the frequency of the invoices which were submitted to NIB by Kenuth's Electric.

(Grant Thornton's Comment: See procedures performed on Point 3.3)

3.5 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

In addition to those direct contracts between NIB and Kenuth's Electric, Kenuth Electric was also made the subcontractor for numerous NIB contractors. The subcontracts which were awarded to Kenuth's Electric by contractors for NIB projects in the total amount of \$8.304 million for the period 2007-2012 are as follows:

(a) Sandilands Project (Telco Enterprises Ltd):	\$2.217 million
(b) Abaco Government Complex (Woslee Construction):	\$2.248 million
(c) Abaco Community Health Center (Coastline Construction):	\$1.675 million
(d) Exuma Community Health Center (Reef Construction Co):	\$1.056 million
(e) J.L. Center Project (Coastline Construction Co. Ltd):	\$1.108 million
(\$158,489 advanced under this contract prior to contractor giving up the contract).	
TOTAL:	\$8.304 million

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

3. THE KENUTH'S ELECTRIC ISSUE (continued)

- 3.5 ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

FINDINGS

- a.) For the subcontract works performed by Kenuth's Electric Company, Ltd., based on the vendor files reviewed by Grant Thornton, we only noted direct payments for subcontract work pertains to SRC project which totaled \$65,542.

- 3.6 ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

The only NIB related explanation as to why Kenuth's Electric was so favoured by NIB would appear to be the friendship between Mr. Algernon Cargill and Kenuth Knowles.

(Grant Thornton's Comment: Personal statement of Mr. Gregory Moss)

4. THE VITECH CONTRACT ISSUE

SEE NIB's ALLEGATIONS IN SECTIONS 4.1 THROUGH 4.11.

MR. ALGERNON CARGILL'S RESPONSE TO ALLEGATION 4 (See Mr. Cargill's complete Affidavit dated November 27, 2012 at **APPENDIX C**)

Mr. Moss alleges that Mr. Raymond Wells inexplicably did not invite Advanced Integrated Systems ("AIS"), a Jamaican company currently providing NIB's National Prescription Drug Plan ("NPDP"), to submit a tender for the NIB Insurance Administration System and that this failure demonstrates the mismanagement of the resources of NIB by certain of its executive management staff. He asserts that the engagement of AIS, in conjunction with its affiliate, Mastek, has the potential to save NIB approximately \$5 million. Mr. Gregory Moss also reveals that, on the 24th August, 2012, he and Mr. Patrick Davis had met privately with AIS, without any input by NIB's IT and executive teams, to solicit an offer from AIS to provide NIB with an Insurance Administration System to replace Vitech. On the 30th April, 2012 NIB awarded a Software Licence, Services and Support Agreement to Vitech Systems Group, Inc. ("Vitech") to provide NIB an Insurance Administration System for \$13 million. In selecting Vitech, NIB had followed a transparent process in accordance with industry best practice in a rigorous 17 steps process that spanned over 18 months. NIB selected a team of Subject Matter Experts, composing approximately ten (10) functional leaders and key employees within NIB, to review the insurance administration system proposals and provide guidance in the selection of a vendor. The process started with a Global Tender exercise that began with the selection of the consultant, L.R. Weschler and Associates ("LWRL") in 2010 to develop a comprehensive Request for Proposal ("RFP"), to document NIB's entire current business process and requirements for replacement insurance administration system and lead the procurement process of the Global Tender exercise. The procurement process included a comprehensive business analysis, contract review and negotiation and selection. The Board of Directors approved LWRL to complete this exercise on the 28th October, 2010. The selection of LWRL had been preceded by a due diligence process that included checking references and a subsequent site visit to LWRL's offices. The comprehensive RFP documentation produced by LWRL was approved by the Operations Committee and, subsequently, by the Board of Directors of NIB on the 31st March, 2011. Although Mr. Moss was pushing for the cancellation of the extant contract with Vitech in favour of AIS, NIB has had a difficult relationship with AIS in the delivery of the National Prescription Drug Plan (NPDP). It should be noted that the success of the NPDP was due to the expertise and commitment of NIB's IT team. AIS has not delivered in accordance with the RFP requirements resulting in the withholding of the final payment. In fact, one of the last deliverables, the Disaster Recovery Program, was only made possible as a result of the intervention of NIB's IT team in changing the design to accord with best industry standards. Due to these failures, the NPDP's team still does not have full control of the Drug Plan system; therefore, crucial components are either controlled by NIB's IT team, or the AIS developers. The RFP for the Insurance Administration System had been posted globally in relevant industry journals and on the appropriate technology sites on the Internet and was fully available for all potential vendors, including AIS, to respond and submit bids. In a transparent bidding process, it would not have been appropriate for NIB to identify a preferred vendor or even invite a vendor to participate. Neither AIS nor its third party vendors responded to the Global Tender. AIS is not involved directly in the Insurance Administration Systems, its niche is Health Claims Adjudication, which would have disqualified it from the rigorous selection process that resulted in the contract being awarded to Vitech. Further AIS does not have an Insurance Administration System currently in production. To avoid NIB being used as the "test bed" for any new and unproven technology, the RFP required that all bidders have the experience and ability to deliver a complete Insurance Administration in a timely manner, with an existing Insurance Administration system in production and including interviewing users of the existing system to determine the level of satisfaction. Five leading companies, Vitech, CPAS, PeopleSoft/Oracle, Penad and Sagitec responded to the Global RFP PeopleSoft/Oracle and Penad withdrew from the tender process. At the end of this process, Vitech was selected and awarded the contract after two years of careful and deliberate selection process, which mitigated all identified risks, and received the approval of the Board of Directors in 2011 and the Ministry of Finance in April 2012.

4. THE VITECH CONTRACT ISSUE (continued)

MR. ALGERNON CARGILL'S RESPONSE TO ALLEGATION 4 (See Mr. Cargill's complete Affidavit dated November 27, 2012, at **APPENDIX C**) (continued)

Raymond Wells, the VP of Information Technology, wrote Mr. Gregory Moss on August 30, 2012 and September 21, 2012 wherein he outlined his professional concern with the process followed by Gregory Moss and Patrick Davis to invite AIS to tender for NIB's Insurance Administration System that was already awarded to Vitech, and secondly, highlighted his concern about the process followed by Gregory Moss and Patrick Davis that did not include any discussions with NIB Subject Matter Experts, NIB's IT or Executive Management Teams. Mr. Wells specifically highlighted the previous unsatisfactory experiences with AIS. He also outlined his concern about the methodology used by AIS to determine a contract price that included a significant variable cost component and had the ability to exponentially increase the Vitech contract price beyond the fixed price that included all variable costs now quoted by AIS. A reply to these communications has not been provided to management and/or shared at the Board of Directors level. Copies of the said letter of Mr. Wells are now produced and shown to me to be exhibited hereto marked "AMC- 9".

At no time did I have the authority to approve the award of the Insurance Administration System Contract to Vitech Corporation and this contract was only executed by representatives of the Board of Directors after they were satisfied that management's deliberate 17 step process to recommend a vendor was complete, after they were satisfied that the vendor could deliver the system to be contracted, after they were satisfied that the vendor had insurance administration systems already in production, and only after the Ministry of Finance had provided NIB with the authority to execute the Vitech contract.

4. THE VITECH CONTRACT ISSUE (continued)

4.1 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

NIB requires the development of software for an Insurance Administration System (“IAS”). In seeking tenders for that system Raymond Wells provided leadership in the tender exercise and, inexplicably, did not invite Advanced Integrated Systems (“AIS”), a Jamaican Company, to submit a tender. That omission was particularly shocking as the present Claims Adjudication System which was developed for the National Prescription Drug Plan was provided to NIB through the services of AIS.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) Mr. Dave Forbes and Mr. Kevin Knowles confirmed that NIB hired Leon R. Wechsler Ltd. (“LRWL”) out of Fairfax, Virginia, USA, to manage the procurement process from start to finish as noted in the procurement approach overview (**Appendix 4.17**).
- b) In Point 4.1 it was stated that Mr. Raymond Wells provided leadership in the tender exercise and, inexplicably, did not invite AIS to submit a tender. We noted that NIB hired LRWL out of Fairfax Virginia to manage the procurement process from start to finish as noted in the procurement approach overview (**Appendix 4.08**) and no support is available that would indicate that Mr. Wells prevented LRWL from inviting any qualified vendor from submitting their bid.
- c) Grant Thornton found that LRWL was responsible for developing the Request For Proposal (“RFP”), advertising the RFP, overseeing the mandatory bidder’s conference etc.
- d) It was noted in Point 4.1 above that AIS was not invited to tender for the Insurance Administration Project. We found that a general invitation was given to all qualified vendors by LRWL via published advertisement for 30 days on OnVia, RFPDB.com, Pensions & Investments and the NIB website. Furthermore, LRWL sent RFP links to the following thirteen (13) known qualified integrated information administration vendors: Accenture, Apex Computing, Inc., Cedar Crestone, CPAS Systems,

4. THE VITECH CONTRACT ISSUE (continued)

4.1 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

Deloitte Consulting, Tegrit Solutions, James Evans & Associates, Levi, Ray & Shoup, HP, Sagetic, TylerTechnologies and Vitech (**Appendix 4.14**).

- e) There was no indication that AIS was prevented from responding to the publication of the RFP and from attending the bidder's conference.
- f) In reviewing the procurement progress update, we found that four vendors responded to the RFP and attended the bidder's conference which was held on May 12 2011, they were: Oracle Caribbean Inc, Sagitec, CPAS, and Vitech (**Appendices 4.08, 4.12, 4.13**).
- g) As regards to the allegation made in 4.1 above, which states that " In seeking tenders for that system Raymond Wells provided leadership in the tender exercise and, inexplicably, did not invite Advanced Integrated Systems ("**AIS**")", a Jamaican Company, to submit a tender" we did not find any support for this claim.

4.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

That system has served NIB well and was, in fact, recently recognized by the 2011 Computer World Honors Programme by being named as a Laureate "**based on the originality of its conception, the breadth of its vision and the significance of its benefit to Society**".

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) Grant Thornton found that AIS provided a Claims Adjudication System for the National Prescription Drug Plan and that system was recognized by the Computer World Honors Programme.

4. THE VITECH CONTRACT ISSUE (continued)

4.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

Grant Thornton found that the Administration System as indicted in the Executive Summary of the Request for Proposal dated April 19, 2011 (**Appendix 4.17**) NIB required “the provision of a solution providing core insurance administration functions, which include the application that permit the agency to perform all of its operations as well as interfaces to other government systems.” The RFP states that the vendors should have recent experience in implementing new and integrated administration systems, preferably in the areas of insurance, recordkeeping, finance or pension systems, having multiple employers and no less than 70,000 members. To meet NIB’s minimum qualifications, the vendor must be able to cite three or more such previous projects, at least two of which must be complete (**Appendix 4.17**).

AIS had to seek out a company in the US who specialized in this area, to partner with to prepare a proposal.

4.3 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Notwithstanding that success and international recognition, AIS was not invited to tender for the provision of the Insurance Administration System Project.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) It was noted in Point 4.3 above that AIS was not invited to tender for the Insurance Administration Project. We found that LWRL published the advertisement for 30 days (**Appendices 4.14, 4.11, 4.09**) on OnVia, RFPDB.com, Pensions & Investments and the NIB website. A general invitation was given to all vendors who qualified to submit proposals.

4. THE VITECH CONTRACT ISSUE (continued)

4.3 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

In Point 4.3 the Chairman, Mr. Gregory Moss, mentions that “Notwithstanding that success and international recognition, AIS was not invited to tender for the provision of the Insurance Administration System Project”. Yet, based on our review of AIS’s profile they do not appear to meet the vendor qualifications detailed in the RFP.

The RFP states that the “vendors should have recent experience in implementing new, integrated administration systems, preferably in the areas of insurance, recordkeeping, finance or pension systems, having multiple employers and no less than 70,000 members.

To meet NIB’s minimum qualifications, the vendor must be able to cite three or more such previous projects, at least two of which must be complete (**Appendix 4.17**). Furthermore, AIS had to seek out a company in the US who specialized in this area, to partner with to prepare a proposal.

- b) In reviewing the procurement progress update, we found that four vendors responded to the RFP and attended the bidder’s conference which was held on May 12, 2011, they were: Oracle Caribbean Inc, Sagitec, CPAS, and Vitech (**Appendices 4.08, 4.12, 4.13**).

Grant Thornton found that of the vendors who attended the bidder’s conference, only CPAS and Vitech submitted proposals on June 6, 2011(**Appendix 4.10**).

A presentation on the progress of the procurement process was made by LRWL to NIB on October 4, 2011 (**Appendix 4.08**). During the update by LRWL, the Board minutes do not reflect that the board asked LRWL to find a third bidder.

- c) There was no indication found that AIS was prevented from responding to the publication of the RFP and attending the bidder’s conference.

4. THE VITECH CONTRACT ISSUE (continued)

4.4 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Instead, in April, 2012, a Software License, Services and Support Agreement was entered into between NIB and Vitech Systems Group, Inc. for the approximate sum of \$14 million without any attempt to have AIS provide a tender for the same. As I understand it, based upon the preliminary review which has been undertaken, proposals were received from only two suppliers: being Vitech and another supplier, CPAS. Notwithstanding that fact, and notwithstanding AIS's prior successful project with NIB, AIS was still not invited to provide a proposal.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) It was noted in Point 4.3 above that AIS was not invited to tender for the Insurance Administration Project. We found that LRWL published the advertisement for 30 days (**Appendices 4.11, 4.14, 4.09**) on OnVia, RFPDB.com, Pensions & Investments and the NIB website. Thus, indicating that a general invitation was given to all vendors who qualified to submit proposals.
- b) In reviewing the procurement progress update, we found that four vendors responded to the RFP and attended the bidder's conference which held on May 12 2011, they were: Oracle Caribbean Inc, Sagitech, CPAS, and Vitech. (**Appendices 4.08, 4.12, 4.13**) AIS did not respond to the RFP.

Grant Thornton found that of the vendors who attended the bidder's conference, only CPAS and Vitech submitted proposals on June 6, 2011 (**Appendix 4.10**).

A presentation on the progress of the procurement process was made by LRWL to NIB on October 4, 2011 (**Appendix 4.08**). During the update by LRWL to the Board, the minutes do not reflect that the board asked LRWL to find a third bidder.

- c) There was no indication found that AIS was prevented from responding to the publication of the RFP and attending the bidder's conference.

4. THE VITECH CONTRACT ISSUE (continued)

4.5 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

In light of the above, I invited the Chairman and CEO of AIS, Mr. Douglas Halsall, to meet with me in Nassau to discuss the Insurance Administration System Project, to indicate whether his company would be able to provide the necessary software services and support to undertake the project and to provide me with a preliminary indication of the likely cost to NIB for same.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) The Chairman, Mr. Gregory Moss, and Director, Mr. Patrick Davis, attended this meeting.
- b) The Chairman, Mr. Gregory Moss mentioned in Point 4.5 above that he “invited the Chairman and CEO of AIS, Mr. Douglas Halsall, to meet with me in Nassau to discuss the Insurance Administration System Project, to indicate whether his company would be able to provide the necessary software services and support to undertake the project and to provide me with a preliminary indication of the likely cost to NIB for same.”

The details of this meeting are further confirmed in the letter dated September 19th to AIS Chairman from the Chairman of NIB. Yet, it is noted that no one with IT experience or full knowledge of NIB’s Insurance Administration System needs, attended the meeting with AIS.

4. THE VITECH CONTRACT ISSUE (continued)

4.6 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

As a result of that inquiry, Mr. Halsall confirmed to NIB, by his letter dated 12th September, 2012 that his company's international corporate affiliate, Mastek (known in the United States as MajescoMastek). Mastek is a high-end IT solutions player with global operations providing new technology and intellectual property-led enterprise solutions to insurance, government, and financial services organizations worldwide.

Mastek's strengths are in architecting solutions for large, complex and mission critical business problems, and delivering these solutions with high levels of predictability.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) Based on our review we found that no independent organization assessed Mastek to determine if Majesco Mastek met the vendor qualifications. We did note a report by Manomay Consultancy Services (India) PVC Ltd which indicated that Majesco Mastek could provide the required services of NIB. We noted further that this company was engaged by AIS (**Appendix 4.06**) to produce that report, which may not be an independent assessment of Majesco Mastek.

4.7 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Mr. Halsall provided his best estimate that his company would, in conjunction with Mastek, be able to provide the required software for \$6.5 million and advised that his personnel would come to the Bahamas to complete a formal review in order to provide NIB with is best and final offer for the completion of the work.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

4. THE VITECH CONTRACT ISSUE (continued)

- 4.7 ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

FINDINGS

- a) We could not find the support to determine how AIS arrived at the \$6.5 million (**Appendices 4.04, 4.05**) initial offer to complete the project which is mentioned in 4.7 above. Furthermore, in the letter AIS gave the quote before even visiting NIB and speaking to IT personnel and Management to gain a full understanding of the scope of work that needed to be done.
- b) In our interview with the IT staff they indicated that none of them were involved in the meeting with AIS and up to that point AIS had not visited NIB to meet with any staff regarding the administration system. Thus they were not sure what AIS used to determine their initial estimate.

- 4.8 ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Mastek operates in 9 countries, has 3 delivery and Research and Development Centres worldwide, has 3000 experienced professionals within its ranks, has been in business for 30 years and has generated revenues of over US\$150 million. It is a very substantial and credible company with the following subsidiaries located in the respective countries:

- (1) MajescoMastek in the USA
- (2) MajescoMastek Canada Ltd in Canada
- (3) Vector Insurance Services LLC in USA
- (4) System Task Group International Ltd. in USA
- (5) Mastek (UK) Limited in the United Kingdom
- (6) Mastek Asia-Pacific Pte.Ltd in Singapore
- (7) Mastek MSC Sdn Bhd in Malaysia
- (8) Mastek MSC Thailand Co. Ltd in Thailand

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

4. THE VITECH CONTRACT ISSUE (continued)

4.8 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

FINDINGS

- a) In Point 4.8, the Chairman listed the credentials of Mastek, but based on our review we found that no independent organization assessed Mastek to determine if Majesco Mastek met the vendor qualifications. Grant Thornton did note a report by Manomay Consultancy Services (India) PVC Ltd which indicated that Majesco Mastek could provide the required services of NIB. Grant Thornton noted further that this company was engaged by AIS to produce that report, which may not be an independent assessment of Majesco since AIS would profit if Majesco was awarded the contract.

4.9 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

As a result, by my letter dated 19th September, 2012 I invited AIS, pursuant to a resolution of the Board, to come to the Bahamas to conduct the necessary review and to provide NIB with its best and final offer.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

Grant Thornton found that AIS had not visited NIB to meet with any staff regarding the administration system and had not made a final offer.

4. THE VITECH CONTRACT ISSUE (continued)

4.10 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

The engagement of AIS, in conjunction with its affiliate, Mastek, has the potential to save NIB approximately \$5 million.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) In our interview with the IT staff, they indicated that none of them were involved in the meeting with AIS and up to that point AIS had not visited NIB to meet with any staff regarding the administration system. They were not sure what AIS used to determine the initial estimate.

In 4.10 the Chairman states that, "engagement of AIS, in conjunction with its affiliate, Mastek, has the potential to save NIB approximately \$5 million." Until a final offer was received from AIS and compared to the Vitech contract and the cost NIB would incur for breaking the contract and the project management contract with LRWL, it cannot be determined at this point if AIS would save the NIB any money.

- b) Grant Thornton found that AIS had not made a final offer.

4.11 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Even more, the failure to have solicited and obtained a tender from AIS, demonstrates the mismanagement of the resources of NIB by certain of its executive management staff.

(No specific procedure performed. This is a personal statement and/or conclusion statement from NIB.)

FINDINGS

The statement in 4.10 is not supported.

5. THE SUSPENSION OF SEAN MOSS AND RELATED LITIGATION ISSUE

SEE NIB's ALLEGATIONS IN SECTIONS 5.1 THROUGH 5.21.

MR. ALGERNON CARGILL'S RESPONSE TO ALLEGATION 5 (See Mr. Cargill's complete Affidavit dated November 27, 2012 at APPENDIX C)

Mr. Gregory Moss alleges that I used my office as Chief Executive Officer of NIB to victimize a member of the NIB staff, to force that member to write a letter exonerating me, to suspend that member from NIB's employ and to use NIB's funds to pay for my legal defense against an allegation that I was involved in an adulterous relationship with that staff member's wife. These allegations are false and malicious. The entire file compiled by the Human Resources Deputy Director, Mrs. Richenda King, establishes that approval was received from the Chairman, Mr. Patrick Ward, to contract Henry Bostwick, Q.C., at a retainer of \$7,500.00, to represent NIB's management in claims of victimization made by Sean Moss against executives of NIB, the suspension of Mr. Sean Moss by Mrs. King and the reasons provided. Copies of the said Sean Moss documents are now produced and shown to me to be exhibited hereto marked "AMC-10". At no time, did I participate in any meetings or discussions with the Human Resources team and/or Mr. Sean Moss' direct supervisor, Mr. Raymond Wells, to suspend Mr. Sean Moss. Mr. Sean Moss was contracted by NIB in 2009. He alleged in his Divorce Petition, dated on the 26th November, 2010 and filed in the Supreme Court of The Bahamas on the 14th December, 2010, in part, that "sometime in 2007, with limited communication the Respondent began telling your Petitioner how a male friend name Algernon Cargill was better than him with computers. This statement during this period of lack of sex and limited communication made your Petitioner suspicious that this named male friend, Mr. Algernon Cargill, or another unknown male was having an affair with the Respondent." It should be noted that I did not begin my employment with NIB until the 20th October, 2008 and in 2007 I was a resident in Puerto Rico employed as the District Manager, Country Chairman and Legal Representative for Chevron Puerto Rico LLC, with responsibility for Puerto Rico and the Eastern Caribbean and rarely visited the Bahamas during my employment in Puerto Rico. I was not named as a Co-Respondent in this matter and I deny that I had an affair at any time with the spouse of Mr. Sean Moss. I became aware of this Divorce Petition in 2012. Mr. Moss was employed by NIB while I was CEO. I approved Mr. Moss' receiving specialized local and overseas training, his confirmation from contract to full-time position, the funding for his certification as an I.T. professional and his promotion as the I.T. Security Officer for NIB's entire Information Technology Platform, with access to my personal email and the emails of all executives of NIB. Mr. Raymond Wells, Mrs. Richenda King and Mr. Darrin Culmer, NIB's Industrial Relations Officer informed me that Mr. Sean Moss admitted that the information in the Petition was inaccurate and should not have been included in his Petition. Sean Moss also advised the same to me and apologized in writing on February 1, 2012, for including it in his petition. Mr. Moss then wrote a letter of apology to me on February 1, 2012, which letter of apology I received and accepted. Mr. Moss requested and was granted leave by his supervisor, Mr. Raymond Wells, to attend to his Divorce Petition. Mr. Moss swore an Affidavit dated the 28th February, 2012 prepared by his attorney, Braynen, Symonette, and Co., that "I wish to withdraw and have struck out, any and all reference to Mr. Algernon Cargill as I categorically have no evidence whatsoever that Mr. Cargill was at the time or at all having an affair with my wife." This Affidavit was prepared independently of NIB, almost one month after Mr. Moss' initial February 1st apology to me, and filed on the 29th February, 2012 in the Supreme Court by Mr. Moss, and a copy was provided to Mrs. Richenda King. NIB provided counseling for Mr. and Mrs. Moss with Dr. Timothy Barrett after two vehicles in the possession of Mr. Moss were burnt down by unknown persons, and Mr. Moss' replacement vehicle was being surveyed by unknown persons on NIB's property and after a confrontation between Mr. and Mrs. Moss erupted on NIB's premises in the presence of employees and customers.

5. THE SUSPENSION OF SEAN MOSS AND RELATED LITIGATION ISSUE (continued)

5.1 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

This matter is one which is particularly troubling as it involves the allegation that Mr. Algernon Cargill has used his office as the Chief Executive Officer of NIB to victimize a member of the NIB staff, to force that member of staff to write a letter exonerating Mr. Algernon Cargill, to suspend that member of staff from NIB's employ and to use NIB funds to pay for his legal defense against an allegation by that member of staff that Mr. Algernon Cargill was involved in an adulterous relationship with his wife.

PROCEDURES PERFORMED

(**Grant Thornton's Comment:** This is a summary statement please see sections 5.2 to 5.19 for work done on the individual items noted in this paragraph.)

5.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

The matter commenced in 2007 when Mr. Moss became concerned by the late night calls which his wife was receiving at home from Mr. Algernon Cargill. Mr. Moss conceded that his wife and Mr. Algernon Cargill knew each other since about 2004 when his daughter became involved in competitive swimming and his wife had numerous occasions to interact with Mr. Algernon Cargill.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) In Point 5.2 the Chairman noted, "Mr. Moss became concerned by the late night calls which his wife was receiving at home from Mr. Algernon Cargill." Yet, in our review of the divorce Petition paragraph d Mr. Moss did not identify who the person was that his wife was speaking to, only that she was "constantly speaking to a male voice on the telephone for hours after midnight." Nor did he confirm in our interview that it was Mr. Cargill on the phone with his wife (**Appendix 5.18**).

5. THE SUSPENSION OF SEAN MOSS AND RELATED LITIGATION ISSUE (continued)

5.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

- b) The calls mentioned in the petition occurred in 2007. Mr. Algernon Cargill did not join NIB until 2008. Mrs. Moss denied that she had received any calls from Mr. Algernon Cargill late at night.

5.3 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

In June 2010, Mr. Moss separated from his wife for what he called “peace of mind” in relation to the matter of Mr. Algernon Cargill and other matters.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) In Point 5.3 the Chairman noted that “June 2010 Mr. Moss separated from his wife for what he called “peace of mind” in relation to the matter of Mr. Algernon Cargill and other matters.” No support was found to conclude that Mr. Algernon Cargill was part of the reason Mr. Moss separated from his wife in June of 2010.
- b) Mrs. Moss claimed that Mr. Moss left her for another woman and is currently living with this woman.

5. THE SUSPENSION OF SEAN MOSS AND RELATED LITIGATION ISSUE (continued)

5.4 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

In August, 2010 Mr. Moss' wife came to the NIB main headquarters and created a "scene" as a result of which Mr. Algernon Cargill called Mr. Moss into his office, explained that his wife was making a scene and then, inexplicably, instead of asking security to escort his wife off the NIB premises instead, along with Mr. Raymond Wells, escorted Mr. Moss and his wife to Mr. Algernon Cargill's office where they were joined by Mrs. Richenda King, Vice President of Human Resources, and recommended that Mr. Moss and his wife commence sessions with Dr. Timothy Barrett.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

It was confirmed by Mr. Sean Moss, Mrs. Richenda King, and Mrs. Erin Moss, that Mr. Moss' wife created a scene at NIB in 2010 and they did have a meeting in the Director's office and it was recommended that they attend counseling sessions with Dr. Timothy Barrett (**Appendix 5.06**).

5.5 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

In December, 2010, Mr. Moss filed divorce proceedings against his wife and in those proceedings mentioned his concern as to the relationship between his wife and Mr. Algernon Cargill. Mr. Algernon Cargill was not named as a party to those proceedings.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

5. THE SUSPENSION OF SEAN MOSS AND RELATED LITIGATION ISSUE (continued)

5.5 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

FINDINGS

- a) In Point 5.5 the Chairman states that “Mr. Moss filed divorce proceedings against his wife and in those proceedings mentioned his concern as to the relationship between his wife and Mr. Algernon Cargill.” Yet in paragraph c of the divorce petition Sean Moss states his suspicions that a male friend Mr. Algernon Cargill or another unknown male was having an affair with his wife. Mr. Moss was not certain who if anyone was having a relationship with his wife (**Appendix 5.18**).
- b) Mrs. Moss noted in our interview with her that she never had an inappropriate relationship with Mr. Cargill or that she spent time on the phone with him late at night.

5.6 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

In January, 2011, Mr. Moss was contacted by Mr. Raymond Wells who questioned why Mr. Algernon Cargill’s name was mentioned in that divorce proceedings, notwithstanding that no documents in respect of those proceedings were ever served by Mr. Moss or his Attorneys on Mr. Algernon Cargill.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) We discovered that Mr. Cargill’s name was in fact in the petition.
- b) In Point 5.6 the Chairman stated that Mr. Moss was contacted in January of 2011 by Mr. Raymond Wells regarding the Mr. Algernon Cargill’s name being mentioned in the divorce proceedings. Yet, through our interview of Mr. Moss and a review of the events no contacts was made with Mr. Moss regarding the divorce petition until January of 2012, more than a year after it was filed.

5. THE SUSPENSION OF SEAN MOSS AND RELATED LITIGATION ISSUE (continued)

5.7 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

In January, 2011 Mr. Moss was asked to meet with Mrs. Richenda Kings regarding his divorce matter. At that meeting he says that he was given an ultimatum by Mrs. King to either resign or be terminated and responded to Mrs. King that he **“will not resign and that they must do what the need to do”**.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) In Point 5.7 the Chairman stated that a meeting was held in January, 2011 when Mr. Moss was asked to meet with Mrs. Richenda King regarding his divorce matter. According to Mr. Moss their first meeting on this matter was held on January 31, 2012 with Mrs. King and Mr. Wells. According to Mrs.

King the first meeting held was on February 1, 2012 with Mr. Moss, Mr. Wells, Mr. Darrin Culmer, Mr. Cargill and herself. The chronology of events in the HR file indicated that the first meeting was February 1, 2012.

- b) Further in Point 5.7 the Chairman states, Sean Moss “says that he was given an ultimatum by Mrs. King to either resign or be terminated and responded to Mrs. King that he **“will not resign and that they must do what the need to do”**. In our interview with Mrs. King that noted that she has no recollection of this meeting or this statement.

5. THE SUSPENSION OF SEAN MOSS AND RELATED LITIGATION ISSUE (continued)

5.8 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

The next day he was summoned to another meeting with Mrs. King, Mr. Algernon Cargill, Raymond Wells and Darrin Culmer (the Internal Industrial Affairs Lawyer for NIB) and was told that he must take leave without pay, “**pressured**” to write a letter of apology to Mr. Algernon Cargill and told to amend his Petition to exclude the references to Mr. Algernon Cargill before he would be allowed to return to employment at NIB.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) The Chairman stated in Point 5.8 that “the next day he (Moss) was summoned to another meeting with Mrs. Richenda King, Mr. Algernon Cargill, Mr. Raymond Wells and Mr. Darrin Culmer (the Industrial Relations Officer for NIB) and was told that he must take leave without pay, “**pressured**” to write a letter of apology to Mr. Algernon Cargill and told to amend his Petition to exclude the references to Mr. Algernon Cargill before he would be allowed to return to employment at NIB.” We found that as a result of the meeting Mr. Sean Moss was instructed to write a letter of apology and was assisted by Mr. Darrin Culmer the Industrial Relations Officer, (**Appendices 5.16, 5.17**). Furthermore, Mr. Darrin Culmer indicated that the only reason he had to assist Mr. Moss was because at the point of the meeting Mr. Moss had now been locked out of the computer system. Mr. Culmer did indicate that after the letter was presented to Mr. Cargill, he was not happy with the wording, and the letter was amended by Mr. Cargill prior to it being signed by Mr. Moss. Mr. Culmer noted that he did not see any pressure being placed on Mr. Moss to write or sign the letter.

In Point 5.8 the Chairman stated that Mr. Moss “was told that he must take leave without pay.” In our interview with Mr. Sean Moss on December 18, 2012, Mr. Sean Moss confirmed that he was asked to take leave without pay by Mr. Cargill.

5. THE SUSPENSION OF SEAN MOSS AND RELATED LITIGATION ISSUE (continued)

5.8 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

FINDINGS (continued)

a) (continued)

In Point 5.8 the Chairman stated that Mr. Moss was “told to amend his Petition to exclude the references to Mr. Algernon Cargill before he would be allowed to return to employment at NIB.” In our interview with Mr. Sean Moss on December 18, 2012, Mr. Sean Moss said that he was asked at the February 1, 2012 meeting to explain why Mr. Cargill’s name was included in the legal proceedings.

An excerpt from the December 18, 2012 interview is as follows:

“As explained by Mr. Moss, the whole purpose of the meeting was to remove the name of Mr. Cargill from the divorce petition.” Also, he was asked to sign a letter before he left the building by Mr. Cargill.

5.9 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Mr. Moss’ position is that as a result of that meeting, and of his recognition of the financial loss that he would suffer if he refused to comply, he complied with their demand and **“was assisted with the drafting of the letter by Culmer and Cargill”** after which he signed two letters of apology, both dated 1st February, 2012, and both addressed to Director by which he apologized for the allegations against Mr. Algernon Cargill in his Divorce Petition and by which he apologized for the allegation which he had made that Mr. Algernon Cargill had “victimized” him as a result of those allegations and as a result of his objection to Mr. Algernon Cargill’s relationship with his wife.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

5. THE SUSPENSION OF SEAN MOSS AND RELATED LITIGATION ISSUE (continued)

5.9 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

FINDINGS

- a) Grant Thornton found that Mr. Sean Moss was instructed to write a letter of apology and was assisted by Mr. Darrin Culmer, the Industrial Relations Officer. Furthermore, Mr. Darrin Culmer indicated that the only reason he had to assist Mr. Moss was because at the point of the meeting Mr. Moss had now been locked out of the computer system. Mr. Culmer did indicate that after the letter was presented to Mr. Cargill, he was not happy with the wording, and the letter was amended by Mr. Cargill prior to it being signed by Mr. Moss. Mr. Culmer noted that he did not see any pressure being placed on Mr. Moss to write or sign the letter.
- b) It was inconsistent with best practices for Mr. Cargill to sit in on the February 1, 2012 meeting on a matter that allegedly involved him. We were unable to interview Mr. Cargill on these findings after repeated attempts to do so.
- c) It was inconsistent with best practices for Mr. Cargill to be involved in the tailoring of the February 1st letter.

5.10 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Further, as a result of that meeting, Mr. Moss gave instructions to his Attorneys to make application to the Supreme Court to amend his Petition to remove all allegations which he had made against Mr. Algernon Cargill. By a receipt dated 19th March, 2012 he delivered to Mr. Raymond Wells (as per the pressure which had been placed upon him by Mr. Algernon Cargill, Mrs. King and Mr. Wells at the meeting mentioned above) copies of his Ex-Parte Summons and Affidavit to the Supreme Court both of which were filed on 29th February, 2012 to remove all references to Mr. Algernon Cargill from his Divorce Petition. That receipt was signed by Mr. Wells.

5. THE SUSPENSION OF SEAN MOSS AND RELATED LITIGATION ISSUE (continued)

- 5.10 ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) We found that Sean Moss did submit application to the Supreme Court to amend his Petition to remove all allegations which he had made against Mr. Algernon Cargill (**Appendix 5.15**).

- 5.11 ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Mr. Moss was required to pay his Attorneys the sum of \$2,000.00 for their professional charges in amending the Petition.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) There is support that would indicate that Mr. Moss had to pay to have his petition amended.

5. THE SUSPENSION OF SEAN MOSS AND RELATED LITIGATION ISSUE (continued)

5.12 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

By that date Mr. Moss had already been transferred from his location at the NIB headquarters to another location and states that he had agreed to the retractions because of the pressure which had been placed upon him by Mr. Algernon Cargill, Mrs. King and Mr. Wells and also as a result of their promise to reinstate him to his former location once he had made the retraction.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) We found that Mr. Moss was transferred to another location. Mrs. King indicated that Mr. Moss was in charge of IT security for NIB and because of the dispute and his state of mind because of the divorce she felt that such a move was in the best interest of NIB.

5.13 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

By an email dated 20th April, 2012 from Mr. Moss to Mrs. King, Mr. Moss complained that NIB had not kept its part of the bargain in that it had not restored him to his former position in NIB.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) No support was found to indicate that there was a promise to reinstate Mr. Moss as head of IT security.

5. THE SUSPENSION OF SEAN MOSS AND RELATED LITIGATION ISSUE (continued)

5.14 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

By letter dated 30th April, 2012 from Mrs. King to Mr. Moss, Mrs. King advised Mr. Moss that his services at NIB had been suspended with half pay for 10 days as a result of that allegation and that he was required to report to her office on Monday 14th May, 2012. That letter was copied to various people including Mr. Algernon Cargill and Mr. Wells.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) A letter dated April 30th 2012 was sent to Mr. Moss. According to Mrs. King the letter was only sent because of the allegation Mr. Moss had made against the executives regarding them not keeping their part of the bargain. Mrs. King stated “when considering the responsibilities of Mr. Moss, as it involves in IT security, she took this decision and she stood by her decision firmly to the well-being of NIB.”

5.15 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

The national elections took place on 7th May, 2012 and the FNM government was voted out of office.

5.16 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

On 8th May, 2012 Mr. Winston Moss, Acting President of The Public Managers Union wrote to Mrs. King to complain of the suspension of Mr. Moss and to state that the suspension was in violation of the Industrial Agreement between NIB and his Union.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

5. THE SUSPENSION OF SEAN MOSS AND RELATED LITIGATION ISSUE (continued)

5.16 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

FINDINGS

- a) No support was found that would indicate that the suspension was in violation of the Industrial Agreement between NIB and the Union.

Mr. Moss returned to work on May 14 and was then transferred to another location. Mr. Moss received compensation for time off.

5.17 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

On 14th May, 2012 Mr. Moss wrote two letters to Mr. Algernon Cargill to retract his two apologies both dated 1st February, 2012, to record that he had been pressured and victimized by Mr. Algernon Cargill into making those apologies and to reassert his allegation against Mr. Algernon Cargill. In the words of Mr. Moss:

“... I do hereby absolutely and unconditionally retract my apology as aforesaid, as it was not freely given. My free will was usurped and I gave the apology because I was ordered and forced so to do, by you.”

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) There is support in the HR files that shows that Mr. Moss did retract his apology on May 14, 2012.
- b) Mr. Moss indicated that he was forced to sign the apology letter because of the “power of Mr. Cargill.”

5. THE SUSPENSION OF SEAN MOSS AND RELATED LITIGATION ISSUE (continued)

5.18 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

On 14th May, 2012 in a letter from Mr. King to Mr. Sean Moss, Mrs. King advised Mr. Moss that his suspension had been lifted and that Management had approved his return to duties effective 14th May, 2012 **“at the same salary level, salary scale and incremental date”** and that he would **“be paid full salary for the period effective April 30, 2012 to May 11, 2012”**.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

Grant Thornton found that Mr. Moss returned to work on May 14, 2012 and was then transferred to another location. Mr. Moss received compensation for time off.

5.19 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

When questioned by the Board as to why she would have suspended an employee who came to her to complain of victimization she responded to say that she saw her response as appropriate.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) According to Mrs. King the letter was only sent because of the allegation Mr. Moss had made against the executives regarding them not keeping their part of the bargain. Mrs. King stated “when considering the responsibilities of Mr. Moss, as it involves in IT security, she took this decision and she stood by her decision firmly to the wellbeing of NIB.”

5. THE SUSPENSION OF SEAN MOSS AND RELATED LITIGATION ISSUE (continued)

5.20 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Added to everything else, NIB engaged the services of the law firm of Bostwick & Bostwick to represent Mr. Cargill at the cost of \$7,500 in NIB funds. When questioned about this, both Mr. Algernon Cargill and Mrs. King responded that that engagement was not in respect of the divorce proceedings but in respect of Mr. Moss' allegation of victimization. The view of the Board that the Divorce proceeding and the charge of victimization were one and the same thing were not shared by Mr. Algernon Cargill or Mrs. King.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) In Point 5.20 of the above indicates that "NIB engaged the services of the law firm of Bostwick & Bostwick to represent Mr. Cargill at the cost of \$7,500 in NIB funds." We reviewed the engagement and bill of Bostwick and Bostwick (**Appendix 5.10**) and we did not find any support for the above claim. The bill, of Bostwick and Bostwick indicated that the \$7,500 retainer was "for representation of the National Insurance Board on HR matters concerning the allegations of victimization." Mr. Cargill's name is not mentioned.
- b) Additionally, we found that the authorization for engagement of Bostwick and Bostwick was given by the then Chairman Mr. Patrick Ward in a letter dated May 2, 2012 (**Appendix 5.14**). The approval was for "allegations against executives of the National Insurance Board" by Mr. Sean Moss.

5.21 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

In my opinion, although no conclusion has yet been reached by the Board on this specific matter (putting aside the general conclusion of the Board to terminate the services of Mr. Algernon Cargill in respect of the Sandyport matter), this matter represents a rancid abuse of power by various executives of NIB including Mr. Algernon Cargill and amounts to gross misconduct on their parts.

(**Grant Thornton's Comment:** We have no comments regarding the personal opinion of the former Chairman as indicated in Point 5.21).

5. THE SUSPENSION OF SEAN MOSS AND RELATED LITIGATION ISSUE (continued)

5.21 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

Legal counsel has advised that the cumulative effect of all the circumstances revealed in Grant Thornton's findings may lead to a reasonable inference in favour of the allegation made by Mr. Moss.

6. THE FRESH CREEK CLINIC CONSTRUCTION ISSUE

SEE NIB's ALLEGATIONS IN SECTIONS 6.1 THROUGH 6.9.

MR. ALGERNON CARGILL'S RESPONSE TO ALLEGATION 6 (See Mr. Cargill's complete Affidavit dated November 27, 2012 at **APPENDIX C**)

Mr. Moss alleges that I intervened in the award of the contract to HEW Construction Company to construct the Fresh Clinic in Andros to enable my cousin, Mr. Hugh Edgecombe, to obtain thousands of dollars of NIB's money. The decision to award this contract to HEW Construction was on the recommendation of the contracted Quantity Surveyor, Veritas Ltd. The recommendation came after the contractor nominated by Mr. Dave Neymour was determined by Mr. Osbourne Moxey as not having the required building experience, was not compliant with NIB, and was advanced by Mr. Neymour solely because he was Mr. Neymour's cousin. Mr. Moxey expressed his concern to me about Mr. Neymour's competence and general ethics and recommended HEW Construction because HEW Construction was familiar with the clinic, had previously completed numerous repairs on the clinic for the Department of Public Health and was known in the community as a competent and qualified contractor. Moreover, a contractor had alerted Mr. Moxey and me that Mr. Neymour had sought to borrow money from him and to increase NIB contracts so that he could receive a portion of the contract proceeds. This contractor refused and also indicated his unwillingness to go on the formal record at the time with these reports. In another instance, Mr. Neymour told Mr. Kevin Christie that if he shared the proceeds of a contract for mold remediation at NIB's properties, he would make a favourable recommendation to me on Mr. Christie's behalf. When Mr. Christie revealed this information to my brother, Sidney Cargill, and it came to my attention, I informed Minister Shane Gibson and Ms. Theresa Burrows jointly. Minister Shane Gibson subsequently telephoned Mr. Christie in the presence of Ms. Theresa Burrows and myself, relayed what he was advised by me, and subsequently advised us that Mr. Christie confirmed that what I had reported to Minister Gibson was accurate. Ms. Burrows also informed Human Resources Committee not to renew Mr. Neymour's contract beyond its expiry in February, 2013, and has also advised Mr. Osbourne Moxey and me that she was aware that at least three contractors have advised her that Mr. Neymour had requested "kickbacks" from them for work being completed at NIB since her appointment in 2012. The Secretary of the Board of Directors, Mrs. Ernestine Kelson advised Mrs. Richenda King in late October 2012 that Mr. Gregory Moss had instructed her to advise Mrs. King that the written notice provided to Mr. Dave Neymour that his contract not be renewed should be rescinded by her.

6. THE FRESH CREEK CLINIC CONSTRUCTION ISSUE (continued)

6.1 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

This matter concerns the circumstances surrounding the granting of the above captioned contract to HEW Construction Company ("HEW") for the construction of the Fresh Creek Clinic in Andros by Mr. Cargill's first cousin, Mr. Hugh Edgecombe.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) Grant Thornton obtained copies of NIB's policies surrounding Conflict of Interests. These are documented in the NIB's Code of Business Conduct Paragraph 6.0 and 15.0 and Policy No. 25 subject: Conflicts of Interest.

Code of Business Conduct Paragraph 6.0 states that "...They shall avoid acquiring business, commercial or financial interest, participating in any activity or becoming involved in any relationship that would tend.... (c) To engage in any contracts or conducts business on behalf of The National Insurance Board with immediate family including your spouse, live-in companion, children, father, mother, in-laws, uncles, aunts.... Disclosure: National Insurance Board employees are required to make prompt disclosures to management in writing, or as may be otherwise authorize, of all interest or activities, business, commercial, financial or otherwise that might be regarded as creating an actual or potential conflict of interest with their duty to the National Insurance Board.

A National Insurance Board member who has a conflicting or possibly conflicting interest with respect to any transaction must advise management of that interest so that it may have taken into account in the consideration of the transaction."

Paragraph 15.0 Disclosure Procedure: "Employees whose jobs are considered by The National Insurance Board to be such that a conflict of interest may arise could be required to report annually on this matter. As part of this reporting procedure, the Board will provide the employee with a statement for signature. This statement will indicate that the employee has been made aware of the Company's Conflict of Interest policy and will include a place for the insertion by the employee of any relationship of which the employee of any relationship of which the employee feels the Board should be aware... The Manager is also responsible for bringing to the attention of the executive responsible for the department/division any information on the statement which could expose the employee to a potential conflict.

6. THE FRESH CREEK CLINIC CONSTRUCTION ISSUE (continued)

6.1 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

In such cases, the employee will be removed from the procurement action so that he or she is not in a position to influence the purchase decision. Any employee who misrepresents information to the Board in this area shall be subject to dismissal. As this constitutes a major breach, the penalties of major breaches will be applied."

Policy No. 25 (1) states that "No employee of the Board is allowed to participate in, or influence, the purchase of goods or services on behalf of the Board from any Company or business concern in which that employee has a direct or indirect financial interest. In the event that the employee becomes aware that the Board is engaged in a business transaction with a company or business concern that the employee has direct or indirect interest in, the employee should forthwith disclose the relationship."

Policy No. 25 (5) states that "Those employees whose jobs are considered by the Board to be such that a conflict of interest may arise may be required to report annually on this area. As part of the reporting procedure, the Board will provide the employee with a statement for signature. This statement will indicate that the employee has been made aware of the conflicts of interest policy and will include a place for the insertion by the employee of any relationships which the employee feels the Board should be aware of."

As part of the disclosure process of the potential conflict of interest as prescribed by the Code of Business Conduct and Policy No. 25, Grant Thornton obtained a copy of the Conflict of Interest Disclosure Form as of December 31, 2010 (**Appendix 6.03**) and Summary of Conflict of Interest signed as of July 6, 2011 (**Appendix 6.04**). It was noted that the Director had not disclosed his relationship with Mr. Hugh Edgecombe in either of these disclosure forms. No other documentation was provided and available for our review. This relationship should have been disclosed as indicated by NIB's policies on Conflict of Interest.

- b) Grant Thornton obtained the Company's business license and checked whether the Company is registered at the Registrar General's Department. Grant Thornton noted that HEW Construction Co. is not an incorporated entity but a trading name for Mr. Hugh Edgecombe as evidenced by his business license (**Appendix 6.08**).

6. THE FRESH CREEK CLINIC CONSTRUCTION ISSUE (continued)

6.1 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

- c) Grant Thornton interviewed Mr. Osbourne Moxey (Project Manager) on December 7, 2012 and redirected questions to him on January 15, 2013. Mr. Dave Neymour (Facilities Manager) was interviewed on December 14, 2012 and noted that the Proprietor of HEW Construction Co., Mr. Hugh Edgecombe, is a first cousin of Mr. Algernon Cargill. Mr. Moxey said that this relationship was disclosed by Mr. Algernon Cargill and it was common knowledge.

6.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

When the project was approved to proceed it went out to public tender and Mr. David Neymour, an employee of NIB in the Buildings Department, was asked to go Andros to review, summarize and recommend to management which contractor to proceed with. Based on the bids, Mr. Neymour outlined to management that only 2 of the 9 bids received met the qualifications and fell within acceptable costs limits based on the size and scope of works.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) Concerns about the Fresh Creek Clinic works started about September 2009. NIB was involved by the Ministry of Health/Department of Public Health sometime in June 2010 requesting NIB to fund the necessary repairs on the clinic. In August 2010, NIB determined that the current location of the clinic posed some major building repairs and health and sanitation concerns and recommended to relocate the clinic at another site. In November 2010, the Ministry of Health concurs with NIB's recommendation and was seeking for a suitable relocation of the clinic. However, in February 2011, the scope of works was approved to repair the current clinic and was open up for bidding.

6. THE FRESH CREEK CLINIC CONSTRUCTION ISSUE (continued)

6.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

There were 9 bids on the project and based on initial evaluation in March 2011, by NIB Facilities Manager, Mr. Dave Neymour, he recommended Lewis Construction. This recommendation was agreed by the project's engineer, Mr. Adrian V. Rollins. However, in April 2011, a Construction Cost Evaluation by NIB's project consultant, Veritas Consultants Limited recommended another contractor, Advanced Custom Builders.

On August 17-18, 2011, email correspondence between Mr. Osbourne Moxey, NIB's project manager and Mr. Algernon Cargill discussed the rationale of their choice to have HEW Construction Co. only resubmit the bid.

On September 3, 2011, the contract was signed between NIB and HEW Construction Co. for \$67,901. The work commenced after the contract was signed.

From October 2011 to January 2012, there were 5 change orders approved that were out of scope from the original contract which amounted to \$35,953. The project was completed by April 2012.

Based on the documents and correspondences reviewed surrounding the project, Grant Thornton cannot establish the formal approval from the Ministry of Health/Department of Public Health to proceed works on the current location of the clinic instead of relocating the clinic as documented in the November 8, 2010 letter (**Appendix 6.19**).

Also, Grant Thornton noted no documented correspondence/communication from NIB/Mr. Osbourne Moxey/Director Algernon Cargill to Ministry of Health/Department of Public Health available for review regarding the 4 change orders. Only 1 change order (changer order # 3 amounting to \$6,700) was supported by correspondence by NIB/Mr. Osbourne Moxey/Director Algernon Cargill. See **Appendix 6.09** for the timeline of events and supporting documents (**Appendix 6.10 to 6.59**).

6. THE FRESH CREEK CLINIC CONSTRUCTION ISSUE (continued)

6.3 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

The two contractors are as follows: Felix Bowleg who bid \$107,800 and Lewis Construction (Richard Lewis) who bid \$95,000. HEW's bid was \$49,725 and Mr. Neymour formed the opinion that the HEW bid was well out of the acceptable range and so correctly eliminated HEW from further consideration.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) The original bids for the project were as follows:

		Bid Amount
Contractor		\$
1	L. B. Construction	111,235
2	Felix Bowleg	107,800
3	Lewis Construction	95,000
4	Floyd Neymour	83,000
5	B. K. Builders	81,038
6	Advance Customs Builders	72,380
7	Chris Brennen	55,846
8	Cardia Construction Company	50,400
9	HEW Construction Company	49,725

Upon review of the original bids of the 9 contractors, the actual files of Lewis Construction's bid were not available for review. NIB could not locate the bid files and they were therefore not available for review. Nevertheless, the engagement team can corroborate the amount submitted for tender and other details of the bid (i.e., contribution status). Based on the Vendors Evaluation Form, Mr. Neymour recommended Lewis Construction *"as it reflects market value as well as the ability to complete the proposed scope of works within budget and schedule. Moreover, Lewis Construction is well known by the Ministry of Health for its excellent workmanship and quality of work"*. Further, the engagement team obtained a copy of the email correspondence of Adrian Rollins (project engineer) dated March 29, 2011 concurring the recommendation for Lewis Construction. The engagement team noted that the original bid of Lewis Construction of \$95,000 included both the exterior and interior works.

6. THE FRESH CREEK CLINIC CONSTRUCTION ISSUE (continued)

6.3 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

- b) On December 9, 2010 (9th Regular Meeting of BOD), the BOD passed a resolution authorizing prosecution pursuant to Section 53(3) of The National Insurance Act. Mr. Hugh Edgecombe is identified as one of the NIB members to be sued for failure to pay national insurance contributions.

In an email dated March 11, 2013, from NIB's Legal Officer, Mrs. Heather Maynard, she spoke with Mr. Buford Curtis, Prosecutor of NIB's Legal Department, who indicated that the "file was completed and returned to the Compliance Department in April 2011. However he cannot recall whether or not Mr. Hugh Edgecombe was placed in court."

6.4 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Mr. Neymour recommended that the Board award the contract to Lewis Construction for \$95,000.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) The Vendor Evaluation Form (**Appendix 6.30**) excerpt on Mr. Dave Neymour's comments in recommending Lewis Construction as follows: *"As it reflects market value as well as the ability to complete the proposed scope of works within budget and schedule. Moreover, Lewis Construction is well known by the Ministry of Health for its excellent workmanship and quality of work".*

6.5 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Upon completing the Vendors Evaluation Form and presenting it to Mr. Algernon Cargill, Mr. Neymour was asked to give the bids to the Quantity Surveyor (Veritas Consultants). On its Construction Cost Evaluation Report dated April 27, 2011 (**Appendix 6.32**) Veritas determined that the project construction costs should fall between \$62,479 and \$76,363 and recommended that the Board give the contract to Advance Customs Builders (Dino Moxey) whose original bid on the project was \$72,380.

6. THE FRESH CREEK CLINIC CONSTRUCTION ISSUE (continued)

6.5 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) When Veritas Consultants Limited (Veritas), the independent consultant was engaged to re-evaluate the bids and prepare a Construction Cost Evaluation for the Fresh Creek Clinic, based on the scope of works. On its letter dated April 27, 2011 (**Appendix 6.32**), Veritas recommended Advanced Custom Builders as this bid was within the range of \$62,479.51 to \$76,363.85 as estimated by Veritas on the exterior works. In addition, Veritas discussed that there are additional interior works such as repairs to the walls and roof that should be considered and it will have an additional cost of about \$25,000. With this, total project cost is estimated to be between \$84,979.51 and \$103,863.85. On June 6, 2011, Lewis Construction wrote a letter to NIB indicating that his cost to do the exterior work only would amount to \$73,500.

6.6 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Our inquiries reveal that Mr. Algernon Cargill then asked HEW to resubmit their bid based on Veritas' calculations.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

6. **THE FRESH CREEK CLINIC CONSTRUCTION ISSUE (continued)**

- 6.6 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

FINDINGS

- a) Based on the documents examined (tender documents and email correspondence), the engagement team noted that during the tender process, only HEW Construction Co./Mr. Hugh Edgecombe was the only contractor/bidder (out of 9 bidders) who was asked by Mr. Moxey to resubmit the bid. When Mr. Moxey was asked by the engagement team why the other contractors/bidders were not asked to resubmit the bid, he said that Mr. Hugh Edgecombe's bid was the lowest bid and that it was the "owner's" prerogative to select who will resubmit the bid. Also, the engagement team did not note any discussion documented in the Board Minutes and Resolutions on the Fresh Creek Clinic Project reaching the Board of Directors.

- 6.7 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

HEW's new bid came in at \$67,901 and they were given the contract to construct the Fresh Creek Clinic and Mr. Neymour was asked by Mr. Algernon Cargill to sign the Vendor's Evaluation Form recommending HEW for the project. A 50% mobilization fee of \$33,950.50 was paid to HEW.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) Grant Thornton noted that on August 17 and 18, 2011, there was an email correspondence (**Appendix 6.34**) from Mr. Osbourne Moxey to Mr. Algernon Cargill on the choice of HEW Construction Co. to only resubmit the bid and approval from Mr. Algernon Cargill on the contractor and advising Mr. Dave Neymour to prepare the draft contract. On August 18, 2011, a facsimile copy of the letter (**Appendix 6.35**) from HEW Construction Co. to Mr. Osbourne Moxey regarding the justification to the increase of cost for the repairs and upgrade to the Fresh Creek Clinic to \$67,901. On August 23, 2011, there was an email correspondence (**Appendix 6.37**) from Hugh Edgecombe, proprietor of HEW Construction Co. to Mr. Osbourne Moxey with regards to the revised cost of project.

6. THE FRESH CREEK CLINIC CONSTRUCTION ISSUE (continued)

6.7 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

- b) On the Vendor Evaluation Form (**Appendix 6.30**), Mr. Dave Neymour added a notation dated August 18, 2011 which reads "HEW Construction is the recommended construction company - lowest bid".
- c) Grant Thornton obtained copy of the letter dated September 7, 2011 from HEW Construction Co. (**Appendix 6.41**) requesting NIB to process payment of the 50% mobilization fee. This mobilization fee of 50% agrees to the terms outlined in the Abstract of Particulars of the Fresh Creek Clinic Project contract (**Appendix 6.39**).

6.8 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

The project started in late August 2011 and had a total of 5 change orders totaling an additional \$35,935, being 53% above the original contract price.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) See contract (\$67,901) for the Fresh Creek Clinic (**Appendix 6.39**) and attached Change Orders (**Appendices 6.52 to 6.56**). The contract was signed on September 3, 2011. Grant Thornton was not able to establish that the Ministry of Health gave the instructions or approval for the Change Orders. The change orders amounted to \$35,953 or 53% of the original cost of the project.

6. THE FRESH CREEK CLINIC CONSTRUCTION ISSUE (continued)

6.8 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

The charge orders are detailed as follows:

		Amount
Date		\$
1	October 18, 2011	7,900
2	October 20, 2011	5,200
3	October 20, 2011	6,700
4	December 14, 2011	3,928
5	January 16, 2012	12,225
		35,953

- b) Upon review of the vendor file and copies of cheque payments, Mr. Algernon Cargill signed cheques on payments made to Hugh Edgecombe amounting to \$64,717 or about 53% of the total payments made to Mr. Hugh Edgecombe (**Appendix 6.06**).

6.9 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

The project is now complete but it appears that through the direct intervention of Mr. Algernon Cargill, his cousin was able to obtain thousands of dollars of NIB's money.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) Grant Thornton obtained the last progress report dated March 29, 2012 with few minor repairs outstanding. Also, on May 7, 2012, Mr. Karven Bain (Clerk of Works) sent an email (**Appendix 6.59**) to Mrs. Charlene Bain (Acting Administrator – Department of Public Health) that “NIB has officially closed this (Fresh Creek Clinic) Project.”
- b) Based on the vendor file analysis (**Appendices 6.05, 6.04, 6.07**), total cost of the project including the five (5) change orders amounted to \$103,854.

7. THE CARGILL CORPORATE CREDIT CARD CASE

SEE NIB's ALLEGATIONS IN SECTIONS 7.1 THROUGH 7.3.

MR. ALGERNON CARGILL'S RESPONSE TO ALLEGATION 7 (See Mr. Cargill's complete Affidavit dated November 27, 2012 at **APPENDIX C**)

Mr. Moss alleges that I used my corporate Credit Card to incur in excess of \$240,000 in charges over a period of three (3) years for various charges, which should otherwise have been subject to the normal purchasing oversight, which would otherwise have been involved in having those purchases effected through the Purchasing Department of NIB. On the instructions of Mr. Patrick Davis and Mr. Gregory Moss, NIB's Internal Audit Department, led by Whitney Patton, CPA, and Nakeisha Simms, CPA, reviewed every transaction performed on the Credit Card from January 2009 to June 2012. In their summary of findings, they stated that "Discussion with Mr. Patrick Ward former Chairman - NIB, revealed that approval was given to the Director to obtain and use a credit card for the purpose of business development and conduct of Board business; as well as to execute purchases where credit card payment is required; to mitigate against the inherent risk present when in possession of cash; and for use as and when required as is customary in today's business environment." The Internal Audit Department has completed their review and has not found any misuse of the NIB Corporate Credit Card by me or any NIB executive. A copy of the Audit Report is now produced and shown to me to be exhibited hereto marked "AMC-11".

7. THE CARGILL CORPORATE CREDIT CARD CASE (continued)

7.1 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

This issue concerns the use of the NIB corporate card by Mr. Algernon Cargill.

(**Grant Thornton's Comment:** See paragraphs below for procedures performed and findings)

7.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

The matter is under active review by two Committees of the Board but for present purposes it is sufficient to note that Mr. Algernon Cargill used his corporate Credit Card to incur in excess of \$240,000 in charges over a period of three (3) years for various charges which should otherwise have been subject to the normal purchasing oversight which would otherwise have been involved in having those purchases effected through the Purchasing Department of NIB.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

SUMMARY OF FINDINGS

Based on the procedures performed above, we summarized our findings below:

- a) NIB has no documented credit card policy (see **Detailed Finding 1**) and the Chief Internal Auditor, Mr. Whitney Patton, stated in an interview with Grant Thornton dated November 29, 2012 that he was not aware that a credit card was issued to Mr. Algernon Cargill.
- b) There were two corporate credit cards issued during the period 2009 through 2012. Both with a credit limit of \$25,000 (see **Detailed Finding 2**).
- c) Purchase of supplies, electronic devices such as cell phones, iPads, iPhones, camera, other IT hardware could have been subjected to the normal purchasing oversight handled by PSAS instead of at the discretion of Mr. Cargill (see **Detailed Finding 3**).

7. THE CARGILL CORPORATE CREDIT CARD CASE

7.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

- d) The credit card charges from January 1, 2009 through October 31, 2012 totaled \$273,541.16 of which \$272,493.01 was reported as business expenses and \$1,048.15 was reported as personal expense which was recorded as a receivable from the employee (see **Detailed Finding 4**).
- e) Purchase of supplies, electronic devices such as cell phones, iPads, iPhones, camera and IT hardware were not made in compliance with the policy on Delegated Authority to Spend Budget Allocations (see **Detailed Finding 5**).
- f) Mr. Algernon Cargill used his credit card for business meals in addition to travel and subsistence allowance that he received when travelling locally or overseas (see **Detailed Finding 6**).
- g) NIB's policy on Delegated Authority to Spend Budget Allocations is inadequate (see **Detailed Finding 8**).

FINDINGS

a) NIB has no documented credit card policy

We inquired of Mrs. Sonia Gill, Financial Controller, if NIB has a documented credit card policy and according to her on December 5, 2012, "There are no policies specific to the credit card."

During our interview with Mr. Whitney Patton, VP-Internal Audit, on November 9, 2012, he also said that "There was no defined credit card policy." He said that when they looked at the Enterprise Risk Assessment, the credit card was not included in the scope and also he said that in fact, he was not aware that there was a credit card. He further discussed that for his business travel, he used his personal credit card and then claimed for reimbursements from NIB. He also said the Board should have prepared a credit card policy and the Financial Controller should have recommended that Internal Audit review the credit card charges, if she thought it warranted review, but that did not happen.

7. THE CARGILL CORPORATE CREDIT CARD CASE

7.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

Also, during our interview with Mr. Wenzel Deleveaux, PSAS Senior Assistant Manager, he said that the credit card was not included in the proposed purchasing policies and procedures as the credit card was very new and there was no credit card previously issued.

We have not seen any evidence of the Chief Internal Auditor stating any concerns about reporting directly to the Director during the period.

b) Two Corporate credit cards were issued during the year 2009 through 2012

There were two credit cards issued during the year 2009 through 2012. They were issued only to Director Algernon Cargill in January 2009 and Chairman Gregory Moss in July 2012, respectively. Both credit cards have a credit limit of \$25,000 (**Appendix 7.02**).

We inquired of Mrs. Sonia Gill, if there was an indication that the Board was aware of the credit card issuance. According to her, she heard that Mr. Algernon Cargill was advised by the former Chairman Mr. Patrick Ward to use a corporate credit card but she was not aware if the whole Board were aware that credit cards were issued to Mr. Algernon Cargill and Chairman Moss, respectively.

We reviewed the minutes of the Board meetings prior to January 9, 2009 and July 16, 2012, respectively, (the dates when Mrs. Sonia Gill, Financial Controller and Director Algernon Cargill, respectively, processed the Visa Corporate Expense Account of Mr. Algernon Cargill (**Appendix 7.03**) and Chairman Moss (**Appendix 7.04**), respectively) to note if there are any evidences of approval by the board to issue corporate credit cards to Mr. Algernon Cargill and Chairman Moss, respectively, but we did not note any. We only noted two (2) instances where credit cards were mentioned in the board meetings. Excerpts from the Board minutes are as follows:

1.1 *The Minutes of the 5th (Regular) Meeting of the Board of Directors of The National Insurance Board held on Thursday, 25th July, 2012 in the Boardroom of The National Insurance Headquarters Building situated on Baillou Hill Road, at 4:00 p.m.*

“5.12 Credit Card Use by Director and Other Executives Over the Last 5 Years

5.12.1 *This item was deferred to the next Board meeting.*”

7. THE CARGILL CORPORATE CREDIT CARD CASE

7.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

1.2 The Minutes of the Continuation of 7th (Regular) Meeting of the Board of Directors of The National Insurance Board held on Thursday, 4th October, 2012 in the Boardroom of The National Insurance Headquarters Building situated on Baillou Hill Road, at 4:00 p.m.

"3.6.4 The Board was also informed of the Committee's request to have Internal Audit investigate the Seven Hundred Islands Services Limited Company, Maljack Construction Co. and credit card use by the Director. He said that reports on these items will be provided at the Committee's meeting on Monday, 8th October, 2012."

We inquired of Mrs. Gill if there was a documented authorization to issue credit cards to Mr. Algernon Cargill and Chairman Moss. According to Mrs. Gill, there was no documented authorization to approve the issuance of credit cards to both. However, Mrs. Gill provided us with documentation on how the credit card of Mr. Moss was processed and collected from Royal Bank of Canada (RBC) (**Appendix 7.06**). We were not provided with documentation on how the credit card of Mr. Algernon Cargill was processed and collected as according to Mrs. Gill, she is yet to locate them (**Appendix 7.01**).

On January 2, 2013, Mrs. Cecile Williams-Bethel and Mrs. Sonia Gill sent an instruction letter to RBC to cancel the credit cards of Mr. Algernon Cargill and Chairman Moss (**Appendix 7.07**). On January 4, 2013, Mr. Algernon Cargill's credit card was returned by Mr. Alfred Sears of Sears & Co (**Appendix 7.08**).

- b) **Purchase of supplies, electronic devices such as cell phones, iPads, iPhones, camera, other IT hardware could have been subjected to the normal purchasing oversight handled by PSAS instead of at the discretion of Mr. Cargill.**

We inquired of Mr. Wenzel Deleveaux, PSAS Senior Assistant Manager, if cell phones, iPads, airline tickets and IT software and hardware which were purchased through credit card could have been purchased through PSAS. Mr. Deleveaux said that iPads and cell phones could be purchased through PSAS as long as the specifications are complete and adequate as he remembered that his department purchased iPads before. For airline tickets, he said that they can purchase them from local travel agents in The Bahamas. However, for IT software and hardware which were purchased through credit card can also pass through his department but majority of cases, it did not, as IT items requires specialize knowledge that requires direct involvement by the IT department (**Appendix 7.04**).

7. THE CARGILL CORPORATE CREDIT CARD CASE

7.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

c) Total credit card charges from January 1, 2009 through October 31, 2012 totaled \$273,541.16

The total credit card charges from January 1, 2009 through October 31, 2012 totaled \$273,541.16 (**Appendix 7.09**) of which \$272,493.01 was reported as business expenses and \$1,048.15 was reported as personal. According to Ms. Gill, the personal charge of \$1,048.15 was recorded as a receivable from Ms. Pandora Butler, Acting Assistant Manager for Public Relations (**Appendix 7.10**).

Based on our review of the expense summary of Mr. Algernon Cargill and its attached supporting documents and correspondences, we found out that the total charges of \$272,493.01 were not solely incurred by him but were also incurred by other NIB employees through use of his credit card. Note that for charges which we were not able to identify who incurred them, we referred their names from the Internal Audit report (**Appendix 7.01**).

Also, we were not able to view 24% or \$65,887.35 (**Appendix 7.11**) of the total credit card charges as the supporting documents were not on the files provided to us.

7. THE CARGILL CORPORATE CREDIT CARD CASE (continued)

7.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

Below is the breakdown of the \$272,493.01 per expense category and per employee who incurred the charges:

Expense Category	A Cargill \$	R. Wells \$	P. Ward \$	D. Forbes \$	R. King \$	S. Gill \$	K. Bowe \$	O. Moxey \$	Other NIB Staff \$	Total \$	Reference
Trainings, travel & accommodations	31,253.11	35,906.53	5,057.84	5,754.05	2,500.36	6,498.50	8,563.77	1,016.00	20,935.43	117,485.59	Appendix 7.12
IT software & hardware	12,862.76	48,381.75	-	10,339.04	-	-	-	-	-	71,583.55	Appendix 7.13
Cell phones, cell phone accessories & cameras	12,620.70	40,282.60	-	462.73	-	-	-	-	3,218.21	56,584.24	Appendix 7.14
Supplies	9,278.08	501.56	-	-	-	-	307.98	-	3,268.97	13,356.59	Appendix 7.15
Meals	9,796.94	-	-	-	-	-	-	-	-	9,796.94	Appendix 7.16
Bank charges	1,948.14	-	-	-	-	-	-	-	-	1,948.14	Appendix 7.17
Miscellaneous	1,737.96	-	-	-	-	-	-	-	-	1,737.96	Appendix 7.18
Total	79,497.69	125,072.44	5,057.84	16,555.82	2,500.36	6,498.50	8,871.75	1,016.00	27,422.61	272,493.01	

DESCRIPTION OF ACCOUNTS

1. *Trainings, travel and accommodations*

This account represents payment of Mr. Cargill’s registration fees, out of town meals and accommodations incurred locally and overseas including registration fees and accommodations of other NIB staff.

2. *IT software and hardware*

This account represents purchases of IT software, hardware, subscription for web hosting and other IT related items.

7. THE CARGILL CORPORATE CREDIT CARD CASE (continued)

7.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

3. *Cell phones, cell phone accessories & cameras*

This account represents purchases of cell phones, iPads, iPhones, cell phone accessories and cameras.

4. *Supplies*

This account represents purchases of personal supplies and payment of business magazine subscriptions.

5. *Meals*

This account represents meals incurred by Mr. Algernon Cargill in Nassau.

6. *Bank charges*

This account represents payment of annual credit card fee, overdue interest, duty and foreign exchange transactions.

7. *Miscellaneous*

This account represents payment to the following: Hilton Premium Bromley, AA Status Points.com and AA Miles Points.com which we were not able to classify to any of the above accounts.

d) Non-compliance with Delegated Authority to Spend Budget Allocations

Since there was no specific credit card policy to check if all credit card purchases were made in compliance with said policy, we adopted the policy on Delegated Authority to Spend Budget Allocations (Appendix 7.19).

7. THE CARGILL CORPORATE CREDIT CARD CASE (continued)

7.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

Based on our review of all credit card purchases, we noted that all purchases were not in compliance with the policy on Delegated Authority to Spend Budget Allocations. We enumerate our findings below:

4.1 All credit card purchases other than meals, hotel accommodations and trainings were not supported by the following documents as required by the policy on Delegated Authority to Spend Budget Allocations:

4.1.1 Out of a 113 count of IT software and hardware, supplies and electronic devices purchased by Mr. Algernon Cargill on his own and on behalf of NIB employees we noted that only six (6) were supported by Requisition Forms as required by Section B, (Appendix 7.20-7.20b for Sample Standard Requisition Forms) and sixteen (16) were supported by emails.

According to Ms. Gill, requisition made via email, memo or letter is acceptable form of requisition at NIB.

If any form of requisition is acceptable at NIB, then Section B, 1 of the policy on Delegated Authority to Spend Budget Allocations has always been violated or is inadequate as it did not mention the "other form" of requisition such as email, memo and letter.

4.1.2 Based on our review of all credit card folders provided to us, we did not note any quotations obtained from at least three (3) suppliers for purchases of cellphones, iPads, iPhones and IT hardware and software over \$500 as required by Section B, 2 and 5 (Appendix 7.21-7.21b for Sample of Quotations from at least three (3) suppliers);

4.1.3 We did not note any attached Vendor Evaluation Form with pricing on all purchases more than \$500 as required by Sections B, 3 (Appendix 7.22 for Sample of Vendor Evaluation Form with pricing).

7. THE CARGILL CORPORATE CREDIT CARD CASE (continued)

7.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

4.1.4 We did not note any budget verification on all credit card payments. The budget verification indicated the dollar amount of budget that was available as required by Section B, 6 (Appendix 7.23).

e) Mr. Algernon Cargill used his credit card for meals in addition to his travel and subsistence allowances

Mr. Algernon Cargill used his NIB corporate credit card for meals in addition to the travel and subsistence allowances he received when travelling out of towns both locally and overseas.

Per NIB Policy No. 14, Subject: Travel and Subsistence Allowances, 1. (c). Daily Subsistence Allowance was defined as “*A specified fixed daily meal allowance allocated to the employee*” (Appendices 7.24 and 7.25).

7. THE CARGILL CORPORATE CREDIT CARD CASE (continued)

7.2 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

The total out of town meals which were reported as business meals totaled \$9,599.14 (**Appendix 7.26**).

The travel information and meals incurred from the credit card statements are as follows:

Purpose of Travel	Travel Period	Destination	Travel & Subsistence Allowance	Meal Expenses Paid Through Credit Card
Caribbean Pension Meeting	2/4-08/09	Puerto Rico	550.00	189.00
Site visit to govt. proposed complex	9/2-3/09	Freeport	220.00	122.82
Exuma Business Outlook	10/9-10/09	Exuma	220.00	26.45
Intl. Social Security Conference	11/1-8/09	Guatemala	940.00	293.68
Visit to Freeport local office	1/24-26/10	Freeport	330.00	551.28
National Drug Plan meeting	2/11/10	Exuma	110.00	40.07
Visit to FPLO and Bahamas Buss. Outlook	2/24-26/10	Freeport	330.00	263.12
National prescription drug plan	4/29-30/10	Long Island	220.00	144.02
ISSSA Regional Social Security Forum for The Americas	5/22-30/10	Brazil	990.00	59.47
Attend Funeral for S. Martin's Father	7/10/10	Freeport	110.00	75.00
Contract signing drug plan	7/14/10	Freeport	110.00	100.85
Visit to Freeport local office	7/27-29/10	Freeport	330.00	45.00
Assessment of SIMM's local office for repairs	9/21-22/10	Abaco	220.00	143.00
Exuma Business Outlook Meeting	10/26-27/10	Exuma	220.00	217.80
ISSSA World Forum	11/23-12/7/10	South Africa	1,650.00	4,160.66
Freeport local office Christmas party	12/10-11/10	Freeport	220.00	34.48
Bahamas Business Outlook	2/23-24/11	Freeport	220.00	78.20
5 th ISSA Forum for Technical Commissions	3/25-30/11	Geneva	660.00	411.97
UBS Travel - Investments	4/12-16/11	New York	550.00	53.56
Site visit, inspection of govt. complex	6/22-23/11	Freeport	220.00	199.76
Hurricane assessment ABACO local office	8/27/11	Abaco	110.00	140.00
Business Outlook and bldg. visit	9/20-21/11	Abaco	220.00	185.00
Travel to Exuma	10/13-16/11	Exuma	440.00	75.47
Exuma Buss. Outlook Meeting	10/25-26/11	Exuma	220.00	348.47
Caribbean Healthcare Financing Initiative	11/21-25/11	Bermuda	550.00	107.02
Evanston Illinois	12/3-8/11	Illinois	1,250.00	25.96
FPLO Christmas party	12/16-17/11	Freeport	220.00	32.14
Visit to Freeport local office	2/22-25/12	Freeport	500.00	704.26
Opening of New Freeport Office Complex	4/19-21/12	Freeport	250.00	225.70
Visit to V-tech	4/21-25/12	Washington, DC	825.00	374.93
Site visit to NIB properties in Freeport	6/28/12	Freeport	125.00	170.00
Total			13,130.00	9,599.14

7. THE CARGILL CORPORATE CREDIT CARD CASE (continued)

7.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

f) NIB's policy on Delegated Authority to Spend Budget Allocations is inadequate.

NIB's policy on Delegated Authority to Spend Budget Allocations is inadequate as it did not have a policy specific for Executives Managers and Directors in terms of approval of their own Requisition of Goods or Services, Replenishment of Credit Card charges, Reimbursement of out-of-pocket expenses and other payments (**Appendix 7.24**).

7.3 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Internal Audit is now preparing a Report to the Contracts and Tenders Committee and to the Audit Committee regarding the use of that card by Mr. Algernon Cargill.

(See procedures. We received the Internal Audit Report. **Appendix 7.01**)

8. THE SEVEN HUNDRED ISLANDS SERVICES LIMITED PROCUREMENT ISSUE (continued)

SEE NIB's ALLEGATIONS IN SECTIONS 8.1 THROUGH 8.8.

MR. ALGERNON CARGILL'S RESPONSE TO ALLEGATION 8 (See Mr. Cargill's complete Affidavit dated November 27, 2012 at **APPENDIX C**)

Mr. Moss alleges that Mr. Raymond Wells and I are silent owners in the 700 Islands Ltd., through which substantial procurement contracts were awarded to the detriment of NIB to purchase items such as cell phones, laptops, party supplies, flat screen televisions and various other items on behalf of NIB. Further, Mr. Moss alleges that Mr. Wells and I have used NIB's inventory to give or sell the phones, televisions and laptops to friends and associates. These allegations are false and deliberately misleading. I am not a silent owner in 700 Islands Ltd. and, to my knowledge and belief, Mr. Raymond Wells does not have any ownership interest in this company. The company offered to assist NIB with overseas procurement, receipt and shipment of items purchased by NIB overseas. NIB's Procurement Department has used this company and others over the past three years to perform these services, at a significant savings to NIB. In cases where NIB bought items directly, the items were shipped and/or delivered to 700 Islands for shipment and customs clearance to NIB. Some of the items procured were used for NIB's employee Christmas Party in 2009- 2012; the cell phones, televisions etc. were provided directly to the Christmas Party Chair and/or the IT Department for their management. I have no relative working with 700 Islands and the allegation made to this effect is false. NIB's Purchasing Department has often used this company to procure items independent of any input from me or any of the other Executives or management employees that also have used this company for personal business transactions. The NIB Internal Audit Report, completed by Ms. Nakeisha Simms, CPA and Mr. Whitney Patton, CPA, does not indicate any unusual activities.

✱

8. THE SEVEN HUNDRED ISLANDS SERVICES LIMITED PROCUREMENT ISSUE (continued)

8.1 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

This matter is under active review by various Committees of the Board and concerns substantial procurement contracts which were awarded to a company by the name of Seven Hundred Islands Services Limited Ltd (“**Seven Hundred Islands Services Limited**”) notwithstanding that NIB has a Purchasing Department which is responsible for the procurement of goods on its behalf.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) Grant Thornton prepared a payment analysis (**Appendix 8.01**) and summarized the purchases and expenses and noted the total amounts as follows:

	<u>Amount</u>	<u>%</u>
Office furniture and equipment	\$53,911.67	33.83
Custom duties	30,437.35	19.10
Computer equipment, IT devices and cellular phone	23,932.73	15.02
Freight handling	17,594.40	11.04
Staff Benefits	13,505.70	8.47
Television sets	8,755.56	5.49
Investment properties	7,758.00	4.87
Miscellaneous	3,481.64	2.18
	<u>\$159,377.05</u>	<u>100.00</u>

Note: Staff benefits include purchases of television sets and IT devices for Christmas prizes/gifts.

- b) Grant Thornton noted that the total payments per general ledger totaled \$163,045.89. Grant Thornton only accounted for \$159,377.05 based on the vendor files reviewed from January 2009 to October 2012 or a difference of \$3,668.84 purchases or expenses not available for examination. See **Appendix 8.01** for details.

8. THE SEVEN HUNDRED ISLANDS SERVICES LIMITED PROCUREMENT ISSUE (continued)

8.1 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

- c) Mr. Deleveaux sent an email memo to the Grant Thornton team dated January 15, 2013 (**Appendix 8.02**) regarding the matters on Vendor Management and Procurement Process. Mr. Deleveaux noted “*We have addressed Vendor Management beginning on page 6 of the proposed Purchasing Policies and Procedures... I do not believe that a Vendor Application form was completed by Seven Hundred Islands. The vendor having not completed an application form was not thought to be out of the ordinary. Hopefully, this will change with the implementation of Vendor Management*”.

Grant Thornton obtained a screenshot showing that Seven Hundred Islands Services Limited was an approved vendor of NIB (**Appendix 8.03**). In addition, Mr. Deleveaux provided a copy of the memo dated September 3, 2012 (**Appendix 8.04**) from Mr. Wenzel Deleveaux to Mr. Osbourne Moxey (Project Manager) re: Purchasing Checklist. This checklist outlines the necessary steps when procuring goods and services.

With regards to the procurement of goods and services from Seven Hundred Islands Services Limited through PSAS, Grant Thornton noted that purchases amounting to \$67,397.35 or 41.34% of the total payments to Seven Hundred Islands Services Limited were not supported by purchases orders (PO) and were not subjected to review by PSAS (**Appendix 8.01**). Purchases that were not reviewed by PSAS and duly supported by PO were purchases of IT devices and television sets imported from overseas. These direct purchases were duly approved by Mr. Algernon Cargill.

8.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

The matter is an active review and no firm conclusions have been reached by the Board or by any Committee of the Board at this time.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

8. THE SEVEN HUNDRED ISLANDS SERVICES LIMITED PROCUREMENT ISSUE (continued)

8.2 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

FINDINGS

- a) Discussion on the allegations on Seven Hundred Islands Services Limited was deferred for discussion to the next meeting as documented in the draft October 11, 2012 3rd Contracts and Tenders Committee Meeting (**Appendix 8.05**). The minutes of the 4th Contracts and Tenders Committee Meeting were not available for our review as of report date.

8.3 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

To date, it has been alleged that Mr. Raymond Wells and Mr. Algernon Cargill are silent owners in the Seven Hundred Islands Services Limited, or have otherwise facilitated the enrichment of Seven Hundred Islands Services Limited to the detriment of NIB, and that they have used this company to conduct substantial overseas and purchases where such purchases should have been effected through the Purchasing Department of NIB.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) We found no evidence to support the allegation that Mr. Raymond Wells and Mr. Algernon Cargill are silent owners in Seven Hundred Islands Services Limited. We found no evidence to support the allegation that Mr. Raymond Wells and Mr. Algernon Cargill facilitated the enrichment of Seven Hundred Islands Services Limited. The Business License Certification issued on March 23, 2012 from the Business License Division of The Ministry of Finance re: **Seven Hundred Islands Services Limited**, noting the following:

Control No.: 75452

License No.: 12-84441

Nature of business: Home-based sale of General Merchandise

8. THE SEVEN HUNDRED ISLANDS SERVICES LIMITED PROCUREMENT ISSUE (continued)

8.3 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

Location of business: Gleniston Gardens

Annual Return filed November 15, 2011 shows the following:

- (i) Number of shares into which capital is divided: B\$5,000
- (ii) Number of shares taken from commencement of company to date: 5,000 @ \$1.00 each
- (iii) Registered number of the Company: 58438C

Directors and Officers of the Company:

- i.) Ms. Beryl Newbold - President/Director
- ii.) Mr. Raphieal Newbold - Secretary/Director

Registered Shareholders of the Company:

- i.) Ms. Beryl Newbold - 4,999 shares
- ii.) Mr. Raphieal Newbold - 1 share

Certificate of Registration dated October 20, 2005 with certificate number 26379 under the Registration of Business Names Act, 1989 furnished by Ms. Rochelle Newbold of Seven Hundred Islands Services Limited.

8. THE SEVEN HUNDRED ISLANDS SERVICES LIMITED PROCUREMENT ISSUE (continued)

8.3 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

- a) With regards to the procurement of goods and services from Seven Hundred Islands Services Limited through PSAS, Grant Thornton noted that purchases amounting to \$67,397.35 or 41.34% of the total payments to Seven Hundred Islands Services Limited were not supported by purchases orders (PO) and were not subjected to purview by PSAS (**Appendix 8.01**). Purchases that were not reviewed by PSAS and duly supported by PO were purchases such as IT devices and television sets imported from overseas. These direct purchases were duly approved by Mr. Algernon Cargill.

8.4 **ALLEGATION** (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Such purchases included cell phones, laptops, party supplies, flat screen televisions and various other items on behalf of NIB.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) Grant Thornton prepared a payment analysis (**Appendix 8.01**) and summarized the purchases and expenses and noted the total amounts as follows:

	<u>Amount</u>	<u>%</u>
Office furniture and equipment	\$53,911.67	33.83
Custom duties	30,437.35	19.10
Computer equipment, IT devices and cellular phone	23,932.73	15.02
Freight handling	17,594.40	11.04
Staff Benefits	13,505.70	8.47
Television sets	8,755.56	5.49
Investment properties	7,758.00	4.87
Miscellaneous	3,481.64	2.18
	<u>\$159,377.05</u>	<u>\$100.00</u>

8. THE SEVEN HUNDRED ISLANDS SERVICES LIMITED PROCUREMENT ISSUE (continued)

8.4 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

- b) Grant Thornton noted that the total payments per General Ledger totaled \$163,045.89. Grant Thornton only accounted for \$159,377.05 based on the vendor files reviewed from January 2009 to October 2012 or a difference of \$3,668.84 purchases or expenses not available for examination. See **Appendix 8.01** for details.

8.5 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

Internal Audit has prepared a report for review by the Contracts and Tenders Committee and that Committee has started to review the Report. The Committee has requested that Internal Audit use the Report to track the location and use of every cell phone, laptop and television purchased by NIB from this supplier and confirm the location of the items not assigned for use. The Committee is awaiting a Report from Internal Audit.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) See **Appendices 8.07, 8.08 and 8.09** for the Internal Audit Reports related to Seven Hundred Islands Services Limited. Grant Thornton noted that the report did not conclude and account how many of these items were issued to NIB personnel and were on stock. There was no reconciliation of the differences if there was any.
- b) See related procedure on the accountability of items purchased in the Credit Card Purchase allegations.

8. THE SEVEN HUNDRED ISLANDS SERVICES LIMITED PROCUREMENT ISSUE (continued)

8.6 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

It is alleged that Mr. Algernon Cargill and Mr. Wells have used NIB inventory to give or sell the phones and laptops to friends and associates.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) Based on the Internal Audit Report on the Purchase of Electronics (**Appendix 8.09**), Grant Thornton noted that the Report was only limited to the vouching of the purchases of cellular and smart devices. The Internal Audit Report also noted that *“an inventory of cellular devices is not maintained by the IT department upon receipt or distribution upon the receipt of the device.”* Most items purchased are television sets, furniture, Mobile phones and devices such as Blackberry phones and iPads. Grant Thornton noted that items brought in via Seven Hundred Islands Services Limited were not completely included in the Internal Audit Report. The Internal Audit Report only checked items such as television sets, blackberry phones and iPads. Other items purchased such as executive/leather chairs, computer printers were not included.
- b) Grant Thornton obtained NIB’s Cellular and Smart Device Policy (**Appendix 8.11**). Also, when Grant Thornton inquired about the IT devices purchase policy from Mr. Dave Forbes (Senior Manager for Information Technology) he said that he did not have specific knowledge about the purchase of devices such as Cellular Devices and iPads. Also, he mentioned that Mr. Raymond Wells, former Vice President for Information Technology, used to keep an inventory of electronic devices such as Blackberries and used to inform him whenever there was a request for those items. However, Grant Thornton was not provided with relevant inventory records for review. Also, NIB’s internal audit report stated in **Appendix 8.09** that *an inventory of cellular devices is not maintained by the IT department upon receipt or distribution upon the receipt of the device.”*

8. THE SEVEN HUNDRED ISLANDS SERVICES LIMITED PROCUREMENT ISSUE (continued)

8.6 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)
(continued)

c) Mr. Dave Forbes provided us the 'Blackberry Devices Issuance and Use Policy' forms signed by the employees who hold the electronic devices. But there were no serial numbers indicated in those forms for us to refer to the actual device issued to an individual. Also Grant Thornton was unable to trace to the purchasing details or invoices of those assets. Refer to the **Appendix 8.12** for the analysis extracted from those forms and the results of custody confirmation.

d) Sent custody confirmation requests (**Appendix 8.13**) duly signed by Mrs. Cecile Bethel (Senior Deputy Director/Acting Director), to verify the electronic devices issued by NIB based on the listing from IT department. Noted exceptions on missing details (**Appendix 8.12**).

8.7 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

It is also alleged that one of Mr. Algernon Cargill's brothers works at the offices of Seven Hundred Islands Services Limited.

PROCEDURES PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

a) No evidence came under Grant Thornton's review to support this allegation.

8.8 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

As stated above, this matter is now under active review and no firm conclusions have been reached as to the same.

(Grant Thornton's Comment: See Appendix A - Specific Procedures).

9. DELEGATED MANAGEMENT FUNCTIONS

SEE NIB's ALLEGATIONS IN SECTION 9.1.

MR. ALGERNON CARGILL'S RESPONSE TO ALLEGATION 9 (See Mr. Cargill's complete Affidavit dated November 27, 2012, at **APPENDIX C**)

Mr. Moss alleges that I have repeatedly delegated HR functions to Mrs. Richenda King during my absence, thereby, being insubordinate toward Minister Shane Gibson, as Minister for NIB and Mr. Gregory Moss, as Chairman of NIB and acting in a manner contrary to the established structure of NIB. It is the practice at NIB and corporate practice generally, that, due to the sensitivity of H.R. matters, to ensure that the executives who have delegated authority for H.R. matters, continue to exercise those functions while the CEO is out of office, to avoid anyone seeking to advance separate causes with the temporary authority held. Also, as the Director and CEO of NIB, I exercise my discretion responsibilities, in my absence, in accordance with the National Insurance Act and Regulations and best governance practice. It was my opinion that the H.R. functions remain with the H.R. Executive and not delegated to another NIB Executive whenever I was out of office. I have never received any written instructions from Mr. Gregory Moss to delegate my full authority to Mrs. Cecile Bethel, the newly appointed Sr. Vice President Operations or from any other person. In fact, on the 29th October, 2012 I advised Mr. Gregory Moss in an email, in part, that: "We had a very brief and informal discussion via text or email on this matter when we were discussing the content of an out of office message prior to a business trip. I was not aware of any specific directive or organizational policy change in this regard that would require me to delegate my full authority, and specifically, sensitive Human Resources matters to an Executive whose purview did not include Human Resources management for the entire NIB. Further, I thought that this type of functional decision would remain with the functional executive given the organizational structure that is in place and hence decided to delegate the functional responsibility of H.R. to the H.R. executive as was the practice." Mr. Moss was attempting to direct me in an operational area with respect to the management of NIB, without any support of the National Insurance Act or Regulations and with total disregard to my statutory position as Director and CEO of the National Insurance Board.

9. DELEGATED MANAGEMENT FUNCTIONS (continued)

9.1 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP)

The immediate ranking executive after Director, Mr. Algernon Cargill, is Senior Deputy Director, Ms. Cecile Bethel. Notwithstanding that fact, and repeated reminders of that fact to Mr. Algernon Cargill by yourself and me, Mr. Algernon Cargill has repeatedly attempted to delegate HR functions, which would otherwise require the attention of the Director, directly to Mrs. Richenda King during his absence thereby having her perform HR functions without directorship level oversight. In doing so, he has also repeatedly acted in an insubordinate manner toward yourself and me and in a manner contrary to the established organizational structure.

FINDINGS

- b) We discussed this allegation with Mrs. Cecile Bethel. We also forwarded two questions to her via email on February 2, 2013 as follows:

We require your response to this point as contained in the allegation letter and the following two questions:

1. Do you recall any instances where the HR functions were delegated to Mrs. Richenda King in Mr. Cargill's absence that you would have learned about afterwards or after his arrival back to NIB (that you should have been aware of beforehand)?
2. Do you recall any instances where functions or tasks that should have been assigned to you, were assigned to Mrs. Richenda King instead?

RESPONSE

Ms. Cecile Bethel, in an email dated Sunday February 3, 2013 stated:

"Director Cargill proceeded on leave several times following my engagement with the board and prior to his administrative leave. Prior to his proceeding on leave he would give verbal instructions that Richenda King was to remain responsible for HR matters."

9. DELEGATED MANAGEMENT FUNCTIONS (continued)

9.1 ALLEGATION (Copied verbatim from the November 8, 2012 letter signed by Chairman Gregory Moss, MP) (continued)

On two occasions his "out-of-office" notice would say that he had delegated his authority to me but that he could be reached by telephone and would have access to him email. Nonetheless, he insisted that HR matters would remain with Richenda King. This became a matter of concern that was raised with him by former Chairman Moss. Despite instructions to the contrary, Director Cargill insisted on having HR matters remain with Richenda King and in the final analysis even questioned my position within the organization. I have attached one such instance of the controversy surrounding delegated authority as evidence of the situation."

Ms. Cecile Bethel also confirmed that Mr. Cargill, as Director, would delegate authority to her when on leave but insisted on leaving Human Resource matters with Mrs. Richenda King.

Mr. Gregory Moss, in an email dated October 20, 2012, stated that the delegation of HR functions to Mrs. Richenda King during Mr. Cargill's absence was not acceptable.

Mr. Cargill, in an email dated October 20, 2012 to Mr. Gregory Moss, stated that he understands Mr. Moss' instructions.

10. THE SANDILANDS REHABILITATION CENTRE CONSTRUCTION PROJECT

10.1 ALLEGATION

SANDILANDS REHABILITATION CENTRE (SRC) CHILD AND ADOLESCENT CENTRE AND SPECIAL EDUCATION UNIT, FOX HILL.

NIB's allegation is that the Sandilands Rehabilitation Centre Construction contract was unfairly awarded.

MR. CARGILL REFUSED TO BE INTERVIEWED BY GRANT THORNTON UNLESS QUESTIONS WERE PROVIDED IN ADVANCE.

PROCEDURE PERFORMED

(See APPENDIX A - Specific Procedures)

FINDINGS

- a) Grant Thornton found that the original contract to construct the (SRC) Child and Adolescent Centre and Special Education Unit was awarded to Penn's Renovation and Construction for \$7,100,000 (**Appendix 10.02**) on 10th February 2006.

Grant Thornton found that Wellington Wood and Associates were the initial Project Architect.

It was noted that after the project had faced numerous challenges the following recommendations was made to the board on April 24, 2009 "a meeting was held with Mr. Gordon Major, Director of Works. The Ministry of Works he said is now actively involved in the project. He continued that the recommendation now is to terminate the contractor and consultant. This he said will present another set of challenges."

Grant Thornton found that Wellington Wood and Associates was terminated as Project Architects in August of 2008. He received total payments of \$442,676.00 (**Appendix 10.02**).

Grant Thornton found that the Board terminated the services of Penn's Renovation and Construction on January 16, 2009 for non-performance in accordance with Section 46 of the executed agreement. Payments made to Penn's Renovation and Construction up to the time of termination was \$3,014,702.66 (**Appendix 10.02**).

10. THE SANDILANDS REHABILITATION CENTRE CONSTRUCTION PROJECT (continued)

10.1 ALLEGATION (continued)

Grant Thornton found that in October 2008, two architects, Messrs.' Winston Jones and Iram Lewis, were contacted with a view for possible engagement as lead consultant architects for the Sandilands project.

Grant Thornton found that on January 27, 2009, that the Board was informed that Iram Lewis and Associates was selected and engaged as Architectural Consultant for the Sandilands Project.

Grant Thornton found that once that Penn's Renovation and Construction had been terminated the Board needed to engage another general contractor to complete the Sandilands Project.

Grant Thornton found that during the October 29, 2009 Board meeting, the following prequalified contractors were presented to the Board for consideration for Completion of the Construction of the Sandilands Rehabilitation Centre Robert Smith Child and Adolescent Centre and Special Education Unit – Fox Hill:

<i>Bro-Kell Construction Company Ltd.</i>	<i>Principal– Brudinell Kelly</i>
<i>Inline Projects Company Ltd.</i>	<i>Principal– Michael Jones</i>
<i>Telco Enterprises Ltd.</i>	<i>Principal– Floyd Wilmott</i>
<i>Lucayan Construction & Devel. Co. Ltd.</i>	<i>Principal– Larry Forbes</i>
<i>Watson Construction Co. Ltd.</i>	<i>Principal–BrendonWatson</i>

Grant Thornton found that of the five Companies noted in the list above, two were eliminated right away, as indicated in this excerpt from the October 29th 2009 minutes:

4.8.2 *"The Chairman went on to explain that during the tender process, Lucayan Construction and Development Company Ltd. withdrew from the bid process prior to the submission deadline. He said that Watson Construction Company Ltd. requested an extension of time to procure pricing from vendors and suppliers on the day of submission at 11:30 a.m., thirty minutes prior to the submission deadline via fax. The request was rejected on the premise that the request was submitted too late and the fact that three bids were collected prior to the National Insurance Board being informed about Watson Construction's late submission by the project architect.*

4.8.3 *The Director said that as a result, three (3) of the Contractors invited to tender submitted their bids:*

<i>Telco Enterprises Ltd.</i>	<i>\$8,388,660.00</i>
<i>Inline Projects Company Ltd.</i>	<i>\$6,535,674.00</i>
<i>Bro-Kell Construction Company Ltd.</i>	<i>\$7,448,000.00"</i>

10. THE SANDILANDS REHABILITATION CENTRE CONSTRUCTION PROJECT (continued)

10.1 ALLEGATION (continued)

Grant Thornton found that of the three finalists, one of the bids was not considered as noted in the October 29th 2009 board minutes because of the following:

4.8.4 *"The Chairman further informed members that the bid analysis prepared by the Quantity Surveyor JD Chisholm & Associates dated October 27, 2009 concludes that Bro-Kell Construction is to be disqualified due to 'non-conforming to the Bid Documents' for not submitting a Bid Bond in their bid submission. Inline Projects Company Ltd. is the lowest and also submitted the shortest completion schedule of 38 weeks. Telco Enterprises Ltd. submitted the bid closest to the Final Project Budget Estimate and submitted a verbal completion schedule of 60" weeks.*

Of the two remaining companies, we found that Telco won the bidding process based on the following as taken from the October 29th 2009 Board minutes:

4.8.5 *"He said that the Quantity Surveyor interviewed both Inline Projects Company Ltd. and Telco Enterprises Ltd. to determine if the two companies accounted for the unknowns by including allowances within their bid submission. The interview found that Inline Projects Company Ltd. did not include any cash allowances or adjustments for the Mechanical and Electrical works. Telco Enterprises Ltd. did have a cash allowance within their submission to account for the unknowns associated with the M & E works and submitted the required bond.*

The Chairman further reported that the Quantity Surveyor added \$865,000.00 cash allowance to Inline Projects Company Ltd. Bid submission to account for the related M&E works. Even with the addition of the allowance, Inline Projects Company Ltd. overall bid stood at \$7,400,674.00, which is still \$855,830.00 below the Quantity Surveyor's budget estimate of \$8,256,504.00. Further, \$265,000.25 was added to Telco Enterprises Ltd. bid to account for the adjustment based upon their inclusion of allowances for the related M&E works to bring their bid to \$8,653,660.25, which represents a difference of \$397,156.25 above the Q.S. budget estimate to complete the construction of the building.

10. THE SANDILANDS REHABILITATION CENTRE CONSTRUCTION PROJECT (continued)

10.1 ALLEGATION (continued)

- 4.8.6 *The Chairman went on to explain that the bid analysis concluded that Telco Enterprises Ltd. is the winner of the bid process because their bid was more realistic, the construction period provided by Telco conformed to the estimates provided by the Quantity Surveyor and Inline Projects Company Ltd. is a relatively new company with no previous construction experience. Further, it is recommended that the National Insurance Board engage Telco Enterprises Ltd. for the contract sum of \$8,653,660.25 to complete the construction of the SRC-Robert Smith Child and Adolescent Centre and Special Education Unit. Additionally, the report recommended that the Contractor provide NIB with a list of nominated sub-contractors and negotiate a construction management fee for a Construction Management Team to work along with the Contractor."*

Grant Thornton found that only after the bid elimination process was completed and Telco was determined the winner, did Mr. Algernon Cargill indicate to the Board that the owner of Telco was a relative of his. We found it interesting that The Director did not make this relationship clear to the Board at an earlier point in the tender selection process.

Grant Thornton found that the Chairman of the Tender Committee Mr. John Pinder indicated that he was not aware of the fact that the owner of Telco was Mr. Cargill's relative. These events are noted in the following Board minutes excerpts taken from the October 29th 2009 minutes:

- 4.8.7 *"The Director pointed out that he was deliberately not a part of the process, as Telco is a relative of his and withdrew from the tender process."*
- 4.8.8 *Mr. John Pinder, Chairman of the Tenders Committee said that he was not aware of the Director's relationship to Telco. The Chairman however, indicated that he was aware."*

Grant Thornton noted that International Accounting Standards which is used to prepare the financial statements of NIB states that "the objective of IAS 24 is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties." It further states that a "related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity') [IAS 24.9].

10. THE SANDILANDS REHABILITATION CENTRE CONSTRUCTION PROJECT (continued)

10.1 ALLEGATION (continued)

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity."

Grant Thornton found that Mr. Algernon Cargill exercised significant control and influence over the operations of NIB. The Director has indicated that the owner of Telco is a relative of his. Grant Thornton found it interesting that Telco was about to win a contract with NIB for \$8,653,660.25 (**Appendix 10.03**), but disclosure of Mr. Algernon Cargill's relationship to them was limited.

Furthermore, Grant Thornton found that in none of the subsequent financial statements is there a disclosure concerning the relationship between Telco and Mr. Algernon Cargill.

Additionally, Grant Thornton found it that there appeared to have *not* been a proper tender committee meeting surrounding the opening of the tender letters as indicated from the October 29, 2009 Board minutes below:

4.8.9 *"It was pointed out that the two other tender committee members were not aware of the tender opening and did not attend. Mention was also made of security and architectural services bids that were opened, and the other two members were not aware.*

4.8.10 *Mr. John Pinder explained that he was called upon to deal with these openings at short notice. He promised the Board that going forward, the other two members will be invited to all tender openings, and he asked that the Director ensure that this is done."*

Grant Thornton found it interesting that even though they were made aware of the relationship of the Director and the complaint by members of the tender committee the Board went ahead without discussion of the implications of these issues and approved the Telco contract.

10. THE SANDILANDS REHABILITATION CENTRE CONSTRUCTION PROJECT (continued)

10.1 ALLEGATION (continued)

Grant Thornton found that the Board approved the tender offer of Telco without any further discussion concerning relationship of Mr. Algernon Cargill in October of 2009 as noted below:

4.8.11 "On a motion made by Mr. Evan Dean, seconded by Mr. John Pinder and unanimously carried, the following amended resolution was adopted:

"Be it resolved that the Board of Directors approves that the Director engage Telco Enterprises Ltd. to complete the construction of the Sandilands Rehabilitation Centre Robert Smith Child and Adolescent Centre and Special Education Unit for the contract sum of \$8,653,660.25, subject to Ministerial approval."

Grant Thornton found that during the recommencement of construction, the Public Hospital Authority (PHA) and the Administration of the Sandilands Rehabilitation Centre were invited to attend the site meetings. It was during these meetings that it became clear that the requirements of the Public Hospital Authority were not fully incorporated in the design documents initially completed by Wellington Woods and Associated and subsequently updated by Lewis Architectural Services Ltd. (**Appendix 10.01 and 10.02**).

Grant Thornton found that because, the design and redesign did not incorporate the peculiar needs of a hospital nor did they provide for the required safety elements for the types of patients that will reside at the facility, and/or for the future Mechanical, Electrical and Plumbing expansion of the facility, that NIB would now have to incur additional cost for a project that was already over its original budget.

Grant Thornton found that the additional project cost to complete the upgrades and specifications requirements changes of PHA and SRC was \$3,472,989.24 (**Appendix 10.02**), as determined by Telco and the Quantity Surveyor.

It was found that this additional cost was approved by the Board and given to Telco the General Contractor as noted below:

"24th August, 2010 in the Boardroom of The National Insurance Headquarters Building situated on Baillou Hill Road, at 4:00 p.m.

10. THE SANDILANDS REHABILITATION CENTRE CONSTRUCTION PROJECT (continued)

10.1 ALLEGATION (continued)

Rehabilitation Center – Request for Additional Funding

“Be it resolved that the Board of Directors approve the Director to engage Telco Enterprises Ltd. to complete the upgrades and specification requirement changes of The Public Hospitals Authority/Sandilands Rehabilitation Centre at an additional cost of \$3,472,989.24, and completion of construction of the Sandilands Rehabilitation Centre Robert Smith Child and Adolescent Centre and Special Education Unit for the revised contract sum of \$12,126,649.50, and professional fees of \$311,000, subject to Ministerial approval.”

Grant Thornton found that Telco Enterprises Ltd. was paid a total of \$12,396,219.77 (\$8,653,660.53+\$3,472,989.24+\$269,570) (**Appendix 10.04**) as of December 22, 2011 in relations to the SRC Robert Smith Child and Adolescent Centre and Special Education Unit construction project.

Based on information provided to Grant Thornton by NIB, Telco Enterprises Ltd.’s National Insurance contributions may not have been current when it was awarded the \$8,653,660.25 Sandilands Rehabilitation Centre Construction contract in 2009. NIB’s records indicate that Telco Enterprises Ltd. made contributions to NIB totaling \$2,362.98 in 2009.

Additionally, NIB noted the following in respect of Telco Enterprises Ltd.:

1. Telco Enterprises Ltd. had “zero” months closed in 2009.
2. Telco Enterprises Ltd. generally hired immigrants.
3. Only one employee paid for April 2009 and was not paid until 2011.
4. “Frequent indication of payments being made during 2009 and then additional payment being made in 2011 for 2009 contributions.” (See **Appendices 10.05 through 10.05.2.6**)

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT

ALLEGATION

NIB ALLEGES THAT EXECUTIVE SALARIES AND BONUS PAYMENTS WERE UNAUTHORIZED DURING THE PERIOD JANUARY 1, 2009 THROUGH MAY 2012.

MR. CARGILL REFUSED TO BE INTERVIEWED BY GRANT THORNTON UNLESS QUESTIONS WERE PROVIDED IN ADVANCE.

11.1 THE HUMAN RESOURCES COMMITTEE - A HISTORICAL PERSPECTIVE

As is the case with most corporate structures, a Board of Directors has real work to do. In addition to the most important work which is providing strategic advice, accountability, and feedback to the CEO and the management team, the Board is required to provide oversight on the Company's financial statements, the Company's compensation plans, and the ongoing maintenance of the Board.

Usually an entity's Board of Directors is organized so that a significant portion of its business is conducted by its committees, each of which operates under a written charter, and in general, committees report to the Board, and all significant findings of a committee are presented to the Board for discussion and review. The Board Members on these committees can study the issues considered by the committee at greater depth than the entire Board, and they in turn report on their activities to the whole Board.

The NIB Act, under the caption "Power to Appoint Committees," states the following:

- 8** *(1) Subject to the provisions of this Act, the Board may appoint such committees of the Board as it thinks fit:*

Provided that any committee so appointed shall include not less than two members of the Board, and may include persons who are not members of the Board.

Subject to the provisions of this Act, the Constitution of a Committee of the Board shall be determined by the Board.

- 9** *(1) Subject to the provisions of this Act, the Board may in writing delegate to any member or committee or officer or employee of the Board the power to carry out on its behalf such functions as the Board may determine.*

(2) Every delegation under this section shall be revocable by the Board and no delegation shall prevent the exercise by the Board of any function.

All committees (or sub committees) of the board are provided "with their respective terms of reference and delegated authority."

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.1 THE HUMAN RESOURCES COMMITTEE - A HISTORICAL PERSPECTIVE (continued)

At the National Insurance Board, Committees play a vital role in conducting the business of the Board, and the following Committees are usually appointed for specified periods of time under specific “terms of reference”:

- Audit Committee
- Contracts and Tenders Committee
- Finance and Investments Committee
- Human Resources Committee
- Operations Committee

The “Terms of Reference” applicable to the Human Resources Committee is presented below and shows the mandate of the Human Resources Committee:

HUMAN RESOURCES COMMITTEE TERMS OF REFERENCE

Terms of Reference

- (a) *To have delegated authority of the Board to decide all matters under Section 37 (1)(a) to (d) of the National Insurance Act relating to Executive Management persons as follows:*
 - (i) *Assign to any post a salary, which is above the highest level of that governed by any industrial agreement to which the Board is a party.*
 - (ii) *Make an appointment to any post to which a salary mentioned in paragraph (a) of this proviso is attached.*
 - (iii) *Make any appointment of a legal adviser to, or medical officer of, the Board.*
 - (iv) *Terminate the employment of any person who holds such post.*
- (b) (i) *To review the existing policy on training and manpower development to determine its currency in relation to the needs of the organization and make recommendation thereon to the Board.*
 - (ii) *To investigate and review the relevance and effectiveness of existing scholarship policies and report thereon to the Board.*
- (c) *To review and/or approve the Human Resource policies of the Board.*
- (d) *To review and recommend all industrial agreements to the Board for approval.*
- (e) *Review the performance of Executive Management.*
- (f) *Review management succession planning.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.1 THE HUMAN RESOURCES COMMITTEE - A HISTORICAL PERSPECTIVE (continued)

Attorney Thomas Evans, QC, advises, and it is apparent that as a result of subsequent amendments to the NIB Act that the relevant section is 40 (1) and not section 37 (1) (a) to (d).

Former Director of NIB, Mr. Lennox McCartney, disclosed the following during an interview with Grant Thornton with regard to “delegated authority”:

“Again during my tenure, although the Human Resources Committee made decisions, under delegated authority, those decisions were always reported to the full Board and reflected in the minutes of the full Board of Directors. This included compensation and contractual matters relating to the Director. Salary increases at times, were given “across-the-board” to all persons in certain groups i.e. Executive Management. In those cases, these increases would also apply to the Director. However, even these increases would have had to be approved by the Human Resources Committee (not just the Chairman) and the Minister before implemented.

11.2 THE HAY GROUP (An American Global Management Consulting Firm)

The Hay Group’s website states that the Company “is a global management consulting firm that works with leaders to transform strategy into reality. We develop talent, organize people to be more effective and motivate them to perform at their best.” Another reputable internet website states that “the Firm was founded in 1943 by Edward N. Hay and headquartered in Philadelphia, Pennsylvania, in the United States,” and the privately owned firm “had expanded to eighty five (85) offices in forty seven (47) countries by acquisition and organic growth.”

The National Insurance Board first hired the Hay Group in 2003, and according to former NIB Director, Mr. Lennox McCartney, who first served as NIB’s Director from 1987 to 1988, and again from 1995 to 2007, during an interview with Grant Thornton, he **“was responsible for introducing the Hay Group to NIB around 2003 primarily to bring clarity to jobs, perform a salary review and review staffing so as to achieve the optimal levels at NIB regarding staff salaries and staffing numbers.”**

In addition, the Hay Group’s “Sr. Management Compensation Review (May 2009)” confirms that “In 2003, the Hay Group had designed the National Insurance Board’s (NIB’s) salary administration program which encompassed:

- the evaluation and ranking of all positions at NIB;

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.2 THE HAY GROUP (An American Global Management Consulting Firm) (continued)

- undertaking the market comparison of NIB salaries by conducting a survey of Nassau organizations; and
- making recommendations regarding pay ranges and pay administration.”

As a result of the study by the Hay Group in 2003, consisting primarily of relevant data obtained from other Quasi-Governmental organizations like Bahamas Telecommunications Corporation (“BTC”), Water & Sewerage Corporation, The Central Bank of The Bahamas and the Bahamas Electricity Corporation (“BEC”), a report was produced and NIB’s Board of Directors and Executive Management sought to utilize certain results contained in the report. See the Hay Group’s 2003 Report at **Appendix 11.01**.

Furthermore, as a result of the Hay Group’s 2003 report, certain findings were used and referenced in the March 31, 2004 Memorandum of Agreement (**Appendix 11.02**) between The National Insurance Board (“NIB”) and the Public Managers Union (“the Union”), stating specifically “whereas the Union has agreed in principle to the Hay Group reports dated June and July 2003 and certain aspects of Management’s road map for the implementation of the Hay Group’s Employee Compensation and Workforce Planning Reports at the Board.”

Additionally, with regards to the 2003 Hay Group Report (**Appendix 11.01**), note the Memorandum dated 19th November, 2003 and signed by then Permanent Secretary in the Ministry of Housing & National Insurance, Ms. Leila Greene (**Appendix 11.03**), which states that “for clarification the Minister has advised that Executive Management is free to share all of the information on the Hay Group Reports and Roadmap for Implementation with the Union.” This directive from the Minister with responsibility for NIB (the Honourable Bernard Nottage) to share the 2003 Hay Group information with the Union was very important and as a result the Human Resources committee, the Board of Directors and the Public Managers Union were all aware of the details of the 2003 Hay Report, and acted accordingly. This transparency will be lacking in later years with regards to the Hay Group Report because the new Chairman of the Human Resources Committee will be **SIGNIFICANTLY LESS TRANSPARENT.**”

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.2 THE HAY GROUP (Management Consulting Firm) (continued)

At NIB in 2006, a Coordinating Committee was formed to again review “The Executive Compensation Packages for their Counterparts in other Government corporations (BEC, BTC, Water & Sewerage Corporation and the Central Bank)” and a comparative analysis of the salaries, allowances and benefits was compiled. Please see the 24th November 2006 Memorandum (**Appendix 11.04**) which represents the Proposal signed by the Coordinating Committee, which is addressed to Mr. Lennox McCartney, who served as the Director of NIB at that time, along with the following:

Annex 1 (Comparison of Executive Compensation in Quasi-Government Corporations) (**Appendix 11.05**);
Annex 2 (Proposal for Increase to Executive Management Salaries January 2006) (**Appendix 11.06**); and
Annex 3 (Proposal for Increase to Executive Management Salaries for 2005 - 2010) (**Appendix 11.07**).

On January 3, 2007 a schedule was compiled headed “Existing salaries after my proposed increases. This excludes impact of increment on increases.” Essentially the schedule shows current salary levels, proposed percentage increases in salary from 2005 through 2009: 4% in 2005, 4% in 2006, 3% in 2007, 3% in 2008 and 4% in 2009. It is important to note that the Director of NIB’s salary is not included in this schedule that reflects annual salary percentage increases because he was on a contract with NIB for a stated period of time, and the National Insurance Act specifically states that:

40. (1) The Board shall employ a Director (who shall be the chief executive officer of the Board) and may employ such other officers and employees at such remuneration and on such terms and conditions as it considers necessary or appropriate for the proper conduct of its business:

Provided that the Board shall not without the prior approval of the Minister –

- (a) Assign to any post a salary, which is above the highest level of that governed by any industrial agreement to which the Board is a party;*
- (b) Make an appointment to any post to which a salary mentioned in paragraph (a) of this provision is attached;*

In other words, the Minister with responsibility for National Insurance is the sole authority who can adjust the Director’s salary, not the Board of Directors and not the Chairman of the Human Resources Committee.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES

Below is an excerpt from the February 27, 2007 Minutes of the Human Resources (“HR”) Committee regarding human resources matters, and is an example of how the Human Resources Committee functioned in the past and its reporting line to the Board of Directors, specifically on matters related to NIB’s Director’s contract renewal and salary:

Minutes HR Committee meeting

NIB

2007.2.27

3:40pm

Present: Philip Davis, Chairman (PD), Lemuel Sweeting (LS), Lennox McCartney (LM)

- 1. Reviewed minutes of meeting 17 January 2007 with Minister (attached)***
- 2. Agreed salary increases for executives as per LM's proposal***
- 3. Anthony Curtis salary to be raised to that of Theresa Burrows + acting allowances***
- 4. Cecile Bethel & Azella Major to be promoted as per LM's proposal but salaries to be at beginning of scale.***
- 5. Andre Bethel to be promoted as per LM's proposal***
- 6. LM to do revised salary progression and send to Minister***

Conclusion

The meeting ended at 4:00pm

A continuation of the Human Resources Committee reporting line to the Board of Directors in February 2007 shows an excerpt as follows:

The Minutes of the 2nd (Regular) Meeting of the Board of Directors of The National Insurance Board held on Tuesday, 27th February, 2007 in the Boardroom of The National Insurance Headquarters Building situated on Baillou Hill Road, at 4:00 p.m.

3.10 Human Resources Committee

- 3.10.1 Human Resources Committee Co-Chairman, Mr. Lemuel Sweeting reported that the Minister had made decisions on several matters that over the last few months had been under the deliberation of the Human Resources Committee.***
- 3.10.2 He indicated that the Director had been awarded an extension on his contract for an additional four (4) years. Further, he pointed out that he would become pensionable after a cumulative ten years of service.***

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

3.10.3 *He continued that several promotions had also been approved, and were outlined as follows:*

1. *Mr. Anthony Curtis will act as Senior Deputy Director, and will be paid an acting allowance, i.e., half of the difference of his current salary and the salary of his acting position.*
2. *Ms. Azella Major was promoted from Assistant Director to Deputy Director.*
3. *Mrs. Cecile Williams-Bethel was promoted from Assistant Director to Deputy Director.*
4. *Mr. Andre Bethel was promoted from Deputy I.T. Manager to I.T. Manager.*

3.10.4 *Mr. Sweeting stated that an organizational chart is being prepared to reflect the changes.*

3.10.5 *He went on to say that as regards increases for Executives, it was agreed that percentage increases would be given as opposed to lump sum payments that was initially presented. Using this method, he said that the Board would realize a savings.*

3.10.6 *He explained that the increases would be as follows:*

	<u>Year</u>		<u>Percentage Increase</u>
1.	2005	-	4%
2.	2006	-	4%
3.	2007	-	3%
4.	2008	-	3%
5.	2009	-	4%

Also, reviewed were the Minutes of the HR Committee Meeting (**Appendix 11.08**), which include the four year contract renewal for NIB Director Mr. Lennox McCartney for a salary of \$112,000 which is the salary at the midpoint of the scale that was recommended by the 2003 Hay Reports as well as the "HR Committee Report Executive Salary Adjustments"(Appendix 11.09) dated January 17, 2007, and prepared by Director Lennox McCartney who states on the front page that **"I am also recommending that a performance bonus be paid at the end of the year at 10% of salary."** He further stated that **"I think it is REALLY IMPORTANT that executives lead by example and be the first to have performance related pay, learn by experience and support the proposals to implement it in the rest of the organization."**

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

Please note the “Notes on the Meeting with the Minister on 27th February, 2007 to discuss the Executive Management Salary” proposal (Appendix 11.10).

Again, it is important to note that the Human Resources Committee matters are DISCUSSED OPENLY and presentations are made in a very transparent way to the Board of Directors, particularly regarding NIB’s Director’s salary, and executives’ salaries in general. The Board is informed, and discussions requiring Ministerial approval are documented. IN SUBSEQUENT YEARS THE CHAIRMAN OF THE HUMAN RESOURCES COMMITTEE WILL BE SIGNIFICANTLY LESS TRANSPARENT.

Effective July 1, 2007 the new NIB Board of Directors is appointed, with the NIB coming under the purview of the Ministry of Housing and National Insurance (Appendix 11.11). The Honourable Kenneth Russell was the minister responsible for NIB in 2007, and he was replaced by former Prime Minister the Honourable Hubert Ingraham in 2008.

Secondment of NIB Director, Mr. Lennox McCartney, to the Ministry of Finance

Effective 18th February, 2008, Mr. Lennox McCartney was transferred to the Ministry of Finance as Registrar of Insurance as stated in the excerpts from the 24th April 2008 Board Minutes below:

The Minutes of the 4th (Regular) Meeting of the Board of Directors of The National Insurance Board held on Thursday, 24th April, 2008 in the Boardroom of The National Insurance Headquarters Building situated on Baillou Hill Road, at 4:00 p.m.

3.22 Lennox McCartney, Former Director

3.22.1 *The Chairman referred to the action item from the last Board meeting regarding Mr. Lennox McCartney’s status of employment with the Board.*

3.22.2 *He said that there was no need to write the Minister, as a letter came from the Permanent Secretary of The Ministry of Housing & National Insurance addressed to the Acting Director, dated 2nd April, 2008, which he read as follows:*

“The Department of Public Service has informed that Mr. Lennox McCartney, Director of the National Insurance Board was seconded to the Ministry of Finance as Registrar of Insurance with effect from 18th February, 2008.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

The Ministry of Housing and National Insurance was in writing informed that Mr. McCartney's salary and benefits will continue to be paid by the National Insurance Board until his contract expires on 31st December, 2009, at which time the position will be reassessed at that time.

Please take the necessary actions to give effect to the above."

3.22.3 *The Chairman said that from the letter, there is a clear intent to allow Mr. McCartney to enjoy the same level of remuneration as he did in the past.*

3.22.4 *He went on to refer to the letter of continuation of his new contract with the Board, and read that letter dated 27th February, 2007 addressed to Mr. McCartney from the then Chairman, Mr. Philip Davis as follows:*

"I refer to our exchanges of correspondences and conversations in connection with the renewal of your contract of engagement as Director of the National Insurance Board.

I am pleased to advise that the Board has agreed to extend your contract of services on the following terms and conditions:-

- (i) Your engagement will be for a further (4) years commencing from the date of expiration of previous contracts;*
- (ii) Your base salary will be the sum of \$112,500.00 commencing from the date of the expiration of your previous contract. Adjustments to any entitlements and increases to executive management will also apply to you;*
- (iii) You are eligible to become pensionable upon completion of ten (10) years of continuous service with the Board, which scheme shall be commensurate to that of the Governor of the Central Bank. For the removal of any doubt, each of your previous contract terms would be taken into account for the purposes of calculating the ten (10) years continuous service and any gratuity previously paid pursuant to those contracts will be deducted for the purpose of calculating your pension entitlement;*
- (iv) Your present allowances would remain to be adjusted at the discretion of the Board from time to time commensurate to that of the Governor of the Central Bank.*

Kindly indicate your agreement to the above terms by signing and returning the additional copy of this letter herewith enclosed."

3.22.5 *The Chairman informed members that ministerial approval has not been found for the new contract. He said that only minutes of a Human Resources Committee meeting speak to the renewal of the contract.*

3.22.6 *He went on to say that the search continues, as Cabinet is asking for proof of the approval.*

3.22.7 *Members particularly discussed point (iii) of the letter where it says that Mr. McCartney's pension shall be commensurate to that of the Governor of the Central Bank.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

3.22.8 *It was felt that these were strange circumstances under which a pension is to be paid and to compare NIB's Director with the Governor of the Central Bank, as their pension is based on the fact that they are not allowed to have employment in the public sector for ten years.*

3.22.9 *The Chairman mentioned that a request was made by the Minister involved for a legal opinion, however, that opinion has not yet been received.*

3.22.10 *The Chairman further stated that it was necessary for the Board to pass a resolution in keeping with the letter received from the Ministry, and therefore on a motion made by Mr. Brian Nutt, seconded by Mr. Winston Rolle and unanimously carried, the following resolution was adopted:*

"Be it resolved that in connection with the letter dated 2nd April, 2008 received from the Permanent Secretary of the Ministry of Housing and National Insurance, in relation to Mr. Lennox McCartney:

(i) Mr. Lennox McCartney's secondment to the Ministry of Finance as Registrar of Insurances is hereby acknowledged, and

(ii) That NIB will continue to pay Mr. Lennox McCartney's salary and benefits in accordance with the terms of his contract which expires in December, 2009, to the extent such terms are confirmed to be valid, enforceable and duly authorized by ministerial sanction."

3.22.11 *The Chairman indicated that the Ministry will be informed of the Board's decision.*

NIB Board Chairman and Chairman of the Human Resources Committee, Patrick Ward, in Sections 3.22.5 and 3.22.6 raise questions about Ministerial approval for Mr. Lennox McCartney's four year contract renewal, however the matter was referenced, but no resolution passed, at the 27th February 2007 Board Meeting as reflected in the excerpt below:

3.10 Human Resources Committee

3.10.1 *Human Resources Committee Co-Chairman, Mr. Lemuel Sweeting reported that the Minister had made decisions on several matters that over the last few months had been under the deliberation of the Human Resources Committee.*

3.10.7 *He indicated that the Director had been awarded an extension on his contract for an additional four (4) years. Further, he pointed out that he would become pensionable after a cumulative ten years of service.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

3.10.8 *He continued that several promotions had also been approved, and were outlined as follows:*

5. *Mr. Anthony Curtis will act as Senior Deputy Director, and will be paid an acting allowance, i.e., half of the difference of his current salary and the salary of his acting position.*
6. *Ms. Azella Major was promoted from Assistant Director to Deputy Director.*
7. *Mrs. Cecile Williams-Bethel was promoted from Assistant Director to Deputy Director.*
8. *Mr. Andre Bethel was promoted from Deputy I.T. Manager to I.T. Manager.*

3.10.9 *Mr. Sweeting stated that an organizational chart is being prepared to reflect the changes.*

3.10.10 *He went on to say that as regards increases for Executives, it was agreed that percentage increases would be given as opposed to lump sum payments that was initially presented. Using this method, he said that the Board would realize a savings.*

3.10.11 *He explained that the increases would be as follows:*

	<u>Year</u>		<u>Percentage Increase</u>
1.	2005	-	4%
2.	2006	-	4%
3.	2007	-	3%
4.	2008	-	3%
5.	2009	-	4%

Additionally, while no resolution was passed by the Board of Directors, at the subsequent Board of Directors Meeting on March 27, 2007 the referenced meeting was “adopted as read.”

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

The Minutes of the 3rd (Regular) Meeting of the Board of Directors of The National Insurance Board held on Tuesday, 27th March, 2007 in the Boardroom of The National Insurance Headquarters Building situated on Baillou Hill Road, at 4:00 p.m.

2.0 ADOPTION OF MINUTES

2.1 Adoption of Minutes of 2nd (Regular) Board Meeting held on 27th February, 2007

2.1.1 *Following review of the minutes on motion made by Mr. Frank Carter, seconded by Mrs. Claudine Thompson and unanimously carried the following resolution was adopted:*

“Be it resolved that the Minutes of the 2nd (Regular) Board Meeting held on 27th February, 2007 be adopted as read and signed by the Chairman.”

As a result of Mr. Lennox McCartney's secondment to the Ministry of Finance, the Human Resources Committee sought to find a suitable replacement and subsequently, the Human Resources Committee minutes of 9th July, 2008 refer to “Applications to fill vacancy of (i) Director and (ii) Assistant Director” and an excerpt from the minutes is shown below:

THE NATIONAL INSURANCE BOARD

MINUTES OF THE THIRD MEETING OF THE HUMAN RESOURCES COMMITTEE OF THE BOARD OF DIRECTORS OF THE NATIONAL INSURANCE BOARD FOR 2008 HELD IN THE BOARDROOM, NIB HEADQUARTERS, JUMBEY VILLAGE BAILLOU HILL ROAD ON 9TH JULY, 2008 AT 3:00 P.M.

Present: Mr. Patrick Ward, Chairman
Fthr. Etienne Bowleg, Member
Mr. Roy Colebrooke, Member

In Attendance: Mr. Anthony Curtis, Acting Director
Ms. Sherelle Saunders, Senior Manager, Human Resources
Mrs. Ernestine Kelson, Executive Secretary/Board of Directors

3.4 Applications to Fill Vacancy of (i) Director (ii) Assistant Director

3.4.1 *The Chairman informed members that since they received the applications for the vacant positions of Director and Assistant Director late, he wanted to defer this item to allow a few more days for review before addressing them.*

3.4.2 *He invited members to review the applications, and during the week of the 14th July, 2008, the Committee would meet to create a short list of the applicants, and during the week of the 21st July, 2008 he would like to begin the interview process.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

3.4.3 He asked members to inform him which days they would be available to conduct the interviews.

Section 3.4.1 indicated that the Chairman (Patrick Ward) informed Human Resources Committee members that **“he wanted to defer this item to allow a few more days for review before addressing them.”**

What is interesting is that the next referenced or documented Human Resource Committee meeting took place either on December 1, 2008 (Although the actual HR Committee minutes have never been provided to Grant Thornton and therefore may not have taken place), or the HR Committee meeting subsequent to the July 9, 2008 may have taken place about seven months later on February 2, 2009 **when the 9th July, 2008, minutes were adopted.**

This is important because at the August 28, 2008 Board Meeting during the “In Camera Session” (**Appendix 11.12**) Mr. Ward states that **“The Committee was unanimous in its recommendation of Mr. Cargill as the candidate for the Director’s post, and resolved to convey its recommendation to the full Board for acceptance. The other two candidates interviewed were Mr. Darron Cash and Acting Director, Mr. Anthony Curtis.”**

This is very interesting and most important because the last Human Resources Committee Meeting prior to the “In Camera” session of the August 28, 2008 Board of Directors Meeting was held on July 9, 2008, and at that time there was a deferment of this matter. Also, the next Human Resources Meeting was either held on December 1, 2008 (a meeting was referred to but no minutes were provided to Grant Thornton), or in the following year on February 29, 2009.

The absence of HR Committee minutes for the period July 9, 2008 through August 28, 2008 suggest that no HR Committee meeting took place during that period.

Details of the “In Camera” session of the August 28, 2008 (Appendix 11.12) Board of Directors Meeting are as follows:

Following the exit of the Acting Director and other members of staff, the Chairman proceeded with his report on the activities of the Human Resources Committee with respect to the recruitment and selection of the new Director and Human Resources Executive. He reported that there had been a high level of interest for both jobs, with some 13 and 36 applications having been received for the Director and HR positions, respectively.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

Mr. Ward went on to explain the process used by the Committee in selecting the pool of candidates for interviews, which resulted in 3 persons being chosen for interviews in the case of the Director's position and 7 in the case of the HR position. One of the applicants for the latter, the current HR Manager of NIB, subsequently withdrew.

The Committee was unanimous in its recommendation of Mr. Algernon Cargill as the candidate for the Director's post, and resolved to convey its recommendation to the full board for acceptance. The other two candidates interviewed were Mr. Darron Cash and the Acting Director Mr. Anthony Curtis.

Following a wide-ranging discussion on the issue, the Chairman invited the members to proceed to a vote.

On motion duly made, seconded and unanimously carried, the following resolution was approved by the board:

"Be it resolved that the Board approves the recommendation of the Human Resources Committee to offer the post of Director to Mr. Algernon Cargill on terms that substantively reflect the terms and conditions of contract enjoyed by the previous Director (Mr. Lennox McCartney), subject to Ministerial approval as required."

The initial contract term would be for a three-year period, and it was noted that the extraordinary pension provisions that were purportedly offered to the previous Director would not be similarly offered.

The Chairman went on to say that the Committee had not reached a decision on the HR position as none of the candidates that were interviewed were considered strong contenders. A further extended search was to be conducted and a report made in short order.

AGAIN THERE IS NO DOCUMENTED HR COMMITTEE MEETING MINUTE(S) TO CORROBORATE WHAT MR. WARD IS TELLING THE BOARD OF DIRECTORS ABOUT A UNANIMOUS CHOICE OF MR. ALGERNON CARGILL OVER MR. ANTHONY CURTIS OR MR. DARRON CASH TO FILL THE POSITION OF DIRECTOR OF NIB.

Furthermore, the September 18, 2008 Board of Directors Meeting was very significant because it reflects the appointment of Mr. Algernon Cargill as NIB Director and Mrs. Richenda King as NIB Assistant Director of Human Resources & Training, DESPITE THE FACT THAT GRANT THORNTON HAS RECEIVED NO DOCUMENTED EVIDENCE THAT EITHER APPOINTMENT IS DISCUSSED AT A HR COMMITTEE MEETING.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

Below are the key excerpts from the 18th September, 2008 Board Minutes:

The Minutes of the 8th (Regular) Meeting of the Board of Directors of The National Insurance Board held on Thursday, 18th September, 2008 in the Boardroom of The National Insurance Headquarters Building situated on Baillou Hill Road, at 4:00 p.m.

*Present: Mr. Patrick G.W. Ward, Chairman
Archdeacon Etienne E. Bowleg, Deputy Chairman
Mr. Van Diah, Member
Mr. Harold Watson, Member
Mr. Brian Nutt, Member
Mr. Troy Sampson, Member
Mr. Dennis Williams, Member
Mr. John Pinder, Member
Mr. Winston Rolle, Member*

*Apologies: Ms. Philcher Grant, Member
Mr. Roy Colebrooke, Member*

*In Attendance: Mr. Anthony Curtis, Acting Director
Mrs. Sonia Gill, Financial Controller
Mrs. Ernestine Kelson, Executive Secretary/Board of Directors*

4.7 Human Resources Committee

4.8 Recruitment of Director - NIB

4.8.1 *The Chairman informed members that arising from the issue on the Board's approval of the appointment of the Director, a letter dated 4th September, 2008 addressed to him from Mr. Colin Higgs, Acting Financial Secretary, Ministry of Finance and captioned "Recruitment of Director - NIB", was received. He read the contents of the letter in part as follows:*

"Your letter of 29th August, 2008 concerning the captioned subject refers. The Board's resolution in respect to the offer of the post of Director to Mr. Algernon Cargill has Ministerial approval."

4.9 Recruitment of Assistant Director HR & Training - NIB

4.9.1 *The Chairman advised that the Human Resources Committee met again with the Board's concurrence, after determining that none of the applicants interviewed were considered strong contenders for the HR Assistant Director's position. He said the search was extended beyond the initial deadline, and the Committee interviewed one other candidate, Mrs. Richenda King, and was unanimous in their consent that she should be selected for the position.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

- 4.9.2 *He said that Mrs. King has an extensive amount of Human Resources experience in the insurance field, and she has dealt with a large group of employees. He said that it was determined that her communication skills were also good.*
- 4.9.3 *He also pointed out that one of her weak points was in the industrial relations area, but it was felt that with the amount of industrial relations expertise within the Board, she would be able to familiarize herself with this area fairly quickly.*
- 4.9.4 *The Chairman went on to advise that he did discuss the compensation level for the position with Mrs. King, which he said was in line with the position being offered, and that the terms of employment would be in keeping with that enjoyed by other NIB Executives on the same level within the organization. He said that Mrs. King was comfortable with what was being offered.*
- 4.9.5 *He went on to say that Mrs. King was available to start work on 1st October, 2008. He also mentioned that she also available at this point to begin addressing some of the more pressing operational issues before her official start date. He invited Operations Committee Chairman, Mr. Winston Rolle to make contact with her in this regard.*
- 4.9.6 *Following further discussion on this matter, on a motion made by Mr. Van Diah, seconded by Mr. Harold Watson and unanimously carried, the following resolution was adopted:*

“Be it resolved that the Board approves the recommendation of the Human Resources Committee to offer the post of Assistant Director, Human Resources & Training to Mrs. Richenda King on terms that substantively reflect the terms and conditions of employment enjoyed by other Executives in the same scale, subject to Ministerial approval as required.”

Two very important points to keep in mind regarding the September 18, 2008 minutes are the following:

1. With regards to Mr. Cargill’s appointment, Section 4.8.1 of the minutes indicates that “the Chairman informed members that arising from the issue on the Board’s approval of the appointment of the Director, a letter dated 4th September, 2008 addressed to him from Mr. Colin Higgs, Acting Financial Secretary, Ministry of Finance and captioned ‘Recruitment of Director - NIB,’ was received. He read the contents of the letter in part as follows:

“Your letter of 29th August, 2008 concerning the captioned subject refers. The Board’s resolution in respect to the offer of the post of Director to Mr. Algernon Cargill has Ministerial approval.”

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

2. Also, Section 4.8.1 further states that “the Board’s resolution in respect to the offering of the post of Director to Mr. Algernon Cargill has Ministerial approval.” It is therefore important at this point to examine the resolution coming out of the “In Camera” session of the August 28, 2008 Board of Directors meeting (Appendix 11.12) which reads as follows:

“Be it resolved that the Board approves the recommendation of the Human Resources Committee to offer the post of Director to Mr. Algernon Cargill on terms that substantially reflect the terms and conditions of contract enjoyed by the previous Director (Mr. Lennox McCartney), subject to Ministerial approval.”

SUMMARY OF LENNOX MCCARTNEY’S ANNUAL COMPENSATION FROM NIB FOR THE PERIOD JANUARY 1, 2007 THROUGH DECEMBER 31, 2010 (SECONDED TO THE MINISTRY OF FINANCE ON FEBRUARY 18, 2008)

The following schedules show payments to former Director of NIB, Mr. Lennox McCartney for the years 2007, 2008, 2009 and 2010, respectively.

SALARY SCHEDULE 2007 - LENNOX MCCARTNEY					
MONTH	SALARY (BASE)	CAR ALLOWANCE	DUTY ALLOWANCE	MEAL ALLOWANCE	SALARY (GROSS)
Jan-07	\$ 9,750.00	\$ 1,100.00	\$ 1,000.00	\$ 160.00	\$ 12,010.00
Feb-07	9,750.00	1,100.00	1,000.00	160.00	12,010.00
Mar-07	9,750.00	1,100.00	1,000.00	160.00	12,010.00
Apr-07	10,042.00	1,100.00	1,000.00	160.00	12,302.00
May-07	10,042.00	1,100.00	1,000.00	160.00	12,302.00
Jun-07	10,042.00	1,100.00	1,000.00	160.00	12,302.00
Jul-07	10,042.00	1,100.00	1,000.00	160.00	12,302.00
Aug-07	10,042.00	1,100.00	1,000.00	160.00	12,302.00
Sep-07	10,042.00	1,100.00	1,000.00	160.00	12,302.00
Oct-07	10,042.00	1,100.00	1,000.00	160.00	12,302.00
Nov-07	10,042.00	1,100.00	1,000.00	160.00	12,302.00
Dec-07	10,042.00	1,100.00	1,000.00	160.00	12,302.00
	\$119,628.00	\$13,200.00	\$12,000.00	\$1,920.00	\$146,748.00

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

SUMMARY OF LENNOX MCCARTNEY'S ANNUAL COMPENSATION FROM NIB FOR THE PERIOD JANUARY 1, 2007 THROUGH DECEMBER 31, 2010 (SECONDED TO THE MINISTRY OF FINANCE ON FEBRUARY 18, 2008) (continued)

SALARY SCHEDULE 2008 - LENNOX MCCARTNEY					
MONTH	SALARY (BASE)	CAR ALLOWANCE	DUTY ALLOWANCE	MEAL ALLOWANCE	SALARY (GROSS)
Jan-08	\$ 10,042.00	\$ 1,100.00	\$ 1,000.00	\$ 160.00	\$ 12,302.00
Feb-08	10,042.00	1,100.00	1,000.00	160.00	12,302.00
Mar-08	10,042.00	1,100.00	1,000.00	160.00	12,302.00
Apr-08	10,343.78	1,100.00	1,000.00	160.00	12,603.78
May-08	10,343.78	1,100.00	1,000.00	160.00	12,603.78
Jun-08	10,343.78	1,100.00	1,000.00	160.00	12,603.78
Jul-08	10,343.78	1,100.00	1,000.00	160.00	12,603.78
Aug-08	10,343.78	1,100.00	1,000.00	160.00	12,603.78
Sep-08	10,343.78	1,100.00	1,000.00	160.00	12,603.78
Oct-08	10,343.78	1,100.00	1,000.00	160.00	12,603.78
Nov-08	10,343.78	1,100.00	1,000.00	160.00	12,603.78
Dec-08	10,343.78	1,100.00	1,000.00	160.00	12,603.78
	\$123,220.02	\$13,200.00	\$12,000.00	\$1,920.00	\$150,340.02

SALARY SCHEDULE 2009 - LENNOX MCCARTNEY					
MONTH	SALARY (BASE)	CAR ALLOWANCE	DUTY ALLOWANCE	MEAL ALLOWANCE	SALARY (GROSS)
Jan-09	\$ 10,343.78	\$ 1,100.00	\$ 1,000.00	\$ 160.00	\$ 12,603.78
Feb-09	10,343.78	1,100.00	1,000.00	160.00	12,603.78
Mar-09	10,343.78	1,100.00	1,000.00	160.00	12,603.78
Apr-09	10,757.53	1,100.00	1,000.00	160.00	13,017.53
May-09	10,757.53	1,100.00	1,000.00	160.00	13,017.53
Jun-09	10,757.53	1,100.00	1,000.00	160.00	13,017.53
Jul-09	10,757.53	1,100.00	1,000.00	160.00	13,017.53
Aug-09	10,757.53	1,100.00	1,000.00	160.00	13,017.53
Sep-09	10,757.53	1,100.00	1,000.00	160.00	13,017.53
Oct-09	10,757.53	1,100.00	1,000.00	160.00	13,017.53
Nov-09	10,757.53	1,100.00	1,000.00	160.00	13,017.53
Dec-09	10,757.53	1,100.00	1,000.00	160.00	13,017.53
	\$127,849.11	\$13,200.00	\$12,000.00	\$1,920.00	\$154,969.11

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

SUMMARY OF LENNOX MCCARTNEY'S ANNUAL COMPENSATION FROM NIB FOR THE PERIOD JANUARY 1, 2007 THROUGH DECEMBER 31, 2010 (SECONDED TO THE MINISTRY OF FINANCE ON FEBRUARY 18, 2008) (continued)

SALARY SCHEDULE 2010 - LENNOX MCCARTNEY					
MONTH	SALARY (BASE)	CAR ALLOWANCE	DUTY ALLOWANCE	MEAL ALLOWANCE	SALARY (GROSS)
Jan-109	\$ 10,757.53	\$ 1,100.00	\$ 1,000.00	\$ 160.00	\$ 13,017.53
Feb-10	10,757.53	1,100.00	1,000.00	160.00	13,017.53
Mar-10	10,757.53	1,100.00	1,000.00	160.00	13,017.53
Apr-10	10,757.53	1,100.00	1,000.00	160.00	13,017.53
May-10	10,757.53	1,100.00	1,000.00	160.00	13,017.53
Jun-10	10,757.53	1,100.00	1,000.00	160.00	13,017.53
Jul-10	10,757.53	1,100.00	1,000.00	160.00	13,017.53
Aug-10	10,757.53	1,100.00	1,000.00	160.00	13,017.53
Sep-10	10,757.53	1,100.00	1,000.00	160.00	13,017.53
Oct-10	10,757.53	1,100.00	1,000.00	160.00	13,017.53
Nov-10	10,757.53	1,100.00	1,000.00	160.00	13,017.53
Dec-10	10,757.53	1,100.00	1,000.00	160.00	13,017.53
	\$129,090.36	\$13,200.00	\$12,000.00	\$1,920.00	\$156,210.36

MR. ALGERNON CARGILL'S 2008 CONTRACT

On October 20, 2008 Mr. Cargill signed a contract with NIB (**Appendix 11.13**) to become NIB's Director for an annual base salary of one hundred and forty thousand dollars (\$140,000) per annum, or eleven thousand, six hundred and sixty six dollars and sixty six cents (\$11,666.66) per month, fifteen thousand, eight hundred and seventy four dollars and sixty four cents (\$15,874.64) more than the Board authorized him to pay Mr. Cargill when it was resolved at the August 28, 2008 "In Camera" session Board Meeting to "offer the post of Director to Mr. Algernon Cargill on terms that substantially reflect the terms and conditions of the contract enjoyed by the previous Director (Mr. Lennox McCartney)." Mr. McCartney was being paid ten thousand, three hundred and forty three dollars and seventy eight cents (\$10,343.78) per month or annual base salary of one hundred and twenty four thousand, one hundred and twenty five dollars and thirty six cents (\$124,125.36).

A number of NIB's Directors who served during the period July 1, 2007 through June 30, 2012 indicated that they never saw Mr. Cargill's October 20, 2008 employment letter (**Appendix 11.13**) and therefore never knew the details of his compensation package.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

Again, the National Insurance Act specifically states:

PART VI (Administration, Finance and Legal Proceedings), Section 40 (1) states that *“The Board shall employ a Director (who shall be the Chief Executive Office of the Board) and may employ such other officers and employees at such remuneration and on such terms and conditions as it considers necessary or appropriate for the proper conduct of its business. Provided the Board shall not without prior approval of the Minister - (a) assign to any post a salary, which is above the highest level of that governed by any industrial agreement to which the board is a party.”*

During interviews with Grant Thornton, some Board members stated they interpreted the referenced Section of the Act as it relates to the Director’s salary to be a matter between the Minister responsible for NIB and the Director. As a result, Father Etienne Bowleg, Deputy Chairman of NIB and a member of the HR Committee, indicated that he never knew the Director’s salary until October 20, 2011 when a new four-year contract was granted at an annual salary of \$171,000.

Appendix 11.13.1, “Proposed Executive Schedule - January 1, 2011” indicates that Mr. Cargill’s base salary was adjusted by twelve percent (12%) from \$145,600 per annum to \$163,072 per annum. The “proposed” salary increase schedule (which includes increases for other executives) is **SUBMITTED** by both Director Cargill and Mrs. Richenda King and it is approved by Chairman of the Human Resources Committee, Mr. Patrick Ward (**“Chairman - On behalf of the Compensation Committee”**). The Compensation Committee must refer to the Human Resources Committee, unfortunately, other members of the HR Committee are unaware that Mr. Patrick Ward is adjusting the Director’s salary. The NIB Act specifically states that the Director’s salary should only be amended by the Minister.

At the August 28, 2008 “In Camera” Session (**Appendix 11.12**) on the subject of hiring Mrs. Richenda King as Assistant Director, HR & Training, the Chairman (Patrick Ward) stated that “the Committee had not reached a decision on the HR position as none of the candidates that were interviewed were considered strong contenders. A further search was to be conducted and a report made in short order.”

Section 4.9.1 of the September 18, 2008 Minutes of the Meeting of the Board of Directors is important because “the Chairman advised that the Human Resources Committee met again with the Board’s concurrence,” however there is no record of the Human Resource Committee meeting since July 9, 2008, and the next documented meeting of the Committee occurred on February 23, 2009.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

ERNST & YOUNG AND THE HAY GROUP

MINUTES OF THE FIRST MEETING OF THE HUMAN RESOURCES
COMMITTEE OF THE BOARD OF DIRECTORS OF THE NATIONAL INSURANCE
BOARD FOR 2009 HELD IN THE BOARDROOM, NIB HEADQUARTERS, JUMBEY
VILLAGE BAILLOU HILL ROAD ON 23RD FEBRUARY, 2009 AT 3:00 P.M.

Present: Mr. Patrick Ward, Chairman
Mr. Roy Colebrooke, Member

Apologies: Archdeacon Etienne Bowleg, Member

In Attendance: Mr. Algernon Cargill, Director
Mrs. Richenda King, Assistant Director, HR & Training

3.0 NEW MATTERS

3.1 Manpower Assessment and Structural Review

3.1.1 *The Director informed the Committee that the purpose of this exercise is to obtain an independent assessment of what would be needed to right size the Board, and to gauge its hiring practices.*

3.1.2 *Members reviewed the cost provided by Ernst & Young as follows: \$120,000-\$150,000 for the Manpower Assessment for a total of \$150,000. Deloitte & Touche's cost was: \$115,000-\$125,000 for the Manpower Assessment, for a total of \$125,000, and Pricewaterhouse-Coopers provided a cost of \$117,000 for the Manpower Assessment and \$208,250 for the Process Audit Performance Management/Information Technology for a total of \$325,250.*

3.1.10 *Following some further discussion on this item, on a motion made by Mr. Roy Colebrooke, seconded by Mr. Patrick Ward and unanimously carried, the following resolution was approved:*

"Be it resolved that approval is herewith conveyed for Management to award the contract for a Manpower Assessment Study to Ernst & Young that is not to exceed \$150,000.00, commencing 1st March, 2009."

3.1.3 *The Chairman suggested that a kick off meeting should be held with Ernst & Young, and he invited Management to follow-up to ensure that such a meeting takes place.*

3.2 Executive Structure and Compensation

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

3.2.1 *The Director pointed out that this item was tied into the item on the Manpower Assessment.*

3.12 Hiring of Relatives

3.12.1 *Management pointed out that it has been the Board's policy not to hire relatives, however, they were attempting to relax the policy to some extent as indicated in policy document.*

3.12.2 *The Committee was of the view that this item needs further discussion.*

3.12.3 *The Chairman invited Management to check to see what the practice in other Corporations is, as regards the hiring of relatives.*

4.0 ANY OTHER MATTERS

4.1 Derek Osborne – Actuarial Contract

4.1.1 *The Director informed the Committee that a new contract was prepared for Mr. Derek Osborne, Actuary, based on the decision made at a previous Human Resources Committee meeting.*

4.1.2 *He explained that there was a cap placed on his monthly hours, and any excess hours worked had to be approved.*

4.1.3 *The Director further informed members that the Government had been using Mr. Osborne's services outside of his actuarial work, and he had in fact gone over his contract period, as he was working on the proposed unemployment benefit programme, and had been liaising directly with the Prime Minister in this regard.*

4.1.4 *He pointed out that Mr. Osborne had also been assisting with providing advice on matters relating to the inspectors.*

4.1.5 *He said that Mr. Osborne's monthly payment averaged around \$4,500, and approval had been given for him to receive up to \$6,000 per month.*

4.1.6 *The Director went on to say that if the Executive Management team is to be right-sized, Mr. Osborne's services can be further utilized.*

4.1.7 *He continued that Mr. Osborne intends to pass a lot of his work on to his Assistant, Tami Francis, who is presently bonded with the Board.*

4.1.8 *He informed the Committee that Mr. Osborne in putting forth his new proposal was requesting a salary of \$11,000.00 per month, and he would also like to be covered under NIB's Group Medical Insurance Plan.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

4.1.9 *After some discussion on this matter, the Chairman asked that Management defer Mr. Osborne's request, until the official Executive review has been received from Ernst & Young. He said that Mr. Osborne should be asked to inform the Board whenever he exceeds working the required number of hours.*

4.1.10 *The Director pointed out that it is some time difficult to confirm Mr. Osborne's hours, as a lot of his work is done from home.*

In 2009 NIB hired both Ernst & Young to conduct a Manpower Assessment and Structural Review along with the Hay Group "to review the Compensation Base of Executives to ensure alignment of responsibilities and competitiveness to the local Government.

The Minutes of the 5th (Special) Meeting of the Board of Directors of The National Insurance Board held on Thursday, 21st May, 2009 in the Boardroom of The National Insurance Headquarters Building situated on Baillou Hill Road, at 4:00 p.m.

Present: Mr. Patrick G.W. Ward, Chairman
Archdeacon Etienne E. Bowleg, Deputy Chairman
Mr. Harold Watson, Member
Mr. Van Diah, Member
Mr. Winston Rolle, Member
Mr. Brian Nutt, Member
Ms. Philcher Grant, Member
Mr. Troy Sampson, Member
Mr. John Pinder, Member
Mr. Dennis Williams, Member

Apologies: Mr. Roy Colebrooke, Member

By Invitation: Mr. John Varricchio, Engagement Partner, Ernst & Young
Ms. Lizette Robinson, Senior Manager, Organizational Design
Ernst & Young
Ms. Cleo Rolle, Manager, Activity Analysis, Ernst & Young
Mrs. Richenda King, Assistant Director, Human Resources
Mrs. Carol Woods, Senior Manager, Human Resources
Administration
Mr. Rawson McDonald, Human Resources Legal
Consultant

In Attendance: Mr. Algernon Cargill, Director
Mrs. Ernestine Kelson, Secretary to the Board of Directors

3.0 NEW MATTERS

3.1 Discussion on the Ernst & Young's Manpower Assessment and Structural Review

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

- 3.1.1 *The Ernst & Young's team as well as the Assistant Director and Senior Manager of Human Resources Administration and Mr. Rawson McDonald, Human Resources Legal Consultant, joined the meeting at 4:45 p.m.*
- 3.1.2 *The Chairman welcomed the Ernst & Young's team as well as the Human Resources team to the meeting.*
- 3.1.3 *He said that one of the things the Board will be doing during its tenancy, is to address the manpower needs and to conduct a structural review of the organization.*
- 3.1.4 *He asked those present to keep the discussions private.*
- 3.1.5 *He then invited the Director to provide a more in-depth overview of the work done by Ernst & Young.*
- 3.1.6 *The Director reported that the whole exercise started with weeks of pre-planning.*
- 3.1.7 *He said that Ernst & Young prepared a report after a five week engagement. This study was previously approved by the Human Resources Committee at its 1st Meeting held on 23rd February, 2009.*
- 3.1.8 *He continued that the Board wanted the Manpower Study Engagement to be done with no pre-conceived ideas, and from a "clean sheet" perspective. He said that the guidance provided to the consultants was to consider recommendations slanted towards a centralized model.*
- 3.1.9 *He said that the current model that had been developed featured a mini NIB within departments, and he cited the Occupational Health and Safety Unit (OHSU) as a good example of this.*
- 3.1.10 *The Director said that he has endorsed the recommendation of Ernst & Young.*
- 3.1.11 *He pointed out that none of the Executives other than the Assistant Director, Human Resources, had seen the report, nor was any discussion held with them.*
- 3.1.12 *He then turned the meeting over to the Ernst & Young's team headed by Mr. John Varricchio.*
- 3.1.13 *Mr. Varricchio in turn introduced the other members of his team, pointing out that Lizette Robinson was a Sr. Manager in their New York Office and Cleo Rolle was a Manager in their local office.*
- 3.1.14 *He then turned members' attention to the Strategic Operating Model Review Executive Summary.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

- 3.1.15 *He explained that over time, the Executive structure within NIB has become misaligned with the requirements of the organization today and going forward. He said that NIB engaged Ernst & Young (EY) to perform a four (4) week review to examine the current state, consider alternative organizational models, and develop a recommended solution. The work he said is based on a series of interview discussions with senior management, review of available documentation, and activity and headcount analysis.*
- 3.1.16 *He informed members that coming out of their key findings, the Director currently has 23 direct reports, which is significantly in excess of the leading practice recommendation of 7 to 12.*
- 3.1.17 *He said that their recommendation is to reduce the number of direct reports to 8 or 9.*
- 3.1.18 *Mr. Varricchio further stated that the Executive team comprises 3 levels of executive grade.*
- 3.1.19 *He also explained that the organization is primarily decentralized with operations duplicated in the various geographical locations. He said that NIB has started to move towards centralization of certain activities.*
- 3.1.20 *The final point he mentioned among their key findings was that the high level activity analysis indicates that productivity levels are sub optimal (eg., average of 2.5 claims per person per day – leading practices significantly exceed volumes).*
- 3.1.21 *Mr. Varricchio went on to report that their recommendations are as follows:*
- *Streamlined Executive team with between 8 and 9 direct reports depending on the skill sets of new hires*
 - *Creation of new Executive positions aligned to needs of the business (eg., VP of Operations, VP of Business Support Services)*
 - *Rationalized organizational structure, grouping core activities, non-core activities, and internal functions for more optimized management*
 - *A flexible model to allow centralization of activities – initially to accommodate management and co-ordination of activities, and then subsequently to allow for physical relocation of certain core processing.*
 - *A directional FTE assessment has been made based upon the selected option, indicating potential headcount savings of 10.12%. It should be noted that additional savings could be achieved from re-engineering the underlying business processes across NIB.*
- 3.1.22 *In response to a question asked by Mr. Winston Rolle, Mr. Varricchio said that the restructuring exercise can begin with scenario 1 in the first instance.*
- 3.1.23 *The Chairman asked how the current set up would be rated on a scale of 1-10.*
- 3.1.24 *Mr. Varricchio responded that he would give a rating of 1.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

3.1.25 *The Ernst & Young's team members pointed out some key conclusions in the Executive Summary as follows:*

3.1.26 *NIB has 3 options to achieve its organizational redesign objectives:*

- *An estimated 10 to 12% head count reduction can be achieved through the organizational redesign and volume based "right sizing" by department. This equates to headcount reductions of approximately 48 to 60 FTE.*
- *Key departmental level transformation in the claims and contributions areas can result in an estimated 20 -25% FTE reduction or 95 – 130 FTE.*
- *Enterprise wide transformation activities would result in maximum efficiencies resulting in an estimated overall FTE reduction of a total of 30-35% or 144 to 168 FTE.*
- *These savings can help offset headcount additions associated with the following:*
 - *The funding of new programs such as unemployment insurance offering and the National Drug Plan.*
 - *Increasing investment income and contribution revenues*
 - *Improving the quality of service (e.g. accuracy and timeliness rates)*
 - *The reduction of overall risk levels (e.g. building out the IT function)*
 - *Improving project management capabilities (e.g. building projects)*

3.1.27 *The Team also made reference to and reviewed the current headcount mapped to future state model as outlined on Page 5 of the Executive Summary, and a reduced head count on Page 6.*

3.1.28 *They then proceeded to take members through the entire document.*

3.1.29 *The Executive Summary in its entirety can be viewed as an attachment to these minutes, marked Annexure I.*

3.1.30 *During the presentation, Mr. Harold Watson raised the question, as to why the IT Department could not be tied to the Finance Department or Operations.*

3.1.31 *Ms. Cleo Rolle responded that the IT Department should be an independent function within the organization.*

3.1.32 *In response to a comment made by the Chairman, Ms. Rolle pointed out that the Internal Audit department should also function independently.*

3.1.33 *She pointed out further that there may be a need to look outside of NIB to fill the VP Operations role. This person she indicated will be the key driver within the organization.*

3.1.34 *Mr. Troy Sampson asked what would be the down side of centralization.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

- 3.1.35 *Mr. Varricchio responded that relocation of people, the cost involved and the political implication. He suggested that the decentralized model should be kept for the time being.*
- 3.1.36 *The Director stated that the Board has moved to some aspects of centralization where the Inspectors are concerned.*
- 3.1.37 *Mr. Van Diah asked for an explanation of the VP Investment position.*
- 3.1.38 *Members of the team responded that the new VP Investments role allows NIB to take a more proactive role in managing its investment portfolio to enhance returns to meet the projected increasing liabilities.*
- 3.1.39 *The Chairman also pointed out that the VP Investments position was advertised at a lower level, but those adjustments have now been made.*
- 3.1.40 *Other key positions mentioned to come on stream as noted in the report were VP of Technology, VP of Finance, VP of Human Resources and VP of Internal Audit.*
- 3.1.41 *Mr. John Pinder commented that consideration should be given to deployment of staff in overstaffed areas.*
- 3.1.42 *It was pointed out that the basis of the Ernst & Young's report was not to factor in too many sensitive issues.*
- 3.1.43 *Lizette Robinson in wrapping up the presentation and in response to a question raised by members, pointed out that when the exercise was done, they did not look at restructuring from a cost effective perspective, but rather how to make a better organization.*
- 3.1.44 *The Chairman thanked the Ernst & Young's team for their presentation and they left the meeting at 6:45 p.m.*

3.2 Hay Group Report

- 3.2.1 *The Chairman then made reference to the Hay Report, and invited Mrs. Richenda King, Assistant Director, Human Resources, to give members an overview of this report.*
- 3.2.2 *Members were then provided with a portfolio which contained the Executive Summary of the Ernst & Young's report, the Hay Group's report and an Executive assessment review and recommendations.*
- 3.2.3 *Mrs. King explained that the Hay Group was commissioned in 2004 to conduct an Executive Assessment to evaluate the leadership capabilities of the Senior Management Team at the National Insurance Board.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

- 3.2.4 *She said that the report was based on a scientific point system, and various performance standards were not there to validate the jobs.*
- 3.2.5 *She pointed out that subsequent to the Ernst & Young's engagement, the Hay Group was commissioned again in May 2009 to review the compensation base of Executives to ensure alignment of responsibilities and competitiveness to the local environment.*
- 3.2.6 *She went on to state that the Hay Group reviewed Ernst and Young's findings and used the data they provided to evaluate the jobs in the new structure, and to conduct a market competitiveness compensation analysis for the Executive team.*
- 3.2.7 *Mrs. King continued that a very good record now exists of what people do in the organization.*
- 3.2.8 *She said that some Executives never had managerial training before coming into their positions.*
- 3.2.9 *Mr. Rawson McDonald echoed the comment made by Mrs. King and added that leadership training was also lacking.*
- 3.2.10 *The Director pointed out that the Hay Group is used internationally as well as locally.*

3.3 Executive Assessment Review and Recommendations

- 3.3.1 *The Director took members through the Executive assessment review and recommendations, which is attached to these minutes as Annexure II.*
- 3.3.2 *He further made reference to Page 5 of the Ernst & Young's report, which outlined the current headcount mapped to future state model.*
- 3.3.3 *Management persons in attendance, with the exception of the Director, were asked to leave the meeting at this point at 8:15 p.m.*
- 3.3.4 *The meeting then continued "in camera".*

Notes from "In Camera" Session of 5th (Special) Board Meeting held on 21st May, 2009. (Taken by Chairman, Patrick Ward)

The Chairman summarized the salient points relative to the various presentations, referring specifically to the historical Hay Group reviews and the executive summary of the E&Y report. He asked that the members weigh in with comments and/or questions with respect to the information that had been presented. He further emphasized that it was important that each member of the Board fully understood and supported what was being contemplated before any action was taken.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

Following a further discussion on various points, each of the members present commented on the proposals put forward with respect to preferred organizational structure, and the revised Executive Management compliment. There was unanimous consent that the E&Y proposals in this regard should be adopted and that the initial focus would be at the Executive level.

The Chairman then indicated that it was his intention to call a meeting of the Human Resources Committee, which has delegated authority to handle matters concerning Executive Management HR related issues, so that an implementation plan could be created, together with input from the Director and the HR Manager. This implementation plan would then be presented to the full Board for ratification prior to its execution. Every effort will be made to complete the necessary steps so that action, subject to Ministerial approval, could be taken prior to the end of June 2009.

**MINUTES OF THE SECOND MEETING OF THE HUMAN RESOURCES
COMMITTEE OF THE BOARD OF DIRECTORS OF THE NATIONAL
INSURANCE BOARD FOR 2009 HELD IN THE BOARDROOM, NIB
HEADQUARTERS, JUMBEY VILLAGE BAILLOU HILL ROAD ON
26TH MAY, 2009 AT 2:00 P.M.**

Present: *Mr. Patrick Ward, Chairman
Archdeacon Etienne Bowleg, Member*

Apologies: *Mr. Roy Colebrooke, Member*

By Invitation: *Mr. Winston Rolle, Board Member
Mr. Rawson McDonald, Human Resources Legal Consultant*

In Attendance: *Mr. Algernon Cargill, Director
Mrs. Richenda King, Assistant Director, Human Resources &
Training
Mrs. Ernestine Kelson, Secretary to the Board of Directors*

3.0 NEW MATTERS

3.1 Discussion on the Ernst & Young's Manpower Assessment and Structural Review

3.1.1 *The Chairman informed members that the Board has agreed in principle to accept the Ernst & Young's report, and once the Committee has given its approval, the report will be taken back to the full Board for ratification.*

3.1.2 *He pointed out that timing of this exercise was important.*

3.1.3 *Mrs. Richenda King, Assistant Director Human Resources, was then asked to give an overview of the Ernst & Young's and Hay Group's reports.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

3.1.4 Referring to the portfolio which was distributed, Mrs. King informed the Committee that the Hay Group was commissioned in 2004 to conduct an Executive Assessment to evaluate the leadership capabilities of the Senior Management Team at the National Insurance Board (NIB). She said that Ernst & Young conducted a Strategic Operating Model Review in April, 2009, to recommend the appropriate organizational structure for NIB, and to examine the existing misalignment of resources since the Hay Group's 2004 recommendations were largely ignored by the National Insurance Board. Subsequent to the Ernst & Young engagement, Mrs. King said that the Hay Group was commissioned again in May, 2009 to review the compensation base of Executives to ensure alignment of responsibilities and competitiveness to the local environment.

Also, the Hay Group reviewed Ernst and Young's findings and used the data they provided to evaluate the jobs in the new structure and to conduct a market competitiveness compensation analysis for the Executive team. She pointed out that both reports were attached to this document.

3.1.5 Mrs. King went on to state that both studies were congruent in their findings and recommended the following:

1. The streamlining of the Executives to increase accountability.
2. Rationalization of the Organizational Structure grouping core activities and restructuring non-core activities.
3. The centralization of organizational activities to measure and improve productivity.
4. Provide potential headcount savings through operational efficiencies.
5. Right-sizing the Executive Team in addition to disengagement as required.
6. Attract and retain key Executives at the National Insurance Board, by reviewing compensation and adjusting to reflect market realities.

3.1.6 Members commented that item No. 6 need to be linked to performance reality, and should be considered as a last item.

3.1.7 Mrs. King went on to explain that an optimal structure was selected based on findings of the Ernst & Young review. She said that using the Hay Group Executive Assessments from 2004 and the Ernst & Young assessments inclusive of the roles and responsibilities for Executives in the new structure, Management conducted a review of the executive talent pool to determine fit to the new structure.

3.1.8 She spoke also of the two reports (Ernst & Young and Hay) which were presented at the Special Board meeting.

3.1.9 Mrs. King further explained the evaluation of positions in the new structure as provided by the Hay Group. (See attachment).

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

- 3.1.10 *She also pointed out the positions which fall outside the new structure or are not aligned at the Executive Level. (See attachment)*
- 3.1.11 *Mrs. King said that based on the leadership evaluation (provided in a supplemental package) which is based on the Hay Group report, interviews by Ernst and Young and Management feedback, the following positions are recommended for disengagement in accordance with option 1 or 2. She went on to say that it should be noted that although there are leadership gaps for the Financial Controller, Management considers that this position should be retained based on technical skill and organizational knowledge.*
- 3.1.12 *With respect to Mrs. Cecile Bethel, Mr. Winston Rolle said that it should not be perceived that she was moved to head Special Projects with the intent of eliminating her position down the road.*
- 3.1.13 *The Chairman asked what the present status was on the recruitment of the two new positions, i.e., IT and Investments.*
- 3.1.14 *The Director responded that both positions have been advertised, and Management was very close to finalizing the investment position.*
- 3.1.15 *In the case of the IT position, the Director said that Management was at the short-list stage, and the interview process was scheduled to begin next week. He estimated that a replacement for Mr. Bethel was about six weeks away.*
- 3.1.16 *With regards to disengagement packages, Mrs. King provided two options. (See attachment)*
- 3.1.17 *She explained that in Option 1, the Executives to be disengaged would be offered the following:*
- 1. Duty Allowance (1 yr.)*
 - 2. Car Allowance (1 yr.)*
 - 3. Severance (1 yr.)*
 - 4. Notice (1 mth. Salary)*
 - 5. Ex-gratia (3 mths.)*
- 3.1.18 *In Option 2 the following would be offered:*
- 1. Severance (1 yr.)*
 - 2. Notice (1 mth. Salary)*
 - 3. Ex-gratia (6 mths.)*
- 3.1.19 *It was pointed out that these separation packages were not included in the 2009 budget.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

- 3.1.20 *In the case of Mr. Anthony Curtis and Ms. Azella Major, the Chairman said that these persons disengagement can be treated as early retirement.*
- 3.1.21 *Mrs. King then proceeded to explain the pension calculations under the revised plan for Mr. Curtis and Ms. Major. (See attachment).*
- 3.1.22 *It was also pointed out that pre-retirement does not have to go before the Board.*
- 3.1.23 *In the case of Ms. Melicianna Bethell, the question arose as to whether she can be disengaged without her bringing some legal action against the Board, as it was not determined whether she was seconded from the Ministry of Works, or whether she had resigned.*
- 3.1.24 *A check of her personal file revealed that she did in fact sever ties with the Ministry, and therefore the Board was free to offer her the disengagement package as confirmed by Mr. Rawson McDonald.*
- 3.1.25 *Members discussed the disengagement packages in detail, and concluded that vacation amounts due must be paid.*
- 3.1.26 *Mr. McDonald pointed out that NIB was not obligated to make ex-gratia payments.*
- 3.1.27 *Fthr. Etienne Bowleg asked what would be done about persons who have enormous amounts of vacation.*
- 3.1.28 *After some discussion on this point, the Committee decided that if an individual had more than a year's vacation, then their ex-gratia payment should be reduced to only one month's salary.*
- 3.1.29 *The Chairman commented that there was the non-performance issue tied to some individuals as well.*
- 3.1.30 *There was concern about a precedent being set going forward.*
- 3.1.31 *The Chairman asked, from a Management standpoint, how ready the Board was to disengage persons.*
- 3.1.32 *The Director explained that in the Operations area, there is a potential gap with the current assignment for the Deputy Director, Special Projects. He said that these projects are co-managed by the Actuarial Team, which will assume full responsibility to mitigate any operational fall out. Additionally, he said that NIB will continue to engage consultants as needed on a project basis. He said that Tami Francis, Associate Actuary, has been identified as a resource that can continue these projects.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

- 3.1.33 *With respect to the Information Technology area, the Director indicated that Management has already begun the process of recruiting through a recruiting firm for the position of Vice President, Technology, as well as Manager, Information Technology. Several potential Bahamian candidates have been identified with the related skills and experience to be successful in the role and responsibilities identified.*
- 3.1.34 *In relation to the Buildings Division, the Director said that a Civil Engineer has already been engaged who has the experience and capacity to assume responsibility for the Project Management function. He said that as identified by the Hay Group Point Value (581), this position should not have been elevated to the Executive Level, and the successful candidate should have an Engineering background.*
- 3.1.35 *The Director concluded that the Board should be ready for the disengagement by the end of June.*
- 3.1.36 *Mrs. King then proceeded to inform Committee members of the disengagement process.*
- 3.1.37 *She said that once disengagement has been approved and a date has been set for the finalization of the separation process, the following steps would be taken by the Assistant Director, Human Resources & Training and the Director:*
1. *Identify critical areas and define a plan to mitigate risks in key areas (IT, Strategic Projects).*
 2. *Individual meetings held with each employee to be disengaged on same day.*
 3. *Presentation of separation package and explanation of same.*
 4. *Finalize date of separation (no later than June 30, 2009).*
 5. *Offer of assistance by Human Resources in finding placement, drafting employment letter, counseling etc.*
 6. *Presentation of package and execution of Deed of Release.*
 7. *Communicate internally and externally as appropriate with approved communication messages managed by outside consultants.*
- 3.1.38 *Additionally, Mrs. King said that full retirement can be offered to individuals above the age of 55 years (A. Curtis and A. Major); A. Bethel to be provided with his current vehicle should Option 1 be selected, as the current book value is zero. Accrued vacation and Pension benefits will be calculated and added based on the date of disengagement.*
- 3.1.39 *The Chairman informed Management that this exercise needs to be concluded before the end of June.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

- 3.1.40 *He asked whether Andre Bethel is in possession of certain key information, and if he is, it is important to gain access to the computer system so that critical information can be retrieved from him.*
- 3.1.41 *It was pointed out that if he does anything contrary, he can forfeit his severance package.*
- 3.1.42 *The Chairman further informed Management that they should begin working on the preparation of a release to all staff to be placed on the NIB's Web Page.*
- 3.1.43 *He said that a communication also needs to be prepared to send to the Board of Directors, and further, all communication with the Press should be directed to the Director.*
- 3.1.44 *The Chairman further pointed out that a meeting should be held with the remaining Executives explaining what course of action has been taken, and thereafter a general staff meeting should be held.*
- 3.1.45 *With regards to the new positions to come on stream, the Chairman said that the ads should be so structured in such a way so as to convey clearly the intent of what is being sought, and the ads should be posted simultaneously.*
- 3.1.46 *In relation to levels below Executive Management, the Chairman said that restructuring should be looked at through attrition.*
- 3.1.47 *Management was asked to prepare job descriptions for formal approval by the Board.*
- 3.1.48 *As regards the Financial Controller, the Chairman said that she should be informed of what to expect, i.e., that she would not be considered for the VP Finance position at this time, but she could be considered as a possible candidate in the future.*
- 3.1.49 *Management was also asked to prepare a formal presentation for the Minister on the entire exercise.*
- 3.1.50 *In response to a question asked by the Chairman, Mrs. King said that she can have the presentation ready by Friday, 29th May, 2009.*
- 3.1.51 *Mr. Winston Rolle commented that consideration should be given to what the Executive pay structure is now, and what it would be under the new structure.*
- 3.1.52 *Mrs. King then proceeded to provide some details on the market comparison review as provided by the Hay Group as well as the new scales proposed by the Hay Group, based on the Compensation Review. (See attachment).*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

3.1.53 *The Chairman commented that focus should not be placed on compensation at this time, as he did not want to give the implication that compensation was being tied to the restructuring.*

3.1.54 *In concluding the discussion on the Manpower Assessment and Structural Review, the Committee approved the following:*

1. *The recommendation of Ernst & Young to correct and align the core functions of the Board.*
2. *Approve the "Strategic Structure Implementation Strategy" based on the recommendations of both Ernst & Young and the Hay Group, with the future recommendations of the Human Resources Committee, and*
3. *Offer selected separation packages as outlined on Page 4 Option 1, with the understanding that if an individual has more than one (1) year's vacation, they would receive no more than one month's ex-gratia payment.*

The same should be forwarded to the Board for ratification.

IT IS IMPORTANT TO FOLLOW THE TREND OF THIS DISCUSSION very closely because Mrs. King appears not to be sharing with the HR Committee Members the details of the Hay Group Report that address specific salary scales and "points" that will be used to pay thousands in bonuses. **Also, like the members of the Board of Directors at the May 21, 2009 meeting, HR Committee members are being presented with the Ernst & Young Report and the Hay Group Report, and they appear to be treating them as one report.** Grant Thornton has seen no evidence whatsoever that either Mr. Patrick Ward, Mr. Algernon Cargill or Mrs. Richenda King is intentionally "steering" the discussion to the Ernst & Young Report and the "redundancies" to be made. In fact, if you read the May 26, 2009 HR Committee minutes it is almost as if the Ernst & Young Report is being "woven" with the Hay Group Report. This lack of clarity will cost NIB hundreds of thousands of dollars in the subsequent months.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

The Minutes of the 6th (Regular) Meeting of the Board of Directors of The National Insurance Board held on Thursday, 18th June, 2009 in the Boardroom of The National Insurance Headquarters Building situated on Baillou Hill Road, at 4:00 p.m.

*Present: Mr. Patrick G.W. Ward, Chairman
Archdeacon Etienne E. Bowleg, Deputy Chairman
Mr. Van Diah, Member
Mr. Harold Watson, Member
Mr. Winston Rolle, Member
Mr. Brian Nutt, Member
Ms. Philcher Grant, Member
Mr. Troy Sampson, Member
Mr. John Pinder, Member
Mr. Dennis Williams, Member
Mr. Roy Colebrooke, Member*

*By Invitation: Mr. Gowon Bowe, Sr. Manager, Assurance/Business Advisory
Services, PricewaterhouseCoopers*

*In Attendance: Mr. Algernon Cargill, Director
Mrs. Sonia Gill, Financial Controller
Mrs. Ernestine Kelson, Secretary to the Board of Directors*

6.20 Human Resources Committee

6.21 The National Insurance Board Strategic Structure Implementation Strategy

6.21.1 *The Chairman made reference to the captioned document marked Annexure IV*

6.21.2 *He pointed out that this document stemmed from the Special Board meeting which was held on 21st May, 2009, and he invited members to review the same and then make their decision.*

6.21.3 *Mr. Harold Watson mentioned that seeing that all other Executive positions were being changed to Vice President, then perhaps the Director's title should be changed to President.*

6.21.4 *It was pointed out that the National Insurance Act would have to be amended to make this change.*

6.21.5 *Mr. Van Diah asked if there was any way the persons who were identified for termination can be saved.*

6.21.6 *In response to Mr. Diah's question, the Director said that these persons were not suited for the new positions being created.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

- 6.21.7 *The Chairman added that these persons did not receive honest feedback from their supervisors on their performance.*
- 6.21.8 *Mr. Dennis Williams asked the Director how he sees Mrs. Gill operating from a morale point of view with someone being brought in over her.*
- 6.21.9 *The Director's response was, based on her current skills set, she was not ready for the top position, and her leadership skills needs to be developed.*
- 6.21.10 *Mr. Van Diah added that Mrs. Gill was a good Financial Controller, but she was not ready for the Chief Financial Officer's position.*
- 6.21.11 *Mr. Troy Sampson commented that when Mrs. Gill makes her presentations, she seem to not be sure of what she is presenting.*
- 6.21.12 *Mr. Williams commented that while he supports NIB going in the correct direction, he would like to see those persons (Executives) left behind given the opportunity for training, as he would not want them to say they were not given an opportunity.*
- 6.21.13 *In response to a question raised by Mr. Van Diah, on those persons who were eligible to receive early retirement packages, the Chairman said that their retirement benefits would not be significantly different from what they would have received if they had reached the retirement age of sixty.*
- 6.21.14 *Mr. Williams asked, how the situation would be handled if legal action was brought against the Board for wrongful dismissal.*
- 6.21.15 *The Chairman responded that fairly good payout packages were given, however, if someone wishes to bring a suit against the Board this cannot be prevented.*
- 6.21.16 *Mr. Van Diah asked if the IT grounds would be covered once that Manager would have been removed from his position.*
- 6.21.17 *The Director said all of the necessary measures have been taken, and he has the passwords for the system, however, he does not know if they have been changed.*
- 6.21.18 *Mr. Watson asked about the reduction in numbers resulting from the restructuring, as five positions were being eliminated and five new positions being created.*
- 6.21.19 *The Director explained that the exercise was not one to reduce numbers, but rather to put the right persons in the right place.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

- 6.21.20 *Mr. Diah asked about the VP of Investments position, as he did not see this position being particularly stretched, and wondered whether there would not be some overlapping of responsibilities with the VP of Finance.*
- 6.21.21 *The Chairman said that the Board was looking to engage an Investment Manager long before the reports on the restructuring were done. He said that it was only after the reports were completed, the job had been elevated to VP Investments.*
- 6.21.22 *Mr. Diah said that he did not want to see an overlapping of duties with that of the CFO.*
- 6.21.23 *The Chairman further added that persons below the VP Investments level will be reduced through attrition.*
- 6.21.24 *Mr. Watson was of the view that the two jobs in question will overlap, and he suggested that the job description for the VP Investments be left open so that that person may assist with some of the functions of the VP Operations.*
- 6.21.25 *Mr. Watson questioned the necessity of engaging Mr. Rawson McDonald for industrial relations matters when there is a VP of Legal.*
- 6.21.26 *It was pointed out that Mr. McDonald's services were needed, as this was a specialty area.*
- 6.21.27 *Mr. Watson also commented on the VP of Internal Audit. He said that this was a lonely job, and questioned whether this individual has the strength of character to do this job.*
- 6.21.28 *The Chairman responded that considering that this individual was able to hold on to this position under previous CEOs says a lot.*
- 6.21.29 *The Director added that while the VP Internal Audit needs development, he has a lot to contribute, and is on the right path.*
- 6.21.30 *Mr. Watson said that he hopes that the individual would create a culture of a "whistle blower".*
- 6.21.31 *Mr. Diah inquired about compliance.*
- 6.21.32 *It was pointed out that this area falls under the VP of Internal Audit.*
- 6.21.33 *Mr. Watson commented on the introduction of a performance based culture as mentioned in the report, indicating that a fund should be created to get this done.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

6.21.34 *Mr. Winston Rolle commented that the Board was looking at the timing to get this exercise done. He said that the Director could not accomplish this exercise with a new Board.*

6.21.35 *Mr. Williams commented that we cannot linger much longer, and it was necessary to try to make a change. He said that a change cannot be brought about with the present Executives.*

6.21.36 *Mr. John Pinder said that the individuals being considered for termination should be given an opportunity to apply for the new positions, and they should also be given an opportunity to resign.*

6.21.37 *Mr. Winston Rolle said that the statement to the Press on the proposed restructuring must be clearly stated.*

6.21.38 *The Chairman said that they should be referred to the Director.*

6.21.39 *Following the lengthy discussion on this item, on a motion made by Mr. Dennis Williams, seconded by Mr. Brian Nutt and unanimously carried, the following resolution was adopted, as per the recommendation of the Human Resources Committee:*

“Be it resolved that the Board of Directors approves:

- 1. The implementation of the Strategic Operating Model recommended by Ernst & Young and the Hay Group.*
- 2. Offer the disengagement packages to the Executives identified as recommended.*
- 3. Fill the new positions by simultaneous internal and external job posting.”*

THE LACK OF COMPLETE INFORMATION PRESENTED TO THE BOARD REGARDING THE HAY GROUP REPORT, AND THE BOARD MEMBERS’ SEEMINGLY PREOCCUPATION WITH STAFF MATTERS AND REDUNDANCIES, WILL COST THE CORPORATION HUNDREDS OF THOUSANDS OF DOLLARS IN EXECUTIVE BONUSES WITHIN THE NEXT THREE YEARS.

Section 6.21.34 seems interesting considering the non-disclosure about the Hay Group Report salary range details.

SEE APPENDIX 11.13.2 FOR “THE NATIONAL INSURANCE BOARD STRATEGIC STRUCTURE IMPLEMENTATION STRATEGY”

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

By approving the resolution to approve the Hay Group plan, **IN THE ABSENCE OF THE COMPLETE HAY GROUP RECOMMENDATIONS, SPECIFICALLY AS THEY RELATE TO SALARIES AND BONUSES, THE BOARD COMMITTED NIB TO SIGNIFICANT EXECUTIVE SALARY AND BONUS PAYMENTS. THE HUMAN RESOURCES CHAIRMAN, PATRICK WARD, AND THE DIRECTOR OF NIB, ALGERNON CARGILL, OFFERED NO DETAILS TO THE BOARD MEMBERS REGARDING THE HAY GROUP RECOMMENDATIONS, PERHAPS BECAUSE NO SPECIFIC QUESTIONS WERE ASKED.**

Please note the Hay Group Reports at **Appendices 11.01.A through 11.01.C** are very comprehensive, and in the event that those comprehensive reports were ever presented to Board meetings in 2009, Board members would have learned the following:

1. The scope of the 2009 Hay Group survey compared to the survey completed in 2003.
2. Hay Group recommendations in 2009.
3. Executive Management Job evaluations.
4. Compensation analysis.
5. "Market Comparisons" in the 2006 that included compensation data from private companies (2003 Hay Group Survey included data from Quasi-Governmental entities only).
6. Recommended salary ranges for Current Senior Management.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

**MINUTES OF THE THIRD MEETING OF THE HUMAN RESOURCES
COMMITTEE OF THE BOARD OF DIRECTORS OF THE NATIONAL INSURANCE
BOARD FOR 2009 HELD IN THE BOARDROOM, NIB HEADQUARTERS, JUMBEY
VILLAGE, BAILLOU HILL ROAD ON
11TH SEPTEMBER, 2009 AT 10:00 A.M.**

*Present: Mr. Patrick Ward, Chairman
Archdeacon Etienne Bowleg, Member
Ms. Debbie Ferguson, Member*

In Attendance: Mr. Algernon Cargill, Director
Mrs. Richenda King, Vice President, Human Resources & Training
Mrs. Ernestine Kelson, Secretary to the Board of Directors

2.1.1 The Chairman stated that since Mr. Roy Colebrooke was no longer a member of the Human Resources Committee, and he was the only member on this present committee who attended the 1st Human Resources Committee meeting for 2009, he wished to approve the contents of the minutes as noted.

2.5 Matters Arising

1. Ms. Ferguson asked whether it was normal to offer disengaged Executives the following, as stated in the minutes at item 3.1.17:

1. *Duty Allowance (1 yr.)*
2. *Car Allowance (1 yr.)*
3. *Severance (1 yr.)*
4. *Notice (1 mth. Salary)*
5. *Ex-gratia (3 mths.)*

2.5.1 The Director responded that item 5 was not done, but at least the legal requirements were met in paying out all of the other items. He went on to say that these payments represented more than the legal requirement.

3.0 NEW MATTERS

3.1 *Executive Structure Compensation & Over-base Compensation*

3.1.1 Mrs. King explained that Management wanted to ensure that the new jobs were aligned with the structure recommended by Ernst & Young as well as the Hay Group.

3.1.2 She went on to explain that the Director was at the top of the structure, and the other Executives made up the five levels below.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

- 3.1.3 *She said that no compensation was implemented for the existing Executives, only the new ones coming in.*
- 3.1.4 *She continued that Management wanted to ensure equity by years' end, as there are significant inequities in the structure.*
- 3.1.5 *The Chairman responded that he agrees that the current pay structure should be looked at sooner rather than later, and then place a time line for implementation. He said that it is important to look at what the job is worth, and what the individual is worth.*
- 3.1.6 *Archdeacon Bowleg stated that he agrees with the Chairman, and said that this exercise should be expedited.*
- 3.1.7 *The Chairman commented further that if the matter lingers, it could lose its worth.*
- 3.1.8 *Ms. Ferguson said that she also agrees with the comments made by the other two committee members.*
- 3.1.9 *The Director also asked the Committee to approve increasing the duty allowances that executives receives, as the new Vice Presidents coming in who are on the same level as some of the existing Executives, are receiving higher allowances.*
- 3.1.10 *The Chairman was of the view that the Committee should be given until October before making a decision on this matter. He invited Management to provide the Committee with exactly what it is they are seeking. He further stated that it is his opinion that the allowances should be added to the base salary, so that this issue does not arise again.*

3.3 Human Resources Report

- 3.3.1 *This report was presented by Mrs. King.*
- 3.3.2 *The Chairman asked whether there were more people at the senior management level than required.*
- 3.3.3 *The Director responded that the numbers can be reduced through the offering of voluntary early retirement packages.*
- 3.3.4 *The Chairman said that it was necessary to have about one hundred people take the voluntary early retirement package again. He invited the Director to begin looking at the Senior Management and Management levels, and asked that he put a report together, to possibly begin offering packages in January, 2010. He did point out though that the packages may not be as generous as the previous ones offered.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.3 EXECUTIVE SALARIES (continued)

3.3.5 *The Director also indicated that he would like to put forth a proposal to extend the retirement age to 65.*

3.3.6 *The Chairman suggested that this should not be done until after offering the voluntary early retirement packages.*

3.5 Union of Public Officers (UPO) Agreement

3.5.1 *Mrs. King referred to Page 32 of the draft agreement which incorporates UPO's suggested changes and Management's recommended changes, which speaks of the Performance Management System (PMS).*

3.5.2 *She pointed out that the present increments, increases and incentive bonuses will be eliminated upon the implementation of the PMS in April, 2010, and the annual increases in salary and bonus will be determined based on the proposed NIB/PMS compensation system to be implemented.*

3.5.3 *Members reviewed the compensation recommendation.*

3.5.4 *The Chairman invited Mrs. King to check with other corporations to see what percentage increases they offer their employees on an annual basis.*

3.5.5 *On another issue, the Director pointed out that those employees who hold certain positions within an organization should not also be executives of the union, as this would be considered conflict of interest.*

3.5.6 *He cited one such case of that of the President of the Management Union who is also one of the Internal Auditors. He said that he would speak to this individual in this regard.*

3.5.7 *After some discussion on this item, the Director said that Management will tidy up the document and forward the same to members electronically.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.4 EXECUTIVE BONUS PAYMENTS

During the period January 2010 to May 2012, executive bonuses in the amount of seven hundred and twenty three thousand, three hundred and thirty three dollars and thirty one cents (\$723,333.31) were paid without specific Board of Directors approval, and seemingly without the knowledge of two of the three Board Members who served on the Human Resources Committee. In virtually every case where executive bonuses were paid, the requests for payments were “**SUBMITTED**” to Mr. Patrick Ward for payment by NIB Director Mr. Algernon Cargill, and Deputy Director of NIB, Mrs. Richenda King, who “**SUBMITTED**” the requests for payment. In every case, the “submitted” executive bonus amounts were authorized.

Please note **APPENDIX 11.14** to **APPENDIX 11.14.5.2** for documentation supporting the Executive Bonus submissions, authorizations and payments.

It is important to note that while the FULL HR Committee and the Board of Directors were unaware of the details of the Executive bonus payments, NIB’s Board actually approved the bonuses as a part of the ANNUAL BUDGET APPROVAL PROCESS (each year).

Also, please see Appendix 11.14.6 which is Mr. Cargill’s letter to Mr. Patrick Ward recommending that NIB implement the Hay Report’s 2009 Compensation Survey Recommendations as defined in the “Executive Compensation Recommendations” (Appendix 11.14.6.2), which indicates that NIB’s Director’s annual salary should be in the range of \$198,000 to \$297,000, and the executive team’s salary should be in the range of \$100,240 to \$150,360.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.4 EXECUTIVE BONUS PAYMENTS (continued)

**MINUTES OF THE FIRST MEETING OF THE HUMAN RESOURCES
COMMITTEE OF THE BOARD OF DIRECTORS OF THE NATIONAL INSURANCE
BOARD FOR 2010 HELD IN THE DIRECTOR'S OFFICE, NIB HEADQUARTERS,
JUMBEY VILLAGE, BAILLOU HILL ROAD ON
15TH JANUARY, 2010 AT 11:00 A.M.**

Present: *Mr. Patrick Ward, Chairman*
Archdeacon Etienne Bowleg, Member
Ms. Debbie Ferguson, Member

*In Attendance: Mr. Algernon Cargill, Director
Mrs. Richenda King, Vice President, Human Resources &
Training
Mrs. Ernestine Kelson, Secretary to the Board of Directors*

By Invitation: *Ms. Sherelle Saunders, Senior Manager, Human Resources*

3.15 *Executive Reviews*

3.15.1 The Chairman drew members' attention to the executive reviews contained in the meeting package. This information was provided for information purposes.

3.16 Bonus Allocation

3.16.1 The Chairman informed the Committee that executive bonuses amounted to \$135,000 as a group.

3.16.2 *He went on to say that persons whose bonuses were out of line for the level they are now on were brought up to the \$7,000.00 mark.*

3.16.3 *These persons were VPs for Audit, Medical, Legal and Human Resources. The Committee was in agreement.*

3.18 Compensation Recommendations

3.18.1 Information on compensation recommendation was tabled for Committee members.

3.18.2 Mrs. King explained that following the Ernst & Young report, Management was seeking to implement the recommended scales to match the new structure.

3.18.3 She said that for Executives other than the Director, the salary ranged from \$100,000.00 at the low end of the scale to \$150,000.00 at the high end of the scale.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.4 EXECUTIVE BONUS PAYMENTS (continued)

- 3.18.4 *She went on to say that in the case of the Director, the low end of the scale was \$197,000.00. All scales should be inclusive of duty and other allowances.*
- 3.18.5 *The Chairman stated that since Committee members were only just receiving this information, he was suggesting that the information be taken away for review before making a recommendation.*
- 3.18.6 *He suggested further that the Committee meet just prior to the Board meeting to continue the discussion.*

HR Committee Meeting after payment of \$379,083.61 in Executive Bonuses (Rev. Etienne Bowleg and Ms. Debbie Ferguson had no specific knowledge of the payments)

MINUTES OF THE FIRST MEETING OF THE HUMAN RESOURCES
COMMITTEE OF THE BOARD OF DIRECTORS OF THE NATIONAL INSURANCE
BOARD FOR 2011 HELD IN THE DIRECTOR'S OFFICE, NIB HEADQUARTERS,
JUMBEY VILLAGE, BAILLOU HILL ROAD ON
16TH FEBRUARY, 2011 AT 3:00 P.M.

*Present: Mr. Patrick Ward, Chairman
Rev. Etienne Bowleg, Member
Ms. Debbie Ferguson, Member*

*In Attendance: Mr. Algernon Cargill, Director
Mrs. Richenda King, Deputy Director/Vice President,
Human Resources & Training
Mrs. Ernestine Kelson, Secretary to the Board of
Directors*

2. ADOPTION OF MINUTES

2.1 Adoption of Minutes of 1st Human Resources Committee Meeting held on 15th January, 2010

2.1.1 *Page 4, item 3.2.16, add at the end of the sentence, "having regard to the unsuccessful attempts to recruit someone from within the Bahamas."*

2.1.2 *On a motion made by Rev. Etienne Bowleg, seconded by Ms. Debbie Ferguson and unanimously carried, the following resolution was adopted:*

"Be it resolved that the minutes of the 1st Human Resources Committee Meeting held on 15th January, 2010 be adopted as amended and signed by the Chairman."

3.16 Executive Issues

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.4 EXECUTIVE BONUS PAYMENTS (continued)

3.17 Executive Compensation Issues

3.17.1 *The Chairman advised the Committee that all of the Executives were evaluated and received satisfactory evaluations. He has copies of the evaluations and supported the ratings.*

3.17.2 *He said that he reviewed and approved the individual submissions for increases which equate to a combined 7% increase over the prior year. The increase in salaries is to become effective January 1, 2011, and the endorsement of the HR Committee was now being requested.*

3.17.3 *He went on to say that total salary for 2010 was \$770,427 and in 2011 it will be \$826,660 – the dollar value difference was \$56,233 for the entire Executive Group.*

3.17.4 *On a motion made by Rev. Etienne Bowleg, seconded by Ms. Debbie Ferguson and unanimously carried, the Committee approved the compensation package as outlined above.*

3.17.5 *The Chairman stated that the bonus allowance given to Executives was included in the 2010 budget, and was allocated in accordance with the performance measurement guidelines and management's policy for 2010.*

The February 16, 2011 meeting of the Human Resources Committee ("HR Committee") appears to be the first meeting since the January 15, 2010 HR Committee Meeting.

This meeting was very important because up to this point the following executive bonuses had already been paid:

January 8, 2010	\$127,604.44
February 5, 2010	7,291.67
June 23, 2010	57,812.50
December 17, 2010	186,375.00
	<hr/>
	\$379,083.61

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.4 EXECUTIVE BONUS PAYMENTS (continued)

There is no evidence to suggest that HR Committee Members, Reverend Etienne Bowleg or Debbie Ferguson, knew the details of the Executive Bonuses paid.

Also, at the February 16, 2011 HR Committee Meeting Section 3.16, "Executive Issues" were discussed and no supporting schedules or documents were provided by management (that is, Director Algernon Cargill, or Mrs. Richenda King, Deputy Director/Vice President, Human Resources and Training) for the benefit of the HR Committee in general, and specifically for Rev. Bowleg and Ms. Debbie Ferguson. Furthermore, neither Rev. Bowleg nor Ms. Debbie Ferguson requested support for the Executive Compensation issues being discussed, namely the "7% increase" in executive salaries over the prior year represented by "total salary for 2010 was \$770,427 and in 2011 it will be \$826,600 the dollar value difference was \$56,233 for the entire Executive Group."

Mrs. Richenda King ("RK") was again interviewed by Grant Thornton (via email) on Monday March 18, 2013 (**Appendix 11.17**), and below are her responses referenced to the relevant sections of the February 16, 2011 HR Committee:

1. Section 3.17.1 - Were the executives' evaluations provided to Rev. Bowleg and to Ms. Debbie Ferguson? Did they ever request them?

RK's response:

Executive Evaluations were provided to Mr. Patrick Ward as Chairman of the Human resources Committee based on his delegated authority conferred by the Board of Directors and the Human Resources Committee. Requests for these evaluations were never made by Ms. Debbie Ferguson or Rev. Bowleg to me, however these were provided as referenced in the Human Resources package of January 25, 2010, Section 3.15 Executive Reviews.

2. Section 3.17.2 - Were the details of the salary increases ever provided to Rev. Bowleg and Ms. Debbie Ferguson? Did they ever request them?

RK's response:

The details of salary increases, approved by the Chairman of the Human Resources Committee, were provided to Mr. Patrick Ward in his capacity as Chairman of the Human Resources Committee. Ms. Debbie Ferguson and Rev. Bowleg did not request these from me.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.4 EXECUTIVE BONUS PAYMENTS (continued)

3. Section 3.17.3 - Were details provided (that is, a list of all executives' names and their salaries) to Rev. Bowleg and Ms. Debbie Ferguson to support the stated 2011 budgeted salary: "2010 was \$770,427 and in 2011 it will be \$826,660?" Note that we hereby request details of the \$770,427 and \$826,660 amounts?

RK's response:

Details were provided as requested to Mr. Patrick Ward as Chairman of the Human Resources Committee. Additionally, details were provided to the Human Resources Committee by way of the Hay Report which was provided in the Human resources Committee package as referenced in the Human Resources Committee minutes of August 30, 2011, Section 3.8. (See supporting details attached as requested).

4. Section 3.17.4 – When Rev. Bowleg and Ms. Debbie Ferguson moved and seconded the motion to approve the compensation package, in the absence of the relevant supporting information, as head of HR at NIB do you believe that you served those two Board Members and NIB well by not providing them with adequate information to make sound decisions, despite the fact that they did not request the supporting documentation? Is it correct to assume that both Mr. Cargill and Mr. Ward all knew that Rev. Bowleg and Ms. Ferguson did not have sufficient information to vote on the executive compensation package?

RK's response:

I provided all of the information as requested, to approve the Executive Compensation including the Hay Report to Mr. Patrick Ward as Chairman of the Human Resources Committee.

5. At the time of the February 15, 2011 HR Meeting, \$379,083.61 in Executive Bonuses had already been paid without the knowledge of two of the three HR Committee Members, that is, Rev. Bowleg and Ms. Debbie Ferguson. Do you believe that as head of HR at NIB you served those Board Members and NIB well by keeping that information from them? Do you believe that by not disclosing that information to them that they were deceived?

RK's response:

The process for the payment of Executive Overbase Compensation (Executive Bonuses) was as instructed by Mr. Patrick Ward, Chairman of the Human Resources Committee and was as follows:

1. *Evaluations to be completed and submitted.*

11 SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.4 EXECUTIVE BONUS PAYMENTS (continued)

2. *Submit schedule providing a summary of the evaluation credits and job hay points for his review and recommendations.*
3. *Recommendations to be approved by the Chairman based on delegated authority from the Human Resources Committee and approved budget guidelines.*

6. You previously stated during the interview at our office (Paje House) that if Rev. Bowleg and Ms. Debbie Ferguson wanted the details of what they were voting on they should have asked questions. Do you still believe that they should have asked the questions in the first instance, or rather do you believe that it is your duty, as an officer at NIB, to give Board Members complete and accurate information in order for them to make informed and sound decisions? Also, is it fair to say that you along with Mr. Cargill and Mr. Ward sat silently at that meeting knowing that Mr. Ward had already approved, and NIB had already paid, \$379,083.61 in Executive Bonuses up to that point "On behalf of the Human Resources Committee", however the other two Board Members on the HR Committee, Rev. Bowleg (also Deputy Chairman of NIB) and Ms. Debbie Ferguson, had no knowledge of those payments? Did you think Mr. Ward was authorized to make payments without their knowledge?

RK's response:

My interview statements are as documented and signed in the minutes of the Interview Meeting of February 1, 2013.

7. If you knew that vital information was being kept from the other two HR Committee members by Mr. Ward, why did you continually submit executive bonus requests for payment (along with Mr. Cargill) and why did you and Mr. Cargill consistently instruct RBC to debit NIB's account in respect of bonus payments authorized by Mr. Ward, without the detailed knowledge of the other two Board Members. Do believe that was honest?

RK's response:

The premise of this question is without foundation and is as answered, documented and signed in the interview Meeting of February 1, 2013.

8. Your commitment appears to have been to Mr. Ward and not to NIB or any other Board members? Is that correct?

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.4 EXECUTIVE BONUS PAYMENTS (continued)

RK's response:

This is not correct. I have been and remain fully committed to NIB.

9. Former Director at NIB, Mr. Lennox McCartney, has stated in a Grant Thornton interview that decisions made at the Committee (Human Resources) level must be presented in detail to the Board of Directors (Meetings) for approval. Is that your understanding of the process?

RK's response:

As I am not, nor have I been a member of the Board of Directors, I would therefore not be privy to any process utilized by the Board.

10. Was the February 15, 2011 HR Committee the first HR Committee meeting since the January 15, 2010 HR Committee meeting?

RK's response:

This question can best be answered by the Secretary to the board who keeps a record of all Board and Committee Meetings.

11. With regard to Mr. Cargill's annual salary adjustments during the initial three year period of his contract, on what authority was Mr. Ward approving the salary adjustments? Do you believe that Rev. Bowleg and Ms. Debbie Ferguson were aware of these salary increases that were authorized by Mr. Ward? Rev. Bowleg indicated that was unaware of the salary increases, and therefore do you believe that Mr. Ward was authorized to make those salary increase? Also, please advise if those salary increases received ministerial approval?

RK's response:

Based on his delegated authority as contained in the minutes of the Human Resources Committee, Mr. Ward as Chairman of the Human resources Committee approved the salary increases. This question therefore may best further be answered by Mr. Ward.

12. Did you know either Mr. Ward or Mr. Cargill personally or professionally before joining NIB?

RK's response:

I met Mr. Cargill as a freshman student at The College of The Bahamas in 1978. I have had no contact with him since that time until I joined the National Insurance Board in October 2008. I met Mr. Patrick Ward for the first time when I was interviewed after applying for an advertised position at the National Insurance Board in September 2008.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.4 EXECUTIVE BONUS PAYMENTS (continued)

During a February 5, 2013 Grant Thornton interview with Father Etienne Bowleg, former Deputy Chairman of NIB and a member of the Human Resources Committee for the five year period 2007 through 2012, he discussed the following:

1. "The Hay Report was never given or explained to him."
2. "The whole money escalation would have been taken from the Hay Report, which was never studied step-by-step by him." He added that "it was never presented at the Board of Directors level because it would have been discussed." Also, Father Bowleg explained that "the bonuses never surfaced at the Human Resources Committee Meetings and the Board of Directors Meetings, and that he did not know who the Hay Group was."
3. Father Bowleg stated that "he had never seen or approved of the schedule," and that "he never seen it in print."

What happened next was most interesting:

"3.17.4 On Motion made by Rev. Etienne Bowleg, seconded by Ms. Debbie Ferguson and unanimously carried, the Committee approved the package as outlined above."

Management sat silent.

"3.17.5 The Chairman stated that the bonus allowance given to Executives was included in the 2010 budget, and was allocated in accordance with the performance measurement guidelines and managements' policy for 2010."

The Chairman (Mr. Patrick Ward) offered no support for the \$379,086.61 executive bonus payments to date and neither did he disclose to his Deputy Chairman of the NIB Board and fellow HR Committee Member, Rev. Etienne Bowleg, nor to Committee Member Ms. Debbie Ferguson, that beginning January 8, 2010 Executive Bonuses totaling \$379,086.61 had been requested by Mr. Algernon Cargill and Mrs. Richenda King, and subsequently approved by Patrick Ward "on behalf of the HR Committee" and subsequently paid. Again, Mr. Ward, Father Bowleg and Debbie Ferguson were the members of the HR Committee, and it is interesting that Mr. Ward would sign on "behalf of the HR Committee" but never informed them (Bowleg and Ferguson) of the details.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.4 EXECUTIVE BONUS PAYMENTS (continued)

When asked by Grant Thornton whether she felt that she deceived Rev. Bowleg and Ms. Ferguson by not providing them with the payment details (facts) about the executive bonus payments, and that they obviously knew nothing about them, but were passing resolutions to approve (apparently in isolation of actual details), she stated that she was not a member of the HR Committee and she was only there as a resource person. Also, she did not think that either Rev. Etienne Bowleg or Ms. Debbie Ferguson had the details of the Executive Bonuses, but if she were in their position, “she would have requested details of what she was voting on.”

Part II, Section 8 (1), of the NIB Act, under the caption “Power to appoint committees,” states the following:

8 (1) Subject to the provisions of this act, the Board may appoint such committees of the Board as it thinks fit:

Provided that any committee so appointed shall include not less than two members of the Board, and may include persons who are not members of the Board.

(2) Subject to the provisions of this Act, the constitution of a committee of the Board shall be determined by the Board.

It is clear from the evidence presented to Grant Thornton that a minimum of two (2) members of the Board of Directors who served on the Human Resources Committee were unaware of Mr. Ward’s actions in approving the Executive Bonuses for payment.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.4 EXECUTIVE BONUS PAYMENTS (continued)

Schedules of Executive Salaries, Allowances and Bonuses paid by NIB during the period January 1, 2010 to December 31, 2012

See Appendix 11.14.7 to Appendix 11.14.7.2 for details of all compensation and benefits paid to Executives during the referenced period, and some particulars are as follows:

- a) Executive bonuses totaling \$723,333.31 were paid during the period January 1, 2010 through May 2012. They were approved solely by NIB Chairman, Mr. Patrick Ward without the specific knowledge of the Board of Directors and HR Committee members.
- b) Executive bonuses in 2010 were in the range of fifteen percent (15%) to seventy one point eight percent (71.80%) of the base salaries of executives. Director Algernon Cargill received a 71.80% bonus on his 2010 base salary of \$145,600.

IT IS INTERESTING TO NOTE THAT IN 2007 Mr. LENNOX MCCARTNEY, FORMER NIB DIRECTOR, RECOMMENDED THAT BONUSES SHOULD BE 10% OF SALARY.

- c) Mr. Algernon Cargill also received the following benefits monthly:

- (i) Car allowance of \$1,100.00
- (ii) Duty allowance of \$1,000.00
- (iii) Meal allowance of \$160.00

THE NEW BOARD IN 2012 SUSPENDED THE EXECUTIVE BONUS PROGRAM.

During Grant Thornton's January 25, 2013 interview with Mr. Patrick Ward on Human Resources issues, the following exchange occurred:

Grant Thornton asked about the salaries and executive bonuses, specifically from the time PGW was appointed Chairman of NIB, what would have been the process of approving salaries and bonuses?

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.4 EXECUTIVE BONUS PAYMENTS (continued)

Mr. Ward stated that management negotiated contracts so that they would get bonuses that would be linked to the bonuses the management union got, with no reference to performance measures or operational/financial targets. Historically the HR executive review committee handled HR matters for all senior management personnel. They never openly discussed salaries and bonuses at the board level because of the confidentiality issue, especially with fellow board members who happen to be Presidents of three prominent unions. The Board approved the charter (that is, the "Human Resources Committee Terms of Reference"), which gave the committee full responsibility and authority to deal with matters relating to Management's salaries and bonuses, which should be in the board minutes. Every year as a part of the Budgetary process the Board of Directors would be aware of the overall parameters that would be set for the allocation of budgets. They would not be aware of the individualization or specifics of the annual budget (say for salaries and bonuses) but would be aware of the pool (i.e. the total dollar amount).

Mr. Ward continued that every contract of each person hired under his watch was sent in draft form to the relevant Ministry for them to approve the wording of the contract to make sure that the initial offer and the contents of the draft were in accordance with what they allowed.

Grant Thornton discussed that subsequent to Director Cargill joining the Board, his contract was approved/renewed and that Board Members thought that he was making the agreed salary of \$140,000 as contained in his October 20, 2008 contract. As Chairman you never corrected them or said otherwise. Grant Thornton asked if the Board was aware of increases in NIB Director's salary. Mr. Ward replied that the Board authorized renewal on the basis of the same terms and conditions not based on the salary. Members of the Compensation Committee may have or may not have known the amount of each executive's salary, but the minutes of the committee meetings should reflect the position. The full Board of Directors only knew the pool of money that was available for distribution. In the actual general ledger accounts there would be a breakdown of the amount distributed.

THE JANUARY 25, 2013 INTERVIEW WITH MR. WARD ENDED.

During Grant Thornton's February 5, 2013 interview with Father Bowleg, when asked about the adjustments in Director Cargill's salary from October 2008 to 2011, he indicated that he first saw the Director's salary in October 2011 when he saw the contract renewal details at a HR Committee Meeting. However when he saw the annual schedules showing the movement in the Director's salary from 2008 to 2011, "he thought that administrative approval had been granted for the said adjustments." He later indicated that he was referring to ministerial approval when he referred to "administrative approval."

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.4 EXECUTIVE BONUS PAYMENTS (continued)

During Grant Thornton's second interview with Mr. Ward on February 13, 2013, the following exchange occurred:

Grant Thornton asked, in relation to the executive bonuses, it appears that Algernon Cargill and Richenda King were not forthcoming with the other members of the Human Resources Committee?

Mr. Ward stated that is not true. I cannot blame them for that. The Committee was delegated full responsibility to oversee matters related to executive HR matters including salaries and bonuses.

Grant Thornton stated we sought a legal opinion regarding delegated authority, and noted that you cannot delegate your authority if your authority to carry out the roles was only delegated to you as well. The approval/decisions made by the HR Committee should also have to be approved by the full Board or the Ministry as they are the ones identified to have full authority under the National Insurance Act.

Grant Thornton also stated that on the matter of the bonus payment of \$723k, the members of the HR Committee/Board did not have the specific knowledge of the Hay Group report.

Mr. Ward stated that they were not exclusively bonuses by the way.

Grant Thornton stated that they are all bonuses.

Mr. Ward asked, tell me what?

Grant Thornton stated that we think that as a Chairman, knowing the specifics and knowledge of the executive bonuses, you should have given the information to the Committee members and full Board for proper discussion and decision. Also, the Deputy Chairman was also on your Committee and he was unaware of the bonus payments. You need to be concerned about that.

Mr. Ward stated that's debatable. I believe that I did not do anything illegal or unethical and I would certainly react very strongly if someone tried to tarnish my reputation.

Grant Thornton stated that the HR charter you mentioned in our last meeting, is it the same as the Terms of Reference sent by Mrs. King? The Terms of Reference has not been updated. It refers to Section 37, but the applicable section is Section 40 of the National Insurance Act.

Mr. Ward stated that the Charter was already in place before I came in as Chairman, and the board reaffirmed the general intent during the term of the 2007 board tenure.

Grant Thornton asked, did the Minister (PM Ingraham) see Mr. Cargill's renewal contract in 2011?

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.4 EXECUTIVE BONUS PAYMENTS (continued)

Mr. Ward stated that the terms of the renewal contract were sent to the Ministry of Finance for Approval through the Financial Secretary as was the case for other such appointments of renewals, etc. "I didn't approach the Prime Minister directly, who was also the Minister of Finance, as I didn't think I was required to."

Grant Thornton asked that noting Mr. Cargill's increase in base salary from \$140,000 per annum to \$171,225.50 per annum, from October 20, 2008 to October 19, 2011, please advise who approved of the increase?

Mr. Ward stated that there was a clause in Cargill's contract that says that he is entitled to salary increases that other executive management staff receive. This is stated in their contracts. The HR Committee approves the increase. This was the same for the previous Director.

Grant Thornton asked why was the Board not informed about the increases for Mr. Cargill?

Mr. Ward stated that we did not discuss details of the executive remuneration at the full board meetings. The Minister does not approve annual increases. The Minister approves the initial contract/terms of the contract. You cannot run to the Minister every time for salary increases. The previous Minister didn't and as far as I am aware, it has never been the case.

THE FEBRUARY 13, 2013 INTERVIEW WITH MR. WARD ENDED

In connection with the February 13, 2013 interview, Mr. Ward incorrectly stated (above) that "the HR Committee approves the increase." In this case however, Mr. Ward approved the Director's salaries without the specific knowledge of the HR Committee Members.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.4 EXECUTIVE BONUS PAYMENTS (continued)

Mr. Cargill's Membership on Corporate Boards (as a representative of NIB's Equity Interests)

Mr. Cargill represented the NIB on the following corporate boards, and received the stated compensation in 2011, 2012 and 2013, respectively:

	2011	2012	2013
Commonwealth Brewery Limited	6,500.00	12,000.00	3,000.00
Cable Bahamas Limited	11,400.00	28,800.00	*4,500.00 (accrued) 2,400.00
Bank of The Bahamas Limited	12,333.33	10,615.00	-
	30,233.33	51,415.00	9,900.00

See Appendices 11.15.1, 11.15.2 and 11.15.3 for confirmations from Commonwealth Brewery Limited, Cable Bahamas Limited and Bank of The Bahamas Limited, respectively.

Please see Appendices 11.13.5 to 11.13.5.8 for correspondence regarding Mr. Cargill's exemption from disclosing his financial affairs to the Public Disclosure Commission.

Renewal of Mr. Cargill's Contract

The Chairman, Mr. Patrick Ward, wrote to the Financial Secretary, Mr. Ehurd Cunningham, at the Ministry of Finance on September 5, 2011 to request a renewal of Mr. Cargill's contract for a further four year period. See Appendices 11.13.4 through 11.13.4.8 for the relevant request and approval correspondence. Included in Mr. Ward's request letter is Mr. Cargill's stated base salary of \$163,072.00, adjusted by 5% (Per Mr. Cunningham's September 29, 2011 letter) to \$171,225.60, despite instructions from the Board of Directors to renew the contract "on terms that substantially reflect the terms and conditions of the contract currently in place, subject to ministerial approval as required."

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.4 EXECUTIVE BONUS PAYMENTS (continued)

Grant Thornton has seen no correspondence or approval from the Minister with responsibility for NIB (Prime Minister Ingraham) to increase Mr. Cargill's base salary from \$140,000 (per his initial contract dated October 20, 2008) to \$163,072. Note That Mr. Ward authorized that increase without the specific knowledge of the Minister, the Board of Directors or the other two Board members who were also on the Human Resources Committee.

By effectively acting on his own, without the full knowledge of the HR Committee, his actions appear to be inconsistent with the NIB Act.

Again, Mr. Ward appears to have acted alone when he alone adjusted Mr. Cargill's salary from October 20, 2008 annually.

Furthermore, contrary to the Board of Directors instructions to renew Mr. Cargill's contract "under the same terms and conditions as the old contract," Mr. Ward's September 5, 2011 letter to Financial Secretary, Mr. Ehurd Cunningham, requests a seven percent increase ("Proposed Offer") on the "expiring" base salary of \$163,072.00 (an amount that Mr. Ward appears to have solely adjusted from \$140,000 since October 20, 2008) to a base salary of \$175,000 per annum. The Board of Directors and the HR Committee members appear to have no knowledge of his further adjustment to Mr. Cargill's salary, based all documents provided to Grant Thornton.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.4 EXECUTIVE BONUS PAYMENTS (continued)

Meeting to offer the Public Managers Union 7%, \$5,000 over five years.

The Minutes of the 1ST (Regular) Meeting of the Board of Directors of The National Insurance Board held on Tuesday, January 24, 2012 in the Boardroom of The National Insurance Board Headquarters Building situated on Baillou Hill Road, at 4:00 p.m.

Present: Mr. Patrick G.W. Ward, Chairman
Rev. Etienne E. Bowleg, Deputy Chairman
Mr. Van Diah, Member
Mr. Brian Nutt, Member
Mr. John Pinder, Member
Mr. Evan Dean, Member
Dr. Robin Roberts, Member – Arrived at 5:45 p.m.
Mr. Robert D.L. Sands, Member
Ms. Nicole Martin, Member

Apologies: Mrs. Belinda Wilson, Member
Ms. Debbie Ferguson, Member
Mrs. Ernestine Kelson, Secretary to the Board of Directors

In Attendance: Mr. Algernon Cargill, Director
Ms. Phaedra Mackey-Knowles, Deputy Director, Investments
Mrs. Sonia Gill, Financial Controller
Mrs. Michelle Maycock, Executive Secretary, Director's Office

3.8 Human Resources Committee

3.8.1 Mr. Cargill indicated that management is in the middle of contract negotiations with the Public Managers Union (PMU). He added that he along with the Chairman and Mrs. King met with the Minister on the contract terms and were given defined perimeters for negotiations. He pointed out that the perimeters were to offer a 7 percent salary increase and lump sum of \$5,000 over the five-year period of the contract. He said the offer was discussed with the PMU. There was some resistance initially but they were told that it was the final offer of the Ministry. He pointed out that their concern was that the process ought to have been done in stages before arriving at the final offer. He further noted that they hope to conclude negotiations on Monday, January 30, 2012.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.4 EXECUTIVE BONUS PAYMENTS (continued)

BOARD DISCUSSION ON THE CAR ALLOWANCE OF \$1,100 PER MONTH FOR
EXECUTIVES AND THE POLICY ON FULLY DEPRECIATED EXECUTIVE VEHICLES

MINUTES OF THE THIRD MEETING OF THE HUMAN RESOURCES
COMMITTEE OF THE BOARD OF DIRECTORS OF THE NATIONAL
INSURANCE BOARD FOR 2012 HELD IN THE BOARDROOM, NIB
HEADQUARTERS, JUMBAY VILLAGE,
BAILLOU HILL ROAD ON 3RD OCTOBER, 2012 AT 4:00 P.M.

Present: Mr. Gregory Moss, Chairman of the Board
Mr. Bernard Evans, Committee Chairman
Mr. Jayson Moxey, Member
Dr. Josephine Bartlett, Member
Mr. Franklyn Clarke, Member

Apologies: Mrs. Sonia Gill, Financial Controller

In Attendance: Mr. Algernon Cargill, Director
Mrs. Cecile Bethel, Senior Deputy Director, Operations
Mrs. Theresa Burrows, Deputy Director/Vice President,
Business Support Services
Mrs. Richenda King, Deputy Director/Vice President,
Human Resources & Training
Mrs. Ernestine Kelson, Manager/Secretary to the Board
of Directors

2.2 Payments for Staff "Employment" Related Benefits as per Policy
and Practice

2.2.1 Mrs. Burrows informed the Committee that Executives have a
choice of getting a vehicle or a car allowance of \$1100 per month.

2.2.2 She said that the Minister does not agree that some Executives
have been allowed to get a car loan and also receive the \$1100
allowance.

2.2.3 Mrs. Burrows explained that the reason why there was a migration
from assigned vehicles to the car allowance was because until the
option was introduced, only Executives were allowed to drive the
vehicle.

2.2.4 The Director was of the view that the policy as documented, i.e.,
employees have the option to choose was included in several
employment contracts issued since 2008.

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

11.4 EXECUTIVE BONUS PAYMENTS (continued)

- 2.2.5 *There was a discussion on the depreciation value of the vehicle being reduced to \$1 or \$0 once an Executive would have had it for four years. It was explained that this amount was arrived at according to accounting standards where NIB's policy is that vehicles are depreciated over four years.*
- 2.2.6 *Mr. Moxey suggested that the policy which is now in place should be kept and anyone new joining the Executive rank as of 1st October, 2012 should be subjected to the new policy, i.e., if they wish to purchase the vehicle after four years, it would be appraised at the market value.*
- 2.2.7 *The Committee agreed with Mr. Moxey's suggestion.*
- 2.2.7 *It was pointed out that the Minister's view was that the Board should revert to purchasing a particular model vehicle for all Executives' use.*

11. SALARIES AND BONUSES - EXECUTIVE MANAGEMENT (continued)

LEGAL OPINION BY THOMAS A. E. EVANS, QC

Grant Thornton requested a legal Opinion from Mr. Thomas A. E. Evans, QC, Senior Partner at Evans & Co., Attorneys-at-Law, to determine whether the authorization and payments of executive salaries and bonuses by the former Chairman of NIB's Board of Directors, Mr. Patrick Ward, without the knowledge of the Human Resources Committee, the Board of Directors and the Minister, were in accordance with the Rules and Regulations of the NIB Act, and his Opinion is shown on pages 220 to 223.

His Opinion is presented in four sections as follows:

- Factual Background (Sections 1 to 4)
- The Law (Sections 5 to 9)
- Analysis (Sections 10 and 11)
- Conclusion (Section 12)

Mr. Thomas A. E. Evans, QC, has submitted his legal Opinion on the approval and payment of executive salaries and bonuses (See pages 220 to 223) and he has indicated that Chairman Ward, in approving those payments without the full knowledge of the Board of Directors and the Human Resources Committee, **"that such actions were ultra vires both the Board and the Human Resources sub-committee and consequently are void and of no effect."** Additionally, Section 12 (2), second paragraph of that Opinion on page 223 indicates that Director Cargill and HR Vice President Richenda King, in **"submitting"** the proposal for salary increases to Chairman Ward for authorization may **"lead to an inference that they were complicit in the ultra vires conduct of the Chairman."**

OPINION

The Firm of Grant Thornton, Chartered Accountants, has engaged us to give an opinion on the following:

1. Salary and bonus payment to Mr. Algernon Cargill, Director of NIB, in excess of his contractual amount, and
2. The validity of specific bonuses paid to Executive Management at NIB, without the knowledge of the Board of Directors or the Human Resources Committee members, except for the Chairman of the Board of Directors, Mr. Patrick Ward, who also served as Chairman of the Human Resources Committee

Factual Background

1. To assist with our understanding of the facts which we are being asked to consider we were provided with the following documents; namely,
 - (a) A copy of the original contract of employment of the Director of NIB, Mr. Cargill.
 - (b) Copies of documents called "Proposed Overbased Compensation Schedule", for each of the years 2010 and 2012.
 - (c) A copy of a document called "The National Insurance Board Distribution Schedule" signed in January, 2010.
 - (d) A copy of a document called "Overbase Compensation Schedule June, 2010.
 - (e) A copy of a document called "The National Insurance Board Distribution Schedule".
 - (f) Copies of letters of instructions to the bank together with Schedules of payments to be made to Executive Management of NIB purportedly by way of bonuses paid on December 14, 2011 and May 1, 2012, which letters are signed by the Director of NIB and the Director of Human Resources and Training.
 - (g) Minutes of a Meeting of the Board of Directors in which a resolution was passed to renew the contract of the Director of NIB for a further period of four (4) years at the same salary that he enjoyed under the old contract.
 - (h) A copy of the minutes of a meeting of the Board of Directors of NIB held on August 6, 2009 in which the members of the Human Resources sub-committee were appointed and given delegated power.

- (i) A copy of a document that outlines the powers of the Board which have been delegated to the Human Resources Committee sub-committee.

2. With respect to items (a) and (g) above we have been instructed by the auditors that their investigations reveal that at the time of the extension of the Director's contract for the further period of four (4) years the Board had not been advised by the Chairman or the Director that the salary of the Director had been increased over that which was contained in his contract dated September 22, 2008, or that he had already received bonuses in the amount of \$124,791.66. It is to be observed, however that the contract provided in paragraph 5.1, that the salary mentioned therein was subject to "future Board approved adjustments and entitlements afforded to the Executive Management Group of NIB".

3. In the circumstances, there was no legal duty on the Chairman or the Director, either express or implied to advise the Board of the salary of the Director at the time of the extension, as the Board and the Chairman should have been aware of that information. As a practical matter, however, it would have been helpful and courteous to advise the Board of matters such as these.

4. It appears to us that any salary that would be suitable and necessary for the Director must be above the highest that is provided for in any Industrial Agreement to which the Board is a party, since such Agreement must be with a union of line staff or middle management.

The Law

5. A statutory corporation may do only those things which are permitted expressly or impliedly in the statute incorporating the corporation or by the documents of incorporation provided under the statute. Every act done in excess of those powers is *ultra vires* and is legally void.

6. An Act which is *ultra vires* does not bind the corporation in any way and is merely the act of the agent or official who authorizes or performs it.

7. Directors are usually the sole agents for the corporation when they make contracts and as such they are in a fiduciary position to the corporation and cannot make secret profit at the corporation's expense.

8. We have been provided with no minutes of the meetings of The Human Resources sub-committee and so we are unable to assess the question of compliance with any statutory requirements with regard to procedure, or indeed the existence of any requirements in this connection. Moreover, notwithstanding that the Chairman signed the documents relative to the authorization of the payment of overbased compensation, Executive Compensation and executive management bonuses signifying approval by the Human Resources sub-committee, there is no evidence provided to us to establish that he was in fact authorized to do so, and it is impossible to assume that the sub-committee delegated its authority to the Chairman because as a matter of law a delegate cannot delegate to another powers which have been delegated to him.

9. The Board of directors delegated to the Human Resources sub-committee the powers which are vested in the Board by Section 37 (1) (a) to (d) of the Act, as it then was. As a result of subsequent amendments to the Act that section is now Section 40(1), which reads as follows:

"...the Board shall employ a Director (who shall be the Chief Executive Officer of the Board) and may employ such other officers and employees at such remuneration and on such terms and conditions as it considers necessary or appropriate for the proper conduct of its business:

Provided that the Board shall not without the prior approval of the Minister -

- (a) assign to any post a salary which is above the highest level of that governed by any industrial agreement to which the Board is a party;**
- (b) make any appointment to any post to which a salary mentioned in paragraph (a) of this proviso is attached;**
- (c) make any appointment of a legal adviser, or medical officer of the Board;**
- (d) terminate the employment of any person who holds such a post.; or**
- (e) make any provision for the payment of any pension or gratuities or any like benefits to any officer or other employees of the Board by reference to their service.**

Analysis

10. It is therefore manifestly apparent from this provision that the exercise of the power conferred thereby is subject to the prior approval of the Minister, and we consider that having regard to the context in which such power is to be exercised such approval is to be given in writing. In any event, the proviso limits the authority of the Board of Directors to playing an advisory role in relation to salary in excess of the highest level of that governed by an industrial agreement to which the Board is a party. If such a power could be effectively delegated to the Human Resources committee, which we consider to be quite doubtful, such delegation would be limited to the ability to advise or recommend such matters to the Minister for his approval but no action could be taken on such recommendation unless and until the Minister approved the same.

11. We have seen that the former Chairman has purported to approve overbased increases in salary and bonuses for the Director and other members of the Executive Management in 2010 and 2011 and such increases were effected and the bonuses paid, but nothing has been produced for our inspection to show that the Minister had approved any such action. In these circumstances it is our opinion that such actions were *ultra vires* both the Board and the Human Resources sub-committee and consequently are void and of no effect.

Conclusion

12. The direct answers to the questions that we have been requested to address are as follows:

1. The salary and bonus payments made to Mr. Cargill, Director of NIB in excess of his contract, if made without the approval of the Minister first being obtained is *ultra vires* the corporation and therefore void.
2. The specific bonuses and salaries paid to Executive Management personnel, if made without the knowledge of the Board of Directors or the members of the Human Resources sub-committee except for the Chairman, Mr. Patrick Ward, and without the approval of the Minister would also be void for the reasons give above. There is, however a caveat which arises out of the fact that the Board of Directors approved the budget that included the salary increases in question. It is immaterial that neither Mr. Ward nor Mr. Cargill nor the Human V.P Resources specifically brought these to the attention of the Board since Directors owe a duty to the corporation to exercise faithfully the trust they have accepted and are bound to exercise fair and reasonable diligence in discharging their duties and to act honestly. It was therefore incumbent on the Directors to ensure that they had all of the details of the budget that they were being asked to approve and not to approve the same unless they were able to justify the same. It was their business to ask questions until they were satisfied that they knew fully what was contained in the budget. It may not be therefore open to the Directors to now complain of not being told of the salary increase component of the budget.

However, the fact that the Director and the V.P. Human Resources submitted the proposal for salary increases for Executive Management Personnel to the Chairman rather than the Secretary to the Board, and acted on the approval of the Chairman without any evidence of the concurrence of the Human Resources Sub-Committee or the Board, and particularly without the approval of the Minister, as required by the Act, may lead to an inference that they were complicit in the *ultra vires* conduct of the Chairman.

3. On the issue of the renewal of the Director's contract on the same terms of the old one without specifically advising the Board of the increases in his salary we have commented on this issue above.

We so advise.

Thomas A. E. Evans, Q.C.

12. OTHER MATTER (See Appendix 12)

NIB PROSECUTIONS FOR NON-PAYMENT OF NIB CONTRIBUTIONS

(Including an analysis of NIB cases involving Mr. Wendall Jones and Mr. Brendan Watson)

13. GRANT THORNTON'S RECOMMENDATIONS (See Appendix 13)

RESTRICTION ON CIRCULATION

In accordance with our engagement letter dated November 30, 2012, this report is prepared solely for the internal use of the Ministry of Labour and National Insurance. Our Services were provided in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements and the terms of this engagement, accordingly, do not constitute a rendering by Grant Thornton or its partners or staff of any legal advice, nor do they include the compilation, review or audit of financial statements. Grant Thornton makes no representations regarding questions of legal sufficiency. Had we performed other procedures we may have identified other information that would have been included in this report. If additional information that may change our findings is found, we reserve the right to supplement this report accordingly.

We appreciate the opportunity to serve you in this matter. If we can assist you by explaining our work in more detail, please do not hesitate to contact us.

Yours very truly,


GRANT THORNTON

GT/Admin.