

REPORT OF THE AUDITOR GENERAL
ON
THE PUBLIC ACCOUNTS OF GUYANA
AND
ON THE ACCOUNTS OF
MINISTRIES/DEPARTMENTS/REGIONS
FOR
THE FISCAL YEAR ENDED 31 DECEMBER 1996

1997

10 October

Hon. Bharrat Jagdeo, M.P.,
Minister of Finance,
Ministry of Finance,
Main & Urquhart Streets,
Georgetown.

Dear Minister,

**REPORT OF THE AUDITOR GENERAL
ON THE PUBLIC ACCOUNTS OF GUYANA
AND ON THE ACCOUNTS OF MINISTRIES, DEPARTMENTS AND REGIONS
FOR THE FISCAL YEAR ENDED 31 DECEMBER 1996**

In accordance with Article 223(2) of the Constitution of the Republic of Guyana, I am pleased to submit the attached report on the Public Accounts of Guyana and on the Accounts of the Ministries/Departments/Regions for the fiscal year ended 31 December 1996.

The Report is required to be laid before the National Assembly, and I would very much appreciate if this is done at the earliest opportunity.

With kind regards.

Yours sincerely,

**ANAND GOOLSARRAN
AUDITOR GENERAL**

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**REPORT OF THE AUDITOR GENERAL
ON THE PUBLIC ACCOUNTS OF GUYANA
AND ON THE ACCOUNTS OF MINISTRIES, DEPARTMENTS AND REGIONS
FOR THE FISCAL YEAR ENDED 31 DECEMBER 1996**

AUDIT CERTIFICATE

I have audited the Public Accounts of Guyana and the Appropriation Accounts and the Receipts and Disbursements of Ministries, Departments and Regions for the fiscal year ended 31 December, 1996, as set out in pages 2/1 to 2/208. My audit was carried out in accordance with Sections 26 and 31 of the Financial Administration and Audit Act, Chapter 73:01 of the Laws of Guyana.

Responsibility for the Preparation and Audit of the Accounts

The preparation of the statements and accounts referred to above and assertions relating to their completeness, accuracy and validity are the responsibility of the Accountant General, Accounting Officers and Principal Receivers of Revenue. My responsibility is to express an independent opinion, based on my audit, on these statements and to report my opinion thereon.

Basis of Opinion

I conducted my audit in accordance with generally accepted auditing standards. These require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Qualified Opinion

Except for any adjustments which might have been shown to be necessary as a result of the observations contained in the relevant sections of my report, in my opinion, the financial statements properly present:-

- . the receipts and payments of the Consolidated Fund;
- . the revenue actually paid into the Consolidated Fund as compared with the estimates of revenue;
- . the expenditure of the Consolidated Fund as compared with the estimates of expenditure;

- . the Public Debt;
- . the loans or credits guaranteed by the Government;
- . the expenditure in respect of those services which by law are directly charged upon the Consolidated Fund;
- . the receipts and payments of the Contingencies Fund;
- . the appropriation accounts of Accounting Officers in respect of the votes for which they were responsible (except in the case of certain large Ministries where I am unable to form an opinion); and
- . the receipts and disbursements by Principal Receivers of Revenue

for the fiscal year ended 31 December 1996. However, because of the significance of the comments as contained in the relevant sections of my report relating to:-

- . the statement of outstanding loans and advances made from the Consolidated Fund; and
- . the balances held on deposit by the Accountant General and outstanding advances made in pursuance of Section 23 of the Act,

I am unable to form an opinion whether they properly present their respective state of affairs as at 31 December 1996. In addition, the statement of current assets and liabilities of the Government was not submitted to me by the Accountant General for audit examination and certification, as required by Section 7 of the Act.

ANAND GOOLSARRAN
AUDITOR GENERAL

10 October 1997

HIGHLIGHTS OF THE REPORT

Financial Performance

1. For the period under review, a surplus of \$5.154 billion of current revenue over current expenditure was recorded, compared with a surplus of \$518.751M in 1995 and a deficit of \$3.670 billion in 1994. This favourable performance resulted mainly from:-
 - (a) an increase of \$4.854 billion in the collection of revenue from \$29.488 billion to \$34.342 billion or 16.46%. The main revenue generating agencies, the Customs & Excise and the Inland Revenue departments, accounted for \$2.179 billion and \$2.473 billion respectively of this increase;
 - (b) Ministries, Departments and Regions being able to keep their operational expenditures within reasonable limits of what was expended in 1995. Current expenditure in 1996, excluding the repayment and servicing of the Public Debt, amounted to \$15.434 billion, compared with \$15.002 billion expended in 1995, an increase of \$432M. Further analysis revealed that while Employment Costs increased by \$1.116 billion or 19.69%, expenditure on Other Charges decreased by \$683.6M or 7.32%; and
 - (c) the reduction of \$214.652M in the repayment and servicing of the Public Debt from \$13.967 billion to \$13.754 billion. In 1995, the repayment and servicing of the Public Debt had decreased from \$17.670 billion to \$13.967 billion.
2. The collection of current revenue exceeded projected levels by 4.17%, compared with an excess of 0.03% in 1995 and a shortfall of 1.6% in 1994. Estimated current revenue in 1996 totalled \$32.969 billion while actual collections amounted to \$34.342 billion, giving an budgetary surplus of \$1.373 billion.
3. Capital revenue collections from sale of assets, internal loans, external grants and loans and from other sources, however, fell short of the estimated amounts by \$6.755 billion or 44.52%, compared with a shortfall of \$5.068 billion or 34.85% in 1995. Estimated capital revenue from all sources totalled \$15.173 billion while actual revenue collected was \$8.418 billion. The main reason for this shortfall was the apparent difficulties in

accessing the anticipated level of external loans and grants which accounted for \$5.481 billion of the shortfall.

4. Capital expenditure also fell below estimated levels, resulting partly from the shortfall in capital revenue. Of a total amount of \$17.658 billion budgeted to be spent on capital projects, sums totalling \$14.441 billion were actually expended, giving a shortfall of \$3.217 billion or 18.22%, compared with a shortfall of 34.61% in 1995 and a similar percentage shortfall in 1994. This performance, however, represents a significant improvement over 1994 and 1995 in the execution of large infrastructural projects approved by the National Assembly.

The Public Debt

5. The Public Debt of Guyana (i.e. debts which are required to be serviced out of the Consolidated Fund only and which do not include those of Bank of Guyana and parastatal entities) stood at G\$306.053 billion as at 31 December 1996, the external debt having accounted for G\$182.972 billion. In equivalent United States dollars, the total Public Debt was US\$2.157 billion, the external debt accounting for US\$1.290 billion.

6. Compared with 1995, the Public Debt has decreased by G\$28.599 billion. However, the external debt has increased by G\$13.434 billion or US\$94.693M while the internal debt has been reduced from G\$165.114 billion to \$123.081 billion. Expressed as a factor of current revenue, the Public Debt at the end of 1996 was 8.92 times the current revenue, compared with a factor of 11.35 at the end of 1995 and 12.18 at the end of 1994.

7. As mentioned above, there was also a reduction of G\$214.652 in the repayment and servicing of the Public Debt. Expressed as a percentage of current revenues, the repayment and servicing of the Public Debt in 1996 represented 40.0% of current revenue, compared with 47.37% in 1995 and 65.0% in 1994.

The Net Cash Position of the Government

8. The Consolidated Fund was overdrawn by \$38.229 billion as at 31 December 1996, compared with an overdraft of \$22.457 billion and \$12.105 billion at the end of 1995 and 1994 respectively. These significant increases in overdraft over the years were mainly due to the failure to reconcile the various Government bank accounts and to pay over sums due to the Consolidated Fund. In

addition, the ledgers relating to this account were not written up since September 1987 and the bank account was not properly reconciled since February 1988.

9. Notwithstanding the overdraft on the Consolidated Fund, the sum total of all the Government bank accounts (including the overdrawn balance on the Consolidated Fund but excluding the balances on the bank accounts of special projects) reflected a positive balance of \$16.093 billion, compared with positive balances of \$12.857 billion and \$14.654 billion as at the end of 1995 and 1994 respectively. In the absence of the statement of current assets and liabilities of the Government, the positive balance of \$16.093 billion represents the best available estimate of the net cash position of the Government as at 31 December 1996 in terms of local currency.

10. The following gives a breakdown of the bank balances in summarised form with comparative figures at the end of the preceding year:-

DESCRIPTION -----	AMOUNT	AMOUNT
	1995 \$M	1996 \$M
Consolidated Fund	(22,457)	(38,229)
Deposits Fund	4,738	5,359
Contingencies Fund	(36)	3
General Account	(1,185)	(467)
Non-Sub-Accounting Ministries/Departments	14,016	18,146
Other Ministries/Departments' Accounts	10,073	9,428
Monetary Sterilisation Account	7,708	21,853
	-----	-----
TOTAL	12,857	16,093
	=====	=====

11. The figure of \$16.093 billion, however, does not include balances held in the Missions' bank accounts overseas as well as any other overseas bank accounts held by the Government. Of particular importance are the overdrawn balances totalling £1.402M and US\$12.114M, equivalent to G\$336.259M and G\$1.711 billion respectively, as at 31 December 1996 in respect of the following accounts held at the Lloyds Bank in London:-

ACCOUNT NO. -----	DESCRIPTION -----	OVERDRAFT AT 31.12.96 -----
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		US\$	£
01055721	Guyana High Commission	-	244,432
01043855	G.H.C. Overdue Interest	-	1,157,573
01472607	GNTC Unpaid Loans	3,445,974	-
11879308	GNTC Overdue Interest	8,668,369	-
		-----	-----
TOTAL		12,114,343	1,402,005
		=====	=====

12. As can be noted, the combined Guyana dollar equivalent of these liabilities is \$2.047 billion. Interest charges are several times the actual overdrafts which is an indicator of the length of time the overdrafts had been in existence. It should be noted that these overdrawn balances had been attracting interest every six(6) months and unless urgent action is taken to liquidate the overdrafts, the indebtedness to the Bank would continue to increase significantly through the accumulation of interest charges.

13. This matter was drawn to attention in my 1995 Report, and despite this, there was no evidence of any action taken to make arrangements to discharge these liabilities which increased in 1996 by \$173M as a result of increased interest charges.

14. In my 1995 Report, it was stated that although there were eleven(11) Ministries, thirteen(13) Departments and ten(10) Regions, the number of bank accounts under their control at the end of 1995 totalled 733, of which 398 became inactive during the period 1981 to 1994. In addition, apart from the overdrawn balance on the Consolidated Fund, 197 accounts reflected overdrafts totalling \$1.003 billion. Further, the vast majority of these bank accounts had not been reconciled for several years.

15. Given the time period involved and the ensuing difficulty in effecting reconciliation to these accounts for the purpose of establishing accurate balances, I have been recommending to the Government for some time now the following courses of action aimed at resolving the problem:-

- (a) the closure of all accounts with positive bank balances and the transfer of the balances to the Consolidated Fund;
- (b) in the case of bank accounts with overdrawn balances, a supplementary estimate be presented to the National Assembly so that funds can be voted to liquidate the overdrafts and to close these accounts;
- (c) the opening new bank accounts for Ministries and Departments

to avoid contamination with previous accounts and to start from a clean position. The minimum number of accounts should be opened for control purposes; and

- (d) the reconciliation of these new accounts within thirty(30) days of the close of each month so as to avoid a repetition of the problems associated with the old accounts.

16. These recommendations were eventually accepted by the Government, and the Ministry of Finance issued instructions to give effect to (a) and (c) above as from May 1996. There was compliance at varying dates and as at 31 December 1996, 145 new bank accounts were opened. However, there was no evidence of any action taken to implement recommendation (b) and to take steps to close off the old accounts. As a result, instead of a significant reduction in the bank accounts under the control of Ministries and Departments, the number of bank accounts have increased from 733 to 878.

17. In addition, the majority of the new bank accounts, particularly those of the larger Ministries, had not been reconciled since they were established. Unless urgent action is taken to do so, there is every danger that the problems associated with the old bank accounts will be repeated in respect of the new accounts, thereby not only compounding such problems but also defeating the exercise of establishing new bank and attempting to start from a clean position.

Review of the Central Tender Board

18. In my 1995 Report, an evaluation of the operations of the Central Tender Board was carried out, which evaluation revealed that it was not functioning in a manner so as to facilitate an independent review. The record keeping and filing were completely neglected and, in particular, the minutes of the various meetings held to adjudicate on the award of major contracts were not available. This state of affairs continued until June 1996 when a manager of the Central Tender Board was appointed. Since then, there has been a significant improvement in the record keeping and filing.

19. Recommendations had also been made for a complete reorganisation of the operations of the Central Tender Board, the most significant being a change in its composition to reflect membership from outside the Public Service e.g. the professional

engineering bodies, trade unions, the Consumers' Association and the University of Guyana. However, up to the time of reporting, no action has been taken to implement this recommendation. It should be mentioned, however, that with the assistance of a consultant, draft legislation on public procurement has been prepared, and at the time of reporting, the document was being reviewed by the Government.

Inadequacy of Staffing & Absence of Internal Audits

20. The inadequacy of staffing at the various accounting units, the lack of suitably qualified and trained personnel and the absence of Internal Audit Departments in large Ministries militated against an effective system of internal control and have contributed significantly over the years to the deterioration in financial management at the Ministerial level.

21. It would appear necessary for salaries to be reviewed as a matter of urgency to attract and retain the much needed skills, and incentives provided to recognise good performance. This course of action is likely to yield significant cost savings to the State through the minimisation of the extent to which certain aspects of the operations of Government are contracted out third parties. The system of promotion should also focus more on performance and higher levels of training rather than on years of service.

Breaches in Financial, Stores & Tender Board Regulations

22. In 1995, significant breaches in the financial, stores and tender board regulations were observed at several Ministries, Departments and Regions. As a result of these breaches, it could not have been satisfactorily determined whether full value was obtained for the goods purchased or services rendered.

23. For the period under review, however, while certain breaches continued to prevail, they do not appear to be of the magnitude as those reported in 1995. It is nevertheless important to recognise the urgency of the need for a comprehensive effort aimed at strengthening the financial management of Government as one of the pre-requisites for sustained improvement in the performance of the economy. This can be achieved through the implementation of improved systems and procedures as a replacement of the somewhat

archaic, highly centralised and cumbersome ones which currently exist, while at the same time incorporating recent developments in information technology.

INTRODUCTION

1. The auditing of and reporting on the Public Accounts of Guyana and the accounts of Ministries/Departments/Regions are both a constitutional and statutory requirement. Articles 223(2) and 223(3) of the Constitution require that I audit the Public Accounts of Guyana and the accounts of all officers and authorities of the Government of Guyana (including the Commissions established by the Constitution), the Clerk of the National Assembly, and all courts in Guyana and submit my reports to the Minister responsible for finance, who shall cause them to be laid in the National Assembly.

2. In accordance with Section 26 of the Financial Administration and Audit Act, Chapter 73:01 of the Laws of Guyana, I am to examine in such manner as I deem necessary the accounts of all Accounting Officers and Principal Receivers of Revenue and of all persons entrusted with the collection, receipt, custody, issue, sale, transfer or delivery of any stamps, securities, stores or other Government property.

3. In the conduct of my examination, I am to ascertain whether in my opinion:-

- (a) the accounts have been faithfully and properly kept;
- (b) the rules and procedures framed and applied are sufficient to secure effective control on the assessment, collection and proper allocation of the revenues;
- (c) all money expended and charged to an appropriation account has been applied to the purpose or purposes for which the grants made by Parliament were intended to provide and the expenditure conforms to the authority which governs it, and

has been incurred with due regard to the avoidance of waste and extravagance; and

- (d) essential records are maintained and the rules and procedures framed and applied are sufficient to safeguard the control of stores and other public property.

4. Section 31 of the Financial Administration and Audit Act also requires that I examine and certify, based on the outcome of my examinations, the several statements and accounts which are to be submitted to me in accordance with Section 7 of the Act. These include:-

- (a) a statement of the receipts and payments of the Consolidated Fund;
- (b) a statement of the revenue actually paid into the Consolidated Fund as compared with the estimates of revenue;
- (c) a statement of the expenditure from the Consolidated Fund as compared with the estimates of expenditure;
- (d) a statement of the public debt;
- (e) a statement of the outstanding loans or credits guaranteed by the Government;
- (f) a statement of all outstanding loans and advances made from the Consolidated Fund;
- (g) the expenditure in respect of those services which by law are directly charged upon the Consolidated Fund;
- (h) the receipts and payments of the Contingencies Fund;
- (i) the balances held on deposit by the Accountant General at the close of the financial year, and outstanding advances made in pursuance of Section 23 of the Act;
- (j) the current assets and liabilities of the Government;
- (k) the appropriation accounts of all Accounting Officers in respect of the votes for which they were responsible; and
- (l) the receipts and disbursements by all Principal Receivers of Revenue.

5. The above statements and accounts are to be submitted to me by the Accountant General, Accounting Officers and Principal Receivers of Revenue within four (4) months of the close of the financial year to enable me to audit them and to submit my report

to the Minister responsible for finance not later than the 30th day of September.

6. As at 30 April 1997, the statutory deadline for the submission of the statements and accounts referred to above, the ten(10) sets of statements comprising the Public Accounts and a number of appropriation and revenue accounts were not received. Submissions were, however, made subsequently on varying dates, the last being the Statement of Balances held on Deposit by the Accountant General and Outstanding Advances Made in Pursuance of Section 23 of the Act, which was received on 25 August 1997. The lack of timeliness in the submission of these statements and accounts, needless to mention, has adversely affected my ability to meet the statutory deadline for the finalisation of the audit and for the delivery of my report to the Minister of Finance.

7. It is also very disappointing to note that up to the time of reporting, the statement of the current assets and liabilities of the Government, which is vital to an understanding and appreciation of the Public Accounts, had not been submitted to me. This statement was last prepared for the fiscal year 1981, and the continued failure to produce it should be viewed by the Government with the degree of seriousness which it deserves. The stewardship of the Government could not be regarded as properly discharged without ensuring full and timely financial reporting, as required by the Law. In addition, in the absence of a statement of current assets and liabilities, the financial position of the Government could not be properly determined.

8. It is also significant to note that the gap in financial reporting covering the period 1982 - 1991 continued to exist in respect of not only the appropriation and revenue accounts of Accounting Officers and Principal Receivers of Revenue but also eight(8) of the ten(10) Public Accounts statements. In relation to the latter, only the following statements were submitted for audit examination and certification:-

- (a) the Statements of Receipts and Payments of the Contingencies Fund for the years 1982 - 1991;
- (b) the Statements of Expenditure in respect of those Services which by Law are directly charged on the Consolidated Fund for the years 1982 - 1991; and
- (c) the Statement of the Public Debt for the year 1982;

9. The first two(2) sets of statements were duly audited and the

related reports were presented to the Minister of Finance on 6 June 1997 and 27 June 1997 respectively. Up to the time of reporting, however, they were not laid in the National Assembly. In respect of the Statement of the Public Debt for 1982, submission by the Accountant General was made on 24 June 1997, and up to the time of reporting the audit was in progress.

10. In relation to the Appropriation and Revenue Accounts for the period 1982 - 1991, as previously reported, the Government had accepted my recommendation that the backlogged accounts be dealt with in the same manner as those for 1992 to 1996. In this regard, circulars had been sent to all Accounting Officers and Principal Receivers of Revenue requesting them to produce appropriation and revenue accounts. However, the response to date has been very disappointing.

11. The Accountant General explained that appropriation and revenue accounts were prepared for the years 1982 - 1984 but that Accounting Officers and Principal Receivers of Revenue had not uplifted them. This is indeed very disappointing in that this attitude militates against a genuine attempt to bridge the gap in financial reporting and hence public accountability.

12. In addition to reporting on the Public Accounts and the accounts of Ministries/Departments/Regions, I have also provided general information with regard to the other areas for which I have audit responsibility. These include the audits of public corporations, other statutory bodies, municipalities, local authorities, trade unions and foreign funded projects. It will be recalled that in 1993 my mandate was extended to include the audits of public corporations and other agencies in which controlling interest vests with the State.

13. In keeping with normal practice, this report was discussed with the relevant Accounting Officers, Principal Receivers of Revenue and the Accountant General who were also provided with individual reports of my findings and recommendations. Responses were also required to be submitted to me within thirty(30) days of the receipt of the reports with the proviso that if such responses were not received, it would be assumed that there was general agreement to my findings. While there has been some improvement in this regard, a few accounting officers and principal receivers of revenue did not respond to these reports.

14. Despite instituting these procedures aimed at ensuring that my report is as fair, accurate and factual as possible, it

continues to be a source of disappointment that some accounting officers chose to disagree with the findings during the hearings of the Public Accounts Committee(PAC). These persons tended to pay passing interest during the course of the audit. However, faced with a situation where they were required to appear before the PAC, they used their best endeavours to challenge the findings and sometimes searched meticulously for evidence to do so. This is indeed unfortunate in that these officers had every opportunity to comment on my report and to express their disagreement to any of the findings prior to its finalisation. It is my sincere hope that a change in attitude will prevail in respect of this report.

15. It should be emphasised that the findings of this report should not be relied upon to reflect the results of a comprehensive review of the financial operations of Government. While such a review is desirable and, I believe, is the intention of the law, in view of the depleting staffing situation at the Audit Office, only a selective approach could have been adopted in terms of the comprehensiveness of such a review.

16. This approach was necessary to enable me to discharge my statutory responsibility of reporting to the National Assembly within the time-frame set. Given the Audit Office's staff constraints, a trade-off had to be struck between the need to have audited accounts of the Country within a reasonable time period and that of an indepth review of all aspects of the financial operations of Government. Nevertheless, the Audit Office sought to give minimum audit coverage where a comprehensive review was not carried out.

17. As in the previous year, the contents of this report represent a departure in certain respects from those of earlier reports which focused mainly on deficiencies and lapses in systems and procedures. This report continues to highlight such deficiencies and lapses but also includes as many explanations as possible from Accounting Officers. In addition, it provides as much information as possible for the benefit of legislators and the public at large, especially with regard to the status of capital programmes. Attempts have also been made to include as many recommendations as possible which I hope the Accountant General, Accounting Officers and Principal Receivers of Revenue would find useful.

STATEMENT OF RECEIPTS AND PAYMENTS OF THE CONSOLIDATED FUND

18. The Consolidated Fund was established by Article 216 of the Constitution, into which all revenues are paid and out of which all expenditures are met. The bank account relating to this Fund

is held at the Bank of Guyana and is styled "Accountant General for Consolidated Fund".

19. The Accountant General is required to keep two (2) separate accounts in respect of the Consolidated Fund, a current account to record deposits of current revenue and withdrawals for application towards current expenditure, and a capital account to record deposits of capital revenue and withdrawals for application towards capital expenditure.

20. Despite the Consolidated Fund being the single most important account of the Government, the ledgers relating to this account were last written up to September 1987 and the bank account was not properly reconciled since February 1988. These two(2) unsatisfactory features were highlighted in my previous reports.

21. Reconciliation of bank accounts with the related cash books and ledger accounts is one of the basic elements of internal control, and the failure to do so can lead to the perpetration of serious irregularities without detection. Attempts have, however, been made to reconcile the monthly transactions of the Consolidated Fund with effect from January 1994. However, in the absence of reconciliation for the intervening period, such later reconciliations could not be fully relied upon.

22. It is also of great concern to note that the Consolidated Fund continued to be overdrawn, due mainly to the failure to reconcile the various Government bank accounts and to pay over sums due to it. At the end of 1996, the overdraft on this account was \$38.229 billion, compared with an overdraft of \$22.457 billion at the end of 1995, an increase of \$15.772 billion over 1995. At the end of 1994, the overdraft on this account was \$12.105 billion.

23. Notwithstanding the overdraft on the Consolidated Fund, the sum total of all the Government bank accounts (including the overdrawn balance on the Consolidated Fund but excluding the balances on the bank accounts of special projects) reflected a positive balance of \$16.093 billion, compared with positive balances of \$12.857 billion and \$14.654 billion as at the end of 1995 and 1994 respectively. In the absence of the statement of current assets and liabilities of the Government, the positive balance of \$16.093 billion represents the best available estimate of the net cash position of the Government as at 31 December 1996 in terms of local currency.

24. The following gives a breakdown of the bank balances in summarised form with comparative figures at the end of the preceding year:-

DESCRIPTION	AMOUNT	AMOUNT
-------------	--------	--------

	1995	1996
	\$M	\$M
Consolidated Fund	(22,457)	(38,229)
Deposits Fund	4,738	5,359
Contingencies Fund	(36)	3
General Account	(1,185)	(467)
Non-Sub-Accounting Ministries/Departments	14,016	18,146
Other Ministries/Departments' Accounts	10,073	9,428
Monetary Sterilisation Account	7,708	21,853
TOTAL	12,857	16,093

25. The figure of \$16.093 billion, however, does not include balances held in the Missions' bank accounts overseas as well as any other overseas bank accounts held by the Government. Of particular importance are the overdrawn balances totalling £1.402M, equivalent to G\$336.259M, and US\$12.114M, equivalent to G\$1.711 billion respectively as at 31 December 1996 in respect of the following accounts held at the Lloyds Bank in London:-

ACCOUNT NO.	DESCRIPTION	OVERDRAFT AT 31.12.96	
		US\$	£
01055721	Guyana High Commission	-	244,432
01043855	G.H.C. Overdue Interest	-	1,157,573
01472607	GNTC Unpaid Loans	3,445,974	-
11879308	GNTC Overdue Interest	8,668,369	-
TOTAL		12,114,343	1,402,005

26. As can be noted, the combined Guyana dollar equivalent of these liabilities as at 31 December 1996 was \$2.047 billion. Interest charges were several times the actual overdrafts which is an indicator of the length of time the overdrafts had been in existence. It should be noted that these overdrawn balances had been attracting interest every six(6) months and unless urgent action is taken to liquidate the overdrafts, the indebtedness to the Bank would continue to increase significantly through the accumulation of interest charges.

27. This matter was drawn to attention in my 1995 Report, and despite this, there was no evidence of any action taken to make arrangements to discharge these liabilities which increased by

\$173M as a result of increased interest charges.

28. It is a requirement of Section 36 of the Financial Administration and Audit Act for all unspent amounts released to Ministries, Departments and Regions to be refunded at the end of the year to the Consolidated Fund. However, it is evident from the large balances in these bank accounts, which totalled \$27.574 billion, that transfers were not being made over the years. The main reason for this most unsatisfactory state of affairs, indeed a serious breach of the Law, was the general failure to effect reconciliations of the bank accounts so as to be able to establish accurate balances at the end of the year for the purpose of effecting such transfers.

29. The Statement of Receipts and Payments of the Consolidated Fund, comprising both capital and current accounts, is shown on pages 2/1 to 2/5 and is summarised below with comparative figures for the two(2) preceding years:-

	1996	1995	1994
	-----	-----	-----
	\$'000	\$'000	\$'000
Current Receipts	34,316,311	29,473,619	26,522,869
Capital Receipts	8,417,660	9,475,605	18,946,172
	-----	-----	-----
	42,733,971	38,949,224	45,469,041
	-----	-----	-----
Current Payments	31,426,136	30,605,981	31,345,957
Capital Payments	16,289,619	12,148,944	10,665,947
	-----	-----	-----
	47,715,755	42,754,925	42,011,904
	-----	-----	-----
EXCESS OF RECEIPTS OVER PAYMENTS	(4,981,784)	(3,805,701)	3,457,137
	=====	=====	=====

30. As can be noted, there has been a deficiency of receipts over payments of \$4.982 billion, compared with a similar deficiency of \$3.806 billion in 1995 and an excess of \$3.457 billion in 1994. The main reason for this deficiency in 1996 was that payments for capital expenditure exceeded capital receipts by \$7.872 billion,

an observation similar to that of 1995 where payments for capital expenditure exceeded capital receipts by \$2.673 billion. It is also important to note that these figures would be affected by the general failure to pay over sums due to the Consolidated Fund.

31. An examination of the Cash Book of the Consolidated Fund kept by the Accountant General revealed that sums totalling \$108.356 billion were received and deposited into this account, compared with \$42.734 billion reported in the financial statements, giving a difference of \$65.622 billion. This difference resulted mainly from the failure to report, as receipts into the Consolidated Fund, amounts totalling \$64.786 billion, representing the proceeds from the issue of short-term Treasury Bills. Taking this omission into account, there remains an unexplained difference of \$836M between the amounts recorded in the financial statements and those recorded in the cash book.

32. The Cash Book also reflected that payments totalling \$122.130 billion were made from the Consolidated Fund. The financial statements, however, reflected amounts totalling \$47.716 billion as having been paid out, giving a difference of \$74.414 billion. The main reason for this difference was the omission from the financial statements of amounts totalling \$74.409 billion, representing the redemption of short-term Treasury Bills. Taking this omission into account, there also remains an unexplained difference of \$5M between the amounts recorded in the financial statements and those recorded in the cash book.

33. Using the entries in the cash book, the Receipts and Payments of the Consolidated Fund will show the following summarised position when compared with the amounts shown in the financial statements:-

	BASED ON CASH BOOK	SHOWN ON STATEMENT	DIFFERENCE
	----- \$`000	----- \$`000	----- \$`000
Receipts	108,356,129	42,733,971	65,622,158
Payments	122,130,257	47,715,755	74,414,502
	-----	-----	-----
Excess of Receipts over Payments	(13,774,128)	(4,981,784)	(8,792,344)
	=====	=====	=====

34. In 1995 the reported sale of assets totalled \$1.014 billion. However, sums totalling \$1.155 billion, representing the net proceeds from the divestment of State entities/assets, were collected in 1995 but were held in the Deposits Fund bank account. Up to the time of reporting, however, no transfers had yet been made to the Consolidated Fund, despite comment to this effect in

my 1995 Report.

35. A similar situation was observed for the period under review in that the reported sale of assets amounted to \$51.233M. However, sums totalling \$398.023M were collected as proceeds from divestment but were held in the Deposits Fund bank account, instead of being paid over to the Consolidated Fund. Had both transfers been made, the overdraft on the Consolidated Fund would have been reduced to \$36.676 billion.

36. It should be mentioned that the Audit Office is in the process of trying to ascertain the total proceeds received to date in respect of the divestment of state entities/assets and all amounts outstanding based on the various agreements entered in by the Government. However, its efforts are being constrained by the poor record keeping and documentation at both the Ministry of Finance and the Privatisation Unit. As soon as this exercise is concluded, a separate report will be issued.

37. Amounts totalling \$524.830M representing dividends and transfers were paid into the Consolidated Fund and shown as current revenue. However, an investment register was not kept to monitor Government's investments. As a result, it could not be determined what amounts were collectible from the various State Agencies. It is recommended that such a record be introduced so that sums due can be properly monitored and early action taken to collect them.

38. According to the financial statements, issues from the Consolidated Fund in respect of eight(8) heads exceeded the amounts approved by Parliament and for which a satisfactory explanation was not given. The following are the details:-

HEAD	DESCRIPTION	REVISED ESTIMATES	ISSUES FROM CONSOL. FUND	EXCESS RELEASES
		\$'000	\$'000	\$'000
12	Elections Commission	16,503	17,890	1,387
15	Supreme Court	62,054	67,117	5,063
52	Ministry of Public Works	794,402	798,141	3,739
53	Ministry of Local Gov't	136,070	137,382	1,312
63	Region 3 - Administration	63,073	66,516	3,443
72	Region 5 - Agriculture	43,871	44,265	394
76	Region 6 - Agriculture	75,758	76,241	483
79	Region 7 - Administration	84,765	91,381	6,616
92	Region 10 - Agriculture	10,944	11,437	493

39. Amounts totalling \$2.238 billion were shown as due to the

Consolidated Fund in 1996 in respect of payments made under current expenditure while in respect of payments for capital expenditure the amounts due totalled \$1.324 billion, giving a total indebtedness to the Consolidated Fund by Ministries, Departments and Regions of \$3.562 billion in respect of 1996. Up to the time of reporting, however, it could not be determined whether all transfers were made to the Consolidated Fund. A similar situation was observed in respect of revenue in that amounts totalling \$25.965M shown as having been collected in respect of the Customs and Excise Department and the Supreme Court, were not paid over to the Consolidated Fund.

40. All gifts received by Ministries/Departments/Regions are to be valued and brought to account by the individual Ministries, Departments and Regions. Periodic returns are also to be submitted to the Ministry of Finance and the values of these gifts are to be reflected in the Country's accounts as Miscellaneous Revenue. However, although there was evidence of the receipt of numerous gifts during the year, there was no evidence of adherence to these procedures. As a result, the amount of \$369.835M representing Miscellaneous Receipts has been understated by an undetermined amount. The failure to properly account for gifts received has been the subject of adverse comments in my previous reports, and it is indeed again disappointing that no improvement can be reported.

**STATEMENT OF REVENUE ACTUALLY PAID
INTO THE CONSOLIDATED FUND AS COMPARED
WITH THE ESTIMATES OF REVENUE**

41. The Statement of Revenue actually paid into the Consolidated Fund as compared with the Estimates of Revenue, comprising both capital and current, is shown on page 2/6 and is summarised below with comparative figures for the two(2) preceding years:-

	1996 \$'000	1995 \$'000	1994 \$'000
	-----	-----	-----
CURRENT REVENUE			

Revenue Actually Paid into Consolidated Fund	34,316,311	29,473,619	26,522,869
Estimates of Revenue	32,969,075	29,480,395	26,945,563
	-----	-----	-----

Over/(Under) the Estimates	1,347,236	(6,776)	(422,694)
	=====	=====	=====
CAPITAL REVENUE			

Revenue Actually Paid into Consolidated Fund	8,417,660	9,475,605	18,946,172
Estimates of Revenue	15,172,624	14,543,889	16,419,070
	-----	-----	-----
Over/(Under) the Estimates	(6,754,964)	(5,068,284)	2,527,102
	=====	=====	=====

42. As mentioned earlier, sums totalling \$25.965M were collected but were not paid over to the Consolidated Fund. Taking this figure into account, the collection of current revenue in 1996 exceeded projected levels by 4.17%, compared with an excess of 0.03% in 1995 and a shortfall of 1.6% in 1994. Estimated current revenue in 1996 totalled \$32.969 billion while actual collections amounted to \$34.342 billion, giving an actual surplus of \$1.373 billion. Compared with 1995, total current revenue collections increased in 1996 by \$4.855 billion or approximately 16.46%.

43. It is also significant to note that, as in the previous year, the two(2) main revenue collecting agencies, the Customs & Excise and the Inland Revenue Departments, exceeded their targets by \$585M and \$777M respectively, as shown below:-

	BUDGETED	ACTUAL	EXCESS
	-----	-----	-----
	\$'000	\$'000	\$'000
Customs & Excise Department	14,905,792	15,490,788	584,996
Inland Revenue Department	14,160,662	14,937,376	776,714

44. Capital revenue collections from sale of assets, internal loans, external grants and loans and from other sources, however, fell short of the estimated amounts by \$6.755 billion or 44.52%, compared with a shortfall of 34.85% in 1995. Estimated capital revenue from all sources totalled \$15.173 billion while actual revenue was \$8.418 billion.

45. An analysis of the shortfall in capital revenue revealed that of the \$1.3 billion budgeted to be collected in respect of the sale of assets, only \$51.233M was collected and paid over to the Consolidated Fund. However, as noted in Paragraph 35 above, amounts totalling \$398.023M were collected as proceeds from the divestment of State entities/assets. These were not paid over to the Consolidated Fund but were held in the Deposits Fund. In addition, external grants and loans fell short of anticipated levels by \$5.481 billion or 39.82%, compared with a shortfall of 37.45% in 1995. Estimated capital revenue from these two(2)

sources in 1996 was \$13.763 billion, while actual revenue was \$8.282 billion.

**STATEMENT OF EXPENDITURE FROM
THE CONSOLIDATED FUND AS COMPARED
WITH THE ESTIMATES OF EXPENDITURE**

46. The Statements of Expenditure from the Consolidated Fund as compared with the Estimates of Expenditure, comprising both current and capital, are shown on pages 2/7 to 2/10, and are summarised below with comparative figures for the two(2) preceding years:-

	1996 ----- \$'000	1995 ----- \$'000	1994 ----- \$'000
CURRENT EXPENDITURE -----			
Actual Expenditure	29,187,915	28,968,798	29,716,767
Revised Estimates	31,972,215	31,013,246	32,438,586
	-----	-----	-----
Over/(Under) the Estimates	(2,784,300)	(2,044,448)	(2,721,819)
	=====	=====	=====
CAPITAL EXPENDITURE -----			
Actual Expenditure	14,440,578	11,028,059	9,161,141
Revised Estimates	17,657,459	16,863,874	13,988,635
	-----	-----	-----
Over/(Under) the Estimates	(3,216,881)	(5,835,815)	(4,827,494)
	=====	=====	=====

47. As can be noted, there has been an overall increase of \$219.117M in current expenditure in 1996. Further analysis revealed that this increase was due mainly to the following:-

- (a) An increase of \$432.569M in expenditure by Ministries, Departments and Regions, compared with an increase of \$2.452 billion in 1995. This is an indicator that these entities were able to keep their expenditures within reasonable limits of what was expended in 1995 expenditures. Employment costs have increased by \$1.116 billion or 19.69% while expenditure on Other Charges decreased by \$683.6M or 7.32%; and
- (b) A decrease of \$214.652M in the repayment and servicing of the Public Debt. In 1995, the repayment and servicing of the Public Debt had decreased by \$3.2 billion from \$17.67 billion to \$13.967 billion.

48. Capital expenditure, on the other hand, has increased by \$3.413 billion or 30.94% in 1996, compared with an increase of

\$1.867 billion or 20.37% in 1995. Compared with the Revised Estimates, however, there has been a shortfall of \$3.217 billion or 18.22%, compared with a shortfall of 34.6% in 1995 and a similar percentage shortfall in 1994. The main Ministries which have not achieved their anticipated levels of capital expenditure in 1996 are as follows:-

NAME OF MINISTRY/ DEPARTMENT	REVISED ESTIMATES	ACTUAL EXPENDITURE	SHORTFALL
-----	-----	-----	-----
	\$'000	\$'000	\$'000
Ministry of Public Works - Sea Defences	2,390,000	1,503,979	886,021
Ministry of Public Works - Road Construction etc.	2,855,400	2,235,557	619,843
Ministry of Education	1,513,462	953,677	559,785
Ministry of Finance	3,390,187	2,851,251	538,936
Ministry of Agriculture	846,317	624,244	222,073
Guyana Water Authority	171,800	33,600	138,200
Ministry of Legal Affairs	149,662	56,903	92,759
	-----	-----	-----
TOTAL	11,316,828	8,259,211	3,057,617
	=====	=====	=====

49. The following Ministries/Departments have exceeded their overall budgetary allocations by \$132.115M:-

NAME OF MINISTRY/ DEPARTMENT	REVISED ESTIMATES	ACTUAL EXPENDITURE	EXCESS EXPENDITURE
-----	-----	-----	-----
	\$'000	\$'000	\$'000
Head 40 - Ministry of Education	302,199	302,843	644
Div. 521 - Min. of Works	2,251,350	2,382,821	131,471

TOTAL			132,115
			=====

STATEMENT OF THE PUBLIC DEBT

50. In accordance with Article 221 of the Constitution, the Public Debt of Guyana and the service of that debt are a direct charge on the Consolidated Fund. In addition, Section 3(1) of the External Loans Act, Chapter 74:08 of the Laws of Guyana, as amended by Order No. 31 of 1991, authorises the Government to raise loans outside of Guyana not exceeding \$400 billion. Section 3(6) of the said Act also requires all agreements relating to such loans to be laid before the National Assembly as soon as practicable after the execution of such agreements.

51. The system provides for the Accountant General to maintain a register of the Public Debt, and whenever debts are incurred he is

informed by way of correspondence and other relevant documents for the purpose of updating his records. When repayments are made the Register is updated accordingly. At the end of the year, the Accountant General prepares a statement of the Public Debt and submits it for audit examination and certification.

52. In addition to the Public Debt Section of the Accountant General's Department, the Ministry of Finance has a Debt Management Division. Much of the work performed by this Division duplicates that of the Public Debt Section. Furthermore, documentation relating to new debts and the repayment, cancellation and rescheduling of debts was not received by the Accountant General's Department but by the Debt Management Division. As a result, the Accountant General's records had to be updated from the records of the Debt Management Division. It is again recommended that the Debt Management Division be merged with the Public Debt Section under the supervision of the Accountant General.

53. Minutes or memoranda in respect of debt relief in the form of cancellation, capitalisation of arrears principal and interest, reduction of interest rates and moratoria as well as lists of rescheduled debts were not presented for audit. As a result, reliance had to be placed on the records of the Debt Management Division.

54. The Public Debt Register was not properly maintained as several entries were incompletely written up e.g. omission of loan repayment terms. The format of the Register was also inadequate in that it did not provide for details of loan repayment schedules. As a result, it is not possible to determine from the Register whether loan repayments were being effected in accordance with the agreed schedules. This lack of adequate record keeping can result in inadvertent default on loan repayments and related financial penalties.

55. The reported Public Debt as at 31 December 1996 (i.e. debts which are required to be serviced out of the Consolidated Fund only and does not include those of Bank of Guyana and parastatal entities) is shown on pages 2/11 to 2/44 and is summarised below:-

DESCRIPTION	EXTERNAL	INTERNAL	TOTAL
-----	-----	-----	-----
	G\$`000	G\$`000	G\$`000
Unfunded	182,971,650	102,049,017	285,020,667
Funded	-	5,215	5,215
	-----	-----	-----

Sub-total	182,971,650	102,054,232	285,025,882
Treasury Bills			
(90 days)	-	5,162,695	5,162,695
(182 & 365 days)	-	15,864,098	15,864,098
	-----	-----	-----
TOTAL	182,971,650	123,081,025	306,052,675
	=====	=====	=====

56. As can be noted, the total Public Debt stood at G\$306.053 billion at the end of 1996, the external debt having accounted for G\$182.972 billion. In equivalent United States dollars, the total Public Debt was US\$2.157 billion, the external debt accounting for US\$1.290 billion.

57. Compared with 1995, the total Public Debt has decreased by G\$28.599 billion. However, the external debt increased by G\$13.434 billion or US\$94.693M while the internal debt was reduced from G\$165.114 billion to G\$123.081 billion. Expressed as a factor of current revenue, the total Public Debt at the end of 1996 was 8.92 times the current revenue, compared with a factor of 11.35 at the end of 1995 and 12.18 at the end of 1994.

58. It is important to note also that there was also a reduction of G\$214.652M in the repayment and servicing of the Public Debt. Expressed as a percentage of current revenues, the repayment and servicing of the Public Debt in 1996 represented 40.0% of current revenue, compared with 47.37% in 1995 and 65.0% in 1994.

59. Seven(7) additional external loans denominated in various currencies were contracted during the period under review of which disbursements totalling G\$7.582 billion were made. However, up to the time of reporting, the agreements relating to three(3) loans were not laid in the National Assembly, as required by Section 3(b) of the External Loans Act.

60. The reduction of the internal debt by G\$42.033 billion was mainly due to the cancellation of non-interest bearing debentures to the Bank of Guyana with a net value of G\$40.928 billion. This cancellation was the result of the signing of the Bilateral Agreement on Rescheduled Debt between Guyana and Trinidad and Tobago which reduced the stock of debt at the Bank of Guyana.

61. Included in the amount of G\$102.049 billion shown as internal unfunded public debt were seventeen(17) non-interest bearing debentures valued G\$91.086 billion. These debentures relate to

losses incurred by the Bank of Guyana during the period 1984 to 1996 and were issued in accordance with Section 8(3) of the Bank of Guyana Act. In addition, there were six(6) variable interest rate debentures valued at G\$10.770 billion, four(4) of which also relate to Bank of Guyana.

62. The other two(2) variable rate debentures of G\$1 billion and G\$817M were issued to cover the losses by the Guyana National Cooperative Bank for the years 1990 and 1992 respectively in accordance with Section 50(2) of the Cooperative Financial Institutions Act. In relation to the latter debenture, according to the Public Debt Statement and the records of the Accountant General, repayments of principal to December 1996 totalled G\$204.3M while interest charges amounted to G\$337.3M. However, these amounts were not paid over to the GNCB but were held in a special bank account - Interest on Regular Bonds A/c No. 102 - at the Bank of Guyana. It should be noted also that no repayments of principal and interest of the earlier debenture were made.

63. An examination of the schedule of the Internal Unfunded Debt revealed overpayments totalling G\$265.102M in respect of eight(8) debentures. The overpayments were netted off against the outstanding balances on the other debentures. As a result, the Public Debt has been understated by this amount. According to information received from Bank of Guyana, these debentures had accumulated interest charges which were capitalised. However, these charges were not taken up in the Public Debt records. The Accountant General explained that adjustments had since been made to the Public Debt records with effect from 1997.

STATEMENT OF OUTSTANDING LOANS OR CREDITS GUARANTEED BY THE GOVERNMENT

64. In accordance with Section 3(1) of the Guarantee of Loans (Public Corporations and Companies) Act, Chapter 77:01 of the Laws of Guyana, the Government is authorised to guarantee the discharge by a Corporation or Company of its obligations under any agreement which may be entered into by the Corporation with a lending agency

in respect of any borrowing by that Corporation which is authorised by the Government. The aggregate amount of the liability of the Government in respect of guarantees given under the said Act shall not, at any time, exceed the sum of \$1 billion.

65. The system provides for a Corporation or Company to seek the approval of the Minister of Finance to raise a loan from a Lending Agency and for the Government to be the guarantor. The Minister will consider the application and if he considers it appropriate will approve it. The Accountant General is informed of all new guarantees as well as all repayments made, for the purpose of updating his records. At the end of each year, he is required to prepare a statement of all outstanding loans or credits guaranteed by the Government and to submit it for audit.

66. According to the Statement of Outstanding Loans or Credits Guaranteed by the Government, as set out on page 2/45, the total outstanding liability as at 31 December, 1996 was \$1.126 billion, compared with \$3.317 billion at the end of 1995, a decrease of \$2.191 billion. The statutory limit has therefore been exceeded by \$126M. This breach in the law had been highlighted in previous reports, and it is a source of concern that no action was taken to institute adequate controls to ensure that the statutory limit is not exceeded or to extend the limit.

67. The significant decrease in the amount shown as outstanding resulted mainly from a decision taken by the Ministry of Finance in July 1996 to transfer to the Public Debt all foreign liabilities of the Guyana Cooperative Agricultural and Industrial Development Bank(GAIBANK). As a result, eight(8) loans valued at \$1.871 billion which were reflected in the Statement of Loans and Credits Guaranteed at the end of 1995, were transferred to the Public Debt in 1996. It should also be mentioned that seven(7) GAIBANK loans guaranteed by the Government had already been transferred to the Public Debt prior to 1996. This Bank was legally dissolved during 1995 and its operations were merged with those of the Guyana National Cooperative Bank. At the time of dissolution, the foreign liabilities of GAIBANK stood at \$2.392 billion.

68. In my previous reports, several deficiencies in the system governing the recording, monitoring and reporting of outstanding loans and credits guaranteed by Government were highlighted. These deficiencies continued to prevail in 1996, and it is again disappointing to note that no positive action was taken to effect improvements to the system. The main deficiencies include:-

- (a) The Accountant General's register of Loans or Credits guaranteed by the Government was not updated since 1982. A new register was, however, introduced in March 1994 to reflect outstanding loans or credits guaranteed, using the information from the Debt Management Division of the Ministry of Finance. An examination of the new register revealed that this record was only written up to show the maximum liability contracted and the outstanding liability as at 31 December 1996. There was no continuous recording of disbursements by funding agencies and repayments made;
- (b) The statement was not prepared from records maintained in the Accountant General's Department but from confirmations received from the borrowing Corporations and from the records kept at the Debt Management Division. This is a significant breakdown in the record keeping at the Accountant General's Department;
- (c) The relevant files kept at the Accountant General's Department did not contain adequate information for a proper evaluation of the status of each loan or credit guaranteed by the Government. For example, details of repayments made by the relevant agencies and copies of certified statements of indebtedness as well as audited financial statements were not contained in the files, resulting in much difficulty being experienced in attempting to verify the completeness and accuracy of the amounts shown in the financial statement; and
- (d) The poor record-keeping resulted in a situation whereby there was no assessment of whether interest might have been accruing on some of the loans or credits outstanding;

69. It is evident from the above, that an effective system was not in place to monitor the borrowing of corporations and to ensure that the provisions of the Guarantee of Loans (Public Corporations and Companies) Act are strictly observed. The absence of such a system might have contributed to the borrowing by Public Corporations exceeding the statutory limit.

70. The following summaries by entities the loans and credits guaranteed by the Government:-

NAME OF ENTITY	NO. OF LOANS/ CREDITS	OUTSTANDING AT 31/12/96
----------------	--------------------------	----------------------------

		\$'000
Linden Mining Enterprise	3	1,064,628
Berbice Mining Enterprise	2	25,979
Guyana Telecommunications Corporation	1	27,239
Guyana Transport Services Ltd	1	8,446
	--	-----
TOTAL	7	1,126,292
	==	=====

71. Guyana Telecommunications Corporation is no longer in existence. The Government some years ago sold 80% of its interest in this Corporation and a new entity was created. However, it is not clear what arrangements were made for the discharge of the liability of \$27.239M. A similar situation was observed in relation to the Guyana Transport Services Ltd which was dissolved several years ago and which had a liability of \$8.446M.

72. In the light of the above, it would appear necessary for the debts incurred by the entities which are no longer in existence to be taken up as part of the Public Debt. In addition, urgent action should be taken to raise the statutory limit for the guarantee by the Government of loans and credits so as to avoid being in default of the Law. Further, the Ministry of Finance should institute an adequate system of monitoring loans/credits guaranteed by the Government to avoid exceeding the statutory limit.

**STATEMENT OF OUTSTANDING LOANS AND ADVANCES
MADE FROM THE CONSOLIDATED FUND**

73. Provisions were previously made in the Annual Estimates of Expenditure of certain Ministries and Departments to make loans and advances to public corporations and boards, municipalities, local authorities, statutory bodies, cooperative societies, and private parties, e.g. remigrated officers, miners, and students. These agencies and individuals made repayments directly to the Ministries concerned which were required to keep adequate records for all such loans and advances. Annual statements were to be submitted to the Accountant General to enable him to effect reconciliation with his records and to prepare financial statements for audit examination and certification.

74. For several years no new loans and advances were made from the Consolidated Fund. Instead, the Deposits Fund was being used for this purpose, for example, motor car advances to public

officers, UG student loans etc. However, financial statements relating to the Deposits Fund had not been produced for the period 1982 to 1995, and therefore the full extent of the amounts of outstanding loans and advances granted by the Government could not be properly determined.

75. The statement of outstanding loans and advances made from the Consolidated Fund as at 31 December 1996 is shown on pages 2/46 to 2/50 and is summarised as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Public Corporations & Boards	28,272
Local Authorities	1,704
Municipalities	1,014
Other Statutory Bodies	806
Remigrated & Other Officers	680
Co-operative Societies	575
Other Loans & Advances	400
Students	145
Others	208

TOTAL	33,804
	=====

76. No records were maintained by the Accountant General in support of these figures, and there has been no movement between 1995 and 1996, indicating that no new loans and advances were granted and no repayments were made for the period under review. Further, the amounts reported as outstanding at the end of 1996 were almost identical to those reported on in 1981 and 1992 - 1995, reflecting a small amount of repayment. In other words, these debts have been outstanding for a minimum of fifteen(15) years without evidence of any action being taken to recover them. Given the length of time the debts have been outstanding, coupled with the fact that the Accountant General had no records to substantiate them, much of the debts might no longer be recoverable.

77. Difficulties in recovering the long outstanding amounts shown in the statement would be compounded by the fact that many amounts are shown as due from agencies which are no longer existent, e.g. Guyana Rice Corporation, Guyana Farmers Development Corporation Limited, Guyana Development Corporation, Guyana Marketing Corporation, and from individuals who might no longer be residing in Guyana.

78. In the light of the above, it is again recommended that the

recoverability of each of the balances be ascertained. Those which are considered irrecoverable should be written off while in respect of the rest vigorous efforts should be made to pursue their recoverability.

79. Given the gap in financial reporting for the period 1982 to 1991, the absence of records to substantiate the amounts shown in the Statement and the inherent uncertainties relating to the recoverability of much of the debts involved, the completeness, accuracy and validity of the amount of \$33.804M shown as outstanding loans and advances made from the Consolidated Fund as at 31 December 1996 could not be determined.

**STATEMENT OF EXPENDITURE IN RESPECT OF
THOSE SERVICES WHICH BY LAW ARE DIRECTLY
CHARGED ON THE CONSOLIDATED FUND**

80. Expenditures in respect of those services which by law are directly charged upon the Consolidated Fund, otherwise known as Statutory Expenditure, does not form part of the voted provisions approved by the National Assembly but are a direct charge upon the Consolidated Fund. Such expenditures include the repayment and servicing of the Public Debt, the emoluments of holders of constitutional offices and pensions and gratuities to public officers.

81. The Statement of Statutory Expenditure for 1996 is shown on page 2/51, and is summarised below with comparative for the preceding two(2) years:-

DESCRIPTION	1996	1995	1994
-----	-----	-----	-----
	\$'000	\$'000	\$'000
Internal Debt - Principal	1,683,901	405,438	4,561,244
- Interest	5,042,989	5,944,371	5,080,507
External Debt - Principal	4,180,690	4,414,822	4,341,619
- Interest	2,846,022	3,202,423	3,183,536
	-----	-----	-----
Sub-Total	13,753,602	13,967,054	17,166,906
Constitutional Offices	115,918	99,732	68,522
Pensions & Gratuities	280,772	223,549	168,985
Payments to Dependant's Pension Fund	4,082	-	285
	-----	-----	-----
TOTAL STATUTORY EXPENDITURE	14,154,374	14,290,335	17,404,698
	=====	=====	=====

82. As can be noted, the repayment and servicing of the Public Debt continued to be reduced in 1996, the percentage reduction over 1995 being 1.53%. In 1995 there was an 18.64% reduction in the repayment and servicing of the Public Debt, compared with 1994. Expressed as a percentage of current revenues, the repayment and servicing of the Public Debt in 1996 represented 40.08% of current revenues, compared with 47.37% and 64.7% in 1995 and 1994 respectively.

83. It should be noted that interest charges relating to the servicing of the Public Debt in 1996 amounted \$7.889 billion, representing 57.35% of the total payments made in respect thereof, compared with 65.49% and 48.14% in 1995 and 1994 respectively. In other words, over the last three(3) years interest charges averaged 57% of the total payments made in respect of the repayment and servicing of the Public Debt.

84. In relation to the amount of \$5.043 billion shown as interest on Internal Debt, the following is breakdown of the payments made:-

DESCRIPTION -----	AMOUNT -----
	\$'000
Interest on 90 days Treasury Bills	2,175,062
Interest on 182-365 days Treasury Bills	947,995
Interest on Debentures	1,919,932

TOTAL	5,042,989 =====

These figures are subject to the comments made in Paragraphs 116 to 118.

**STATEMENT OF RECEIPTS AND PAYMENTS
OF THE CONTINGENCIES FUND**

85. The Contingencies Fund is established by Article 220 of the Constitution under the control of the Accountant General, and a bank account is kept at the Bank of Guyana styled "Accountant General for Contingencies Fund". It is funded out of the Consolidated Fund and is not to exceed in aggregate two(2) percent of the estimated annual expenditure of the last preceding year.

86. In addition, in accordance with Section 25 of the Financial Administration and Audit Act, the Minister responsible for finance is authorised to make advances from the Contingencies Fund only if he is satisfied that the proposed expenditure is (a) **unforeseen** (b) **urgent** (c) **no other provision exists** and (d) **the expenditure cannot be postponed without injury to the public interest until adequate provision is made by Parliament**. Where any advance is made, a supplementary estimate must be laid before the National Assembly as soon as is practicable for the purpose of properly authorising the replacement of the amount advanced.

87. The statement of receipts and payments of the Contingencies Fund for the year ended 31 December 1996 is shown on pages 2/52 to 2/55. Total payments out of the Contingencies Fund amounted to \$802.729M, compared with \$1.180 billion in 1995, a decrease of \$377.271M. Total receipts from the Consolidated Fund amounted to \$1.133 billion, compared with \$1.193 billion in 1995. This gives an excess of receipts over payments totalling \$330.694M in 1996.

88. As at 31 December 1996, twenty-seven(27) advances totalling \$303.231M remained outstanding, of which eighteen(18) advances totalling \$7.634M relate to the period 1986 to 1989. Taking into account the cash book balance of \$335.880M, the balance on the Contingencies Fund as at 31 December 1996 was \$639.111M.

89. In previous reports, the apparent abuse of the use of the Contingencies Fund was highlighted. There was clear evidence in previous years that the Fund was used to meet routine expenditure when budgetary allocations were exhausted. This was so because recourse to the Contingencies Fund was an easier and more expedient proposition than seeking Supplementary Estimates from Parliament. However, in doing so the intent of the Law was being violated in that the majority of the advances granted from the Contingencies Fund did not satisfy the criteria for the grant of such advances. I am happy to report, however, that for the period under review the situation has improved in that there was no evidence of apparent abuse in the use of this Fund.

**BALANCES HELD ON DEPOSIT BY THE ACCOUNTANT GENERAL
AND THE OUTSTANDING ADVANCES MADE IN PURSUANCE OF
SECTION 23 OF THE FINANCIAL ADMINISTRATION AND AUDIT ACT**

90. Section 23 of the Financial Administration and Audit Act provides for the establishment of a Deposits Fund into which shall be paid, pending repayment or application to the purposes for which they were deposited -

(a) the balances held on deposit in respect of any special funds

established by law or otherwise or of any other deposits (other than trust funds or the balances of the Consolidated Fund); and

- (b) such amounts, not exceeding the sums not required for early withdrawal, as the Minister authorises to be issued from the Consolidated Fund.

91. The Minister may authorise the making of advances from the Deposits Fund not exceeding in the aggregate \$8M, or such greater sum as the National Assembly may by resolution direct, from the said Fund:

- (a) on behalf of, and recoverable from, other Governments;
- (b) to officers where such advances are in the public interest; and
- (c) to, or on account of, trusts or other funds administered by the Government, or to, or on behalf of, statutory bodies, public authorities or institutions where such advances are in the public interest and are recoverable within a period not exceeding twelve(12) months after the close of the financial year in which such advances are made.

92. The Accountant General is responsible for managing the Deposits Fund, and a bank account is held at the Bank of Guyana styled "Accountant General for Deposits Fund". He is required to keep adequate records to ensure proper accountability of the Fund and to prepare and present for audit examination and certification a statement of balances held on deposit at the end of each year and outstanding advances made pursuant to Section 23 of the Act.

93. The last audited Statement of Deposit held by the Accountant General and Outstanding Advances made was in respect of 1981, and therefore a gap in financial reporting covering a period of fourteen(14) years existed. In addition, the ledgers relating to the Deposits Fund were not written up since September 1987 and therefore the exact balance on the Fund could not be properly determined. The financial statement was, however, prepared based on submissions by Ministries, Departments and Regions but in the absence of a reconciliation with the Accountant General's records, the amounts shown in the statement could not be relied upon.

94. The Statement of Deposit held by the Accountant General and Outstanding Advances made therefrom is shown on pages 2/56 to 2/57 and is summarised below:-

Balances Held on Deposit

	\$'000
Held for Investments	129,398
" on behalf of Ministry of Finance	1,682,690
" " " " Other Ministries	541,099
" " " " Dependants' Pension Fund	252,417
" " " " Sugar Industry Welfare Committee	63,088

TOTAL	2,668,692
	=====

Outstanding Advances

Motor Vehicles	71,821
Personal	1,395
Bicycles	496
Other	101

TOTAL	73,813
	=====

95. As can be noted, the balance as at 31 December 1996 was \$2.669 billion. However, according to confirmation received from the Bank of Guyana, the balance on this Fund as at 31 December 1996 was \$5.359 billion, giving a large difference of \$2.690 billion. However, although the cash book for this Fund was written up-to-date, it was not cast and balanced for a number of years. In addition, it could not be determined when last the account was reconciled. Attempts were, however, made to reconcile the monthly transactions with effect from January 1995 but in the absence of reconciliations in the intervening periods, such later reconciliations could not be relied upon.

96. The amount of \$129.398M shown as deposits held for investments relate to amounts held on behalf of the Sugar Industry Labour Welfare Fund, the Sugar Industry Rehabilitation Fund and the Sugar Industry Price Stabilisation Fund. These entities were, however, last audited in 1980 and therefore it was not possible to properly verify the accuracy of the above amount using the entities' records.

97. In my 1995 Report, mention was made of proceeds from the divestment of State entities and assets totalling \$1.155 billion which were held in the Deposits Fund bank account, instead of being paid over to the Consolidated Fund. A similar situation was observed in 1996 in that sums totalling \$398.023M were collected and held in the Deposits Fund bank account.

98. The records at the Accountant General's Department were not maintained in a manner so as to adequately monitor or control advances granted from the Deposits Fund. As such, it was not possible to easily ascertain either the total advances made or the total amounts outstanding. As a result, the amount of \$73.813M shown as advances outstanding as at 31 December 1996 could not be substantiated.

99. The Statement also includes an amount of \$252.417M shown as deposits on behalf of the Dependants' Pension Fund. However, the last set of audited accounts in respect of this entity was in respect of 1993. As a result, the accuracy of this amount could not have been properly determined from the entity's records.

100. In view of the foregoing observations, the completeness, accuracy and validity of the amounts shown in the Statement of Deposits held by the Accountant General and Outstanding Advances made in pursuance Section 23 of the Act, could not be determined.

THE CURRENT ASSETS AND LIABILITIES OF THE GOVERNMENT

101. The current assets and liabilities of the Government comprise mainly cash and bank balances and cash equivalents as well as short-term liabilities usually in the form of advances from the bank by way of overdrafts as well as the issue of Treasury Bills. The Financial Administration and Audit Act establishes the Consolidated Fund, the Contingencies Fund and the Deposits Fund. The balance sheets of these funds at the end of the year would normally comprise the current assets and liabilities of the Government.

102. The Accountant General is responsible for administering these three(3) funds whose bank accounts are held in his name at the Bank of Guyana. He is required to maintain adequate records to ensure proper management of and accountability for the Funds and to prepare and submit for audit examination and certification a statement of current assets and liabilities of the Government at the end of each year.

103. The last statement of current assets and liabilities of the Government to be produced was in respect of 1981, and for the year under review no such statement was prepared and submitted for audit. Therefore, for the last fifteen(15) years, Parliament and

the public have no way of ascertaining the financial position of the Government. This is indeed a very unfortunate situation which had been the subject of adverse comments in not only my 1992 to 1995 reports but also in my special reports for the years 1982 - 1985. Despite this, there was no evidence of any action taken to have financial reporting for 1996 in respect of the financial position of the Government.

104. In the absence of a statement of current assets and liabilities of the Government, the positive balance of \$16.093 billion on all the Central Government bank accounts referred to in Paragraph 24 above, represents the best available estimate of the net cash position of the Government as at 31 December 1996 in terms of funds held at the Bank of Guyana. The following gives a breakdown of the bank balances in summarised form with comparative figures at the end of the preceding year:-

DESCRIPTION	AMOUNT	AMOUNT
-----	-----	-----
	1995	1996
	\$M	\$M
Consolidated Fund	(22,457)	(38,229)
Deposits Fund	4,738	5,359
Contingencies Fund	(36)	3
General Account	(1,185)	(467)
Non-Sub-Accounting Ministries/Departments	14,016	18,146
Other Ministries/Departments' Accounts	6,867	5,695
Monetary Sterilisation Account	7,708	21,853
Redemption of Treasury Bills Account	3,206	3,733
	-----	-----
TOTAL	12,857	16,093
	=====	=====

105. The General Account is an intermediate account set up by administrative arrangements to monitor and control releases of funds from the Consolidated Fund to the accounts of Ministries and Departments. As such, at the end of each month, and certainly at the end of the year, this account should reflect 'nil' balances. However, as noted above, it was overdrawn by \$467 million, reflecting an apparent failure to effectively monitor the balance on this account. In particular, it could not be determined when last the account was reconciled. It is also evident this account is not fulfilling its purpose and it would therefore appear necessary for an assessment of its future need to be carried out. In this regard, consideration should be given as to whether it would not be a more efficient and a less cumbersome system to have monthly releases of funds to be paid over directly to the bank accounts of the Ministries and Departments. Meanwhile, the reason(s) for the overdraft should be ascertained and corrective action taken with view to liquidating it.

106. Non-Sub-Accounting Ministries and Departments are those Ministries and Departments which, because of their size and/or nature of operations, do not have their own main bank accounts. Such Ministries/Departments include Ministries of Foreign Affairs, Labour, Legal Affairs and Trade. Funds are released from the Consolidated Fund into the Non-Sub-Accounting Ministries and Departments Bank Account under the control of the Accountant General who makes payments on behalf of the concerned Ministries and Departments. As noted above, this account reflected a balance of \$18.146 billion as at the end of 1996, mainly because the unspent amounts over the years had not been paid over to the Consolidated Fund. In addition, it could not be determined when last this account was reconciled.

107. Given the level of resources at the disposal of the Accountant General, the Non-Sub-Accounting bank account appeared to have become unmanageable and was not fulfilling its stated purpose of monitoring and controlling funds allocated to the concerned Ministries and Departments. A logical course of action, therefore, would be to transfer the balance on this account to the Consolidated Fund and to assess the extent of the need for such an account in the light of recent trends in Government financial management towards a more decentralised system. For example, there appears to be no discernable reason why the Audit Office should not be given its own bank account to manage its own financial affairs. There may also be strong arguments for certain other Ministries. Indeed, it appears inconsistent for Accounting Officers to be held personally responsible for the financial management of their Ministries/Departments, and not having their own bank accounts and being in possession of vouchers and other supporting documents to substantiate the expenditures incurred.

108. My comments in the two(2) preceding paragraphs raise the interesting argument as to whether there is not an urgent need for a review of the entire financial management system with a view to developing a new accountability model for the Government. The present system, which has been in existence since Colonial Times with little or no modifications over the years, appears archaic and cumbersome. The system is therefore in dire need of review. It should be noted that the Government has since initiated reforms in the budget process in the form of Programme Budgeting which the

Audit Office supports in principle. In addition, at the time of reporting, draft legislation has been prepared on public procurement and contracting. However, there is need for a more comprehensive and all embracing approach to financial management reform, particularly as it relates to the accounting system of the Government.

109. In respect of the bank accounts of Ministries, Departments and Regions, as can be noted, the sum total of all the bank balances amounted to \$5.695 billion at the end of 1996, of which the following reflected balances in excess of \$100M:-

ACCOUNT NO.	DESCRIPTION	AMOUNT
-----	-----	-----
		\$'000
102	Accountant General Int. on Bonds A/c	358,398
458	Min. of Foreign Affairs Salaries A/c	133,650
489	Customs & Excise Revenue Account	165,480
490	Inland Revenue Dept. Revenue Account	358,126
500	National Insurance Fund A/c	171,431
964	Gov't of Guyana OMAI Royalty A/c	250,345
981	Revenue & Deposits Fund Receipts	619,580
986	Guyana Sea Defence General A/c	518,416
993	Student Loans Fund A/c	264,177
1010	Ministry of Public Works Main A/c	1,230,404
3018	Licence Revenue Office Revenue A/c	235,321
3042	Region 2 Sub-Treasury A/c	113,598
3043	Region 3 Sub-Treasury A/c	201,083
3045	Region 5 Sub-Treasury A/c	155,932
3050	Region 10 Sub Treasury A/c	108,586
3061	Ministry of Education Main A/c	121,936
3079	Ministry of Health Main A/c	346,272

TOTAL		5,352,735
		=====

110. In my 1995 Report, it was stated that although there were eleven(11) Ministries, thirteen(13) Departments and ten(10) Regions, the number of bank accounts under their control at the end of 1995 totalled 733, of which 398 became inactive during the period 1981 to 1994. In addition, apart from the overdrawn balance on the Consolidated Fund, 197 accounts reflected overdrafts totalling \$1.003 billion. Further, the vast majority of these bank accounts had not been reconciled for several years.

111. Given the time period involved and the ensuing difficulty in effecting reconciliation to these accounts for the purpose of

establishing accurate balances, I have been recommending to the Government for some time now the following courses of action aimed at resolving the problem:-

- (a) the closure of all accounts with positive bank balances and the transfer of the balances to the Consolidated Fund;
- (b) in the case of bank accounts with overdrawn balances, a supplementary estimate be presented to the National Assembly so that funds can be voted to liquidate the overdrafts and to close these accounts. Overdrafts are prima facie expenditures over and above those approved by the National Assembly;
- (c) the opening new bank accounts for Ministries and Departments to avoid contamination with previous accounts and to start from a clean position. The minimum number of accounts should be opened for control purposes; and
- (d) The reconciliation of these new accounts within thirty(30) days of the close of each month so as to avoid a repetition of the problems associated with the old accounts. Copies of such reconciliations are to be forwarded to me as soon as they are completed.

112. I was very happy that my recommendations were eventually accepted by the Government. In this regard, the Ministry of Finance issued Circular No. 6/96 to Ministries and Departments to give effect to (a) and (c) above as from May 1996. There was compliance at varying dates and as at 31 December 1996, 145 new bank accounts were opened. My disappointment, however, was in the fact that there was no evidence of any action taken to transfers the balances to the Consolidated Fund nor were steps taken to close off the old accounts. As a result, instead of a significant reduction in the bank accounts under the control of Ministries and Departments, the number of bank accounts have increased from 733 to 878.

113. I am further disappointed to note that the majority of the new bank accounts, particularly those of the larger Ministries, had not been reconciled since they were established. Unless this activity is carried out in a timely manner and with due diligence, and prompt action taken based on the results of such reconciliations, there is every danger that the problems associated with the old bank accounts will be repeated in respect of the new accounts, thereby not only compounding such problems but also defeating the purpose of opening new bank accounts and starting from a clean position.

114. Section 22 of the Financial Administration and Audit Act authorises the Minister of Finance to borrow in whole or in part, by means of advances from a bank, or by the issue of Treasury

Bills, money for the purpose of meeting current requirements of the Government. In relation to the former, such power may be exercised by means of a fluctuating overdraft. In addition, in accordance with Section 13(3) of the said Act, the government is not liable for any overdraft incurred other than those authorised under this section of the Act.

115. Despite this legal requirement, numerous bank accounts continued to be overdrawn without the authority of the Minister. As at 31 December 1996, the number of bank accounts of Ministries and Departments in overdraft stood at 240 with balances totalling \$1.757 billion (excluding the overdraft of \$38.229 billion on the Consolidated Fund) compared with 197 accounts with overdrafts totalling \$1.003 billion at the end of 1995.

116. The Monetary Sterilisation Account was set up in 1993 to capture the proceeds from the issue of medium term (i.e. 182 & 365 days) Treasury Bills. Previously, such proceeds were paid into the Consolidated Fund to meet current requirements within the meaning of Section 22 of the Act, as currently the practice in respect of short-term (i.e. 90 days) Treasury Bills.

117. It therefore appears inconsistent for the proceeds from the issue of short-term Treasury Bills to be paid over to the Consolidated Fund while those relating to the issue of medium-term Treasury Bills were being kept outside of the Consolidated Fund in a special bank account. Indeed, Section 22(5) of the Act stipulates that the principal and interest of all Treasury Bills and any related expenses are charged on and are payable out of the revenues. It follows therefore that the proceeds from the issue of Treasury Bills, whether short-term or medium-term, are required to be paid into the Consolidated Fund. The failure to do so in respect of medium-term Treasury Bills appears to be a violation of the Law.

118. It would appear that the issuing of medium-term Treasury Bills was not fulfilling the requirement of Section 22 of the Act in that the proceeds were not used to meet current requirements but were kept outside of the Consolidated Fund in this special bank account. Moreover, for the period under review, amount totalling \$947.995M were paid out of the Consolidated Fund as interest on the issue of medium-term Treasury Bills while sums due on the outstanding balance at 31 December 1996 totalled \$1.199 billion.

119. As can be noted, the Monetary Sterilisation Account reflected a balance of \$21.853 billion as at 31 December 1996, compared with \$7.708 billion at the end of 1995. However, according to the Public Debt Statement, as at 31 December 1996 amounts totalling \$15.864 billion were outstanding, giving a difference of \$5.989 billion. Further checks revealed that an amount of \$6.879 billion was transferred on 18 June 1993 from the Consolidated Fund to this

account .

APPROPRIATION ACCOUNTS OF ACCOUNTING OFFICERS

120. The Appropriation Accounts of Accounting Officers for the year ended 31 December, 1996 in respect of the votes for which they were responsible, comprising both capital and current, are shown on pages 2/58 to 2/189. These accounts are subject to the comments made under the relevant sections of this report dealing with the accounts of Ministries/Departments/Regions.

RECEIPTS AND DISBURSEMENTS BY PRINCIPAL RECEIVERS OF REVENUE

121. The statements of receipts and disbursements by Principal Receivers of Revenue for the year ended 31 December, 1996 are shown on pages 2/90 to 2/208. These statements are also subject to the comments made under the relevant sections of this report dealing with the accounts of Ministries/Departments/Regions.

REPORTS BY MINISTRIES/DEPARTMENTS/REGIONS

HEAD 1 & DIVISION 501

OFFICE OF THE PRESIDENT

Current Expenditure

Employment Costs

122. The Salaries Bank Account No. 933, which became non-operational in June 1996, was not reconciled since 1992 and was overdrawn by \$509,961 as at 31 December 1996. Two(2) other non-operational salaries account Nos. 510 and 183 also reflected overdrafts of \$19,351 and \$189,664 respectively as at December 1996. These matters were drawn to attention in previous reports and despite this, there was no evidence of any action taken to investigate the reasons for the overdrafts and to close these accounts.

Other Charges

123. The Main Bank Account No. 932, which ceased to be operational in June 1996, was overdrawn by \$28.861M as at 31 December 1996. This account was also not reconciled since 1992. The failure to reconcile bank accounts can lead to irregularities being perpetrated without detection. Efforts should be made to investigate the reason(s) for the overdraft with a view to clearing it.

124. A new main bank account No. 3006 was opened in June 1996 in accordance with the Ministry of Finance Circular No. 6/96, and an amount of \$346.143M representing unspent releases for the period January - May 1996 was transferred from the previous main bank account to this account. As at 31 December 1996, this new account reflected a balance of \$72.737M while the cash book reflected a 'nil' balance.

125. There is evidence, however, to indicate that the cash book was kept open beyond 2 January 1997 which was the date stipulated by Treasury Circular No. 4/96 regarding the closure of the Country's Accounts. For instance, an amount of \$27.518M was paid over to the Consolidated Fund on 13 March 1997 and was taken into account in arriving at the 'nil' balance in the cash book. In addition, further checks revealed that 255 payments totalling \$57.633M were made after the close of the financial year and were charged to the Appropriation Account. It is evident that there has not only been non-compliance with the Treasury Circular but is also a breach of Section 36 the Financial Administration and Audit Act which states as follows:-

"The authority for expenditure conferred by an Appropriation Act in respect of services during any financial year shall lapse after the close of that year and except as otherwise provided in this Act, unexpended balances of any moneys issued from the Consolidated Fund shall be surrendered to the Consolidated Fund".

126. Purchases within the limits of \$180,000 and \$600,000 require a system of competitive bidding and adjudication by the Departmental Tender Board. However, of the eighteen(18) purchases falling within these limits, eight(8) purchases valued at \$2.693M were not adjudicated by the Departmental Tender Board. There was also one(1) purchase falling within the limits of \$600,000 and \$6M and which would have required adjudication by the Central Tender Board. However, adjudication was done by the Departmental Tender Board. Efforts should be made to ensure strict compliance with the Tender Board Regulations.

127. In addition, up to the time of reporting, goods to the value of \$145,000 had not been supplied in relation to the latter purchase. A similar observation was made in respect of another purchase where goods valued at \$227,240 had not been supplied. The Accounting Officer has since written the Director of Public Prosecution with a view to instituting legal proceedings against the two(2) suppliers.

128. Amounts totalling \$9.956M were expended on fuel and lubricants. However, log books for the following vehicles were not produced for audit examination:-

VEHICLE NO.	ASSIGNED TO	VEHICLE NO.	ASSIGNED TO
PDD 6729	PSM	PDD 1921	PSM
PDD 4207	Administration		PFF 3811
PCC 9230	-do-	PDD 1940	GIS
PBB 5413	GIS	PDD 932	GIS

In the circumstances, it could not be determined whether there was effective control over the use of these vehicles. In addition, an examination of the log books presented revealed that they were not properly maintained. For example, there were no signatures of the authorizing officers and entries were not made in respect of fuel and lubricants used.

129. The sum of \$64.086M was expended on Education Subvention, Grants etc., of which amounts totalling \$35.517M relate to the payment of tuition fees and other expenses for students pursuing studies overseas. The following is a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Tuition fees etc. for overseas students	35,517
UG Law and Medical Programmes	18,475
Regional Education Programme for Animal Health Assistants	4,970
PSM Career Training Programme	1,550
Guyana School of Agriculture	322
National Data Management Authority	354
Seminars	302
Others	2,596

TOTAL	64,086
	=====

130. An examination of the files kept at the Public Service Management revealed that seven(7) students pursuing studies in Brazil and for whom payments totalling \$24.459M were made in 1996, had not returned to Guyana at the end of their studies. Evidence was seen that the students were written to and were given deadlines to return home. However, up to the time of reporting, they had not done so.

131. Amounts totalling \$217.967M were expended on subsidies and contributions to local and international organisations, as follows:-

NAME OF ORGANISATION	AMOUNT
-----	-----
	\$'000
Guyana Television and Broadcasting Company	46,852
Guyana Natural Resources Agency	39,426
Institute of Applied Science and Technology	12,315
National Data Management Authority	10,894
Guyana Management Institute	24,671
Environmental Unit	4,106
Guyana Information Service	11,999
Castellani Committee	9,518
Expenses relating to Presidential Guard	50,104
Expenses relating to Joint Services Operations	4,510
Contributions to International Organisations	3,572

TOTAL	217,967
	=====

132. The Guyana Television and Broadcasting Company Ltd (GTV) was incorporated on 24 June 1993, and in accordance with the Companies Act, it is required to have its own books of accounts and to produce annual financial statements duly audited by a Chartered Accounting Firm. GTV being a State-owned entity, the audit responsibility is vested in the Audit Office. The accounts for the years 1993 to 1995 were audited and the related opinions issued in June 1997. However, up to the time of reporting, they had not been laid before the National Assembly, as required by Section 33(2) of the Financial Administration and Audit Act. In addition, financial statements for the period under review were not submitted for audit.

133. The Guyana Natural Resources Agency (GNRA) was established by Order No. 37 of 1986. The last set of audited accounts was in respect of 1995. Financial statements for 1996 have been received, and up to the time of reporting, the audit was in progress. The audited accounts of GNRA are also required to be laid in the National Assembly.

134. The Institute of Applied Sciences and Technology (IAST) was established by the National Science Research Council Act No. 26 of 1974 and is subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1982, and therefore the Institute was fourteen(14) years in arrears in terms of financial reporting. The amount of \$12.315M was, however, verified as having been received by IAST, but in the absence of audited accounts, it could not be determined the amount of \$12.315M shown as subvention was properly expended.

135. The National Data Management Authority was established by Order No. 9 of 1983 and is subject to separate financial reporting and audit. The last set of audited financial statements was in respect of 1993. Financial statements for the years 1994-1996 were, however, submitted for audit examination and at the time of this report the audits were in progress. The amount of \$10.894M was verified as having been received by the Authority.

136. Guyana Management Institute was established by Act No. 8 of 1983 and is subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1989. No financial statements for the years 1990-1996 were submitted for audit and therefore is in arrears in terms of financial reporting for seven(7) years. The amount \$24.671M was, however, verified as having been received by the Institute but in the absence of audited accounts, it could not be determined whether this amount was properly expended.

137. An examination of the records of GMI revealed that sums totalling \$7.639M were expended for the payment of salaries and allowances to industrial relations officers attached to the Ministry of Labour. This expenditure cannot be regarded as a proper charge to GMI, and it would have been more appropriate for such expenditure to be met out of the voted provision of that Ministry.

138. The Environmental Unit, Guyana Information Service, the Castellani Committee and expenses connected with the Presidential Guard and Joint Services Operations are part of Central Government activities and therefore there is no requirement to have separate financial reporting and audit. The audit of the Office of the President included an examination of the transactions relating to these areas.

Stores and Other Public Property

139. The following unsatisfactory features were observed in relation to storekeeping and stores accounting:-

- . A physical count of a sample of 29 items, revealed shortages in respect of 4. It was explained that these shortages resulted from issues being made without internal stores requisitions (ISR's). When this matter was brought to the attention of the Storekeeper, covering requisitions were issued. However, this is a serious breach of storekeeping which should not be allowed to recur; and
- . A quantity of unserviceable items were also found in the store. Efforts should be made to dispose of these items in the approved manner.

Other Matters

140. The Imprest Bank Account No. 935, which became non-operational in May 1996, was overdrawn by \$148,167 as at 31 December 1996, compared with an overdraft of \$317,387 at the end of 1995. The overdraft should be investigated with a view to clearing it.

141. Another imprest account No. 934, which became non-operational in June 1996, reflected a balance of \$121,588 as at 31 December 1996. This balance was due to erroneous deposits being made, and evidence was seen that the Bank was written to with a view to effecting the necessary corrections.

Capital Expenditure

Subhead 12002 - Office and Residence of the President

142. An amount of \$25M was voted for the rehabilitation and extension of a number of buildings, including the Presidential Complex and State House, of which sums totalling \$7.414M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Presidential Complex	3,756
Joint Intelligence Operations	2,642
Bedford House	852
Public Service Management Building	164

TOTAL	7,414
	=====

143. The following contracts were awarded to the same contractor for various works relating to the Joint Intelligence Operations:-

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$'000
24/04	41/96	Rehabilitation of Building	482
06/06	63/96	-do- -do-	765
22/07	85/96	Construction of concrete drains	207
21/11	174/96	Rehabilitation of Guard Room	606
25/11	175/96	Construction of steel roof to container	582

TOTAL			2,642
			=====

It was explained that because of the nature of the Office, a system of selective tendering was adopted in the award of these contracts.

Subhead 17001 - Minor Works

144. The sum of \$15M was allocated to finance small ventures which are critical and essential to development. Amounts totalling

\$14.998M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Guyana prize for Literature	5,000
GDF flag raising ceremony, law enforcement operations etc.	1,476
GNS Pioneer Programme	1,773
Donations to Nursery & community high schools	2,255
Purchase of A/c units for National Cultural Centre	1,683
Others	2,811

TOTAL	14,998
	=====

145. In my 1995 Report, mention was made of an amount of \$4.134M which was paid over to the Deposits Fund at the end of the year instead of the Consolidated Fund. Of this amount, sums totalling \$1.835M were expended in 1996 on Minor Works, leaving a balance of \$3.299M which should be transferred to the Consolidated Fund.

Subhead 24002 - Land Transport

146. The sum of \$7.5M was voted for the purchase of three(3) vehicles, of which amounts totalling \$7.414M were expended. The vehicles purchased were inventorised and properly brought to account.

Subhead 25001 - Purchase of Equipment

147. The sum of \$2M was voted for the purchase of typewriters, telephone system, fax machine, photocopier and furniture, of which amounts totalling \$1.974M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Purchase of Furniture	833
Two(2) computers & one(1) printer	775
Two(2) typewriters	185
Two(2) refrigerators	181

TOTAL	1,974

=====

The items purchased were verified as having been received and properly brought to account.

Subhead 34004 - Public Administration Project

148. The sum of \$466.8M was voted for the procurement of equipment and vehicles and the provision of consultancy services. The full was expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Vehicles and equipment:	
Customs and Excise	2,761
Ministry of Health	2,070
Ministry of Labour	843
Civil Aviation Department	119,495
Ministry of Home Affairs	10,312
Police	32,062
Guyana Defence Force	7,543
Project Coordinating Unit	630
Prisons Service	5,546
Ministry of Public Works	12,608
National Assembly	8,982
Regions 1 - 10	194,519
Ministry of Education	2,530
Ministry of Local Government	86
Inland Revenue Department	4,733
Guyana Fire Service	5,040
Public Service Management	15,333

	425,093
Consultancy services	41,707

TOTAL	466,800
	=====

149. The Public Administration Project is a World Bank funded project and is subject to separate financial reporting and audit. The last set of audited financial statements was in respect of 1996, and the related report and opinion were issued on 2 September 1997.

Guyana Natural Resources Agency (GNRA)

Subhead 12003 - Buildings

150. The sum of \$2M was voted for the renovation of the GNRA building. The full amount was shown as having been expended. However, the Votes Ledger kept by GNRA showed expenditure totalling \$2.134M. The difference of \$134,000 was met from revenue.

Subhead 26002 - Other Equipment

151. The sum of \$878,000 was allocated for the purchase of five(5) airconditioning units and one(1) compressor, of which amounts totalling \$679,000 were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 33001 - Hydropower Division

152. In 1995, an amount of \$30M (\$20M being contribution from China) was provided for the construction of a mini hydroelectric station at Moco Moco, of which only \$4.412M was expended in the construction of two(2) bridges. Because of the flooding in the area, physical verification of the bridges could not have been carried out.

153. In 1996, the sum of \$15M was voted for the construction of the same mini hydroelectric station. However, only \$950,000 was expended for feasibility studies and boarding and lodging. It was explained that the delay in the execution of this project was due to the late signing of the contract with the Government of China.

Subhead 35003 - Forestry Studies

154. The sum of \$5.511M was voted for support to the Forestry Certificate Course, of which amounts totalling \$2.322M were expended. The programme was executed by the Guyana Natural Resources Agency. The following is a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Consultancy Services	878
Contribution to Forestry Programme	399
Maintenance of Vehicle	297
Honorarium	240
Maintenance of Equipment	102
Miscellaneous	406

TOTAL

2,322
=====

HEAD 2 & DIVISION 501

GUYANA DEFENCE FORCE

Current Expenditure

Employment Costs

155. The salaries bank account reflected a balance of \$15.455M as at 31 December 1996 while the cash book balance as at this date was \$3.221M. However, at the time of reporting, the account was only reconciled to December 1994. In addition, an examination of the reconciliation statement showed several items remaining uncleared for considerable period of time. The importance of prompt reconciliation of bank accounts cannot be over-emphasised, and as such every effort should be made to do so and to take action based on the results of such reconciliation.

156. The Unpaid Salaries Account reflected a balance of \$9.421M as at 31 December 1996, resulting from the accumulation of unclaimed salaries over the years. In addition, although this account was reconciled to December 1996, there were also several items remaining uncleared for a considerable period of time without evidence of any action taken to investigate them.

157. In my 1995 Report, mention was made of an unpaid liability of \$14.690M at the end of 1995 to the Unpaid Salaries Account resulting from the irregular use of this account to meet other appropriation account expenses. Up to the time of reporting, this matter was still engaging the attention of the Chief of Staff.

Other Charges

158. The sum of \$67.170M was shown as having been expended for the purchase of Materials, Equipment & Supplies for 1996. Included in this figure, however, were amounts totalling \$42.679M representing purchases which were made in 1995 but paid for in 1996. Actual expenditure for the period under review was therefore \$24.491M,

compared with amounts totalling \$118.887M expended in 1995, giving a reduction of \$94.396M in expenditure under this subhead.

159. The Tender Board Regulations provide for the following authority limits in respect of purchases:-

AUTHORITY LIMITS	ADJUDICATED BY
-----	-----
Below \$90,000	Accounting Officer without quotations.
\$90,000 - \$180,000	Accounting Officer with quotations.
\$180,000 - \$600,000	Departmental Tender Board.
\$600,000 - \$6,000,000	Central Tender Board with approval of Minister of the Finance.
Exceeding \$6,000,000	Central Tender Board with Cabinet approval.

160. An analysis of the actual purchases of Materials, Equipment & Supplies made in 1996 under the various authority limits is shown below:-

AUTHORITY LIMITS	NO. OF ORDERS	AMOUNT
-----	-----	-----
		\$
Below \$90,000	34	7,712,368
\$90,000 - \$180,000	10	3,839,745
\$180,000 - \$600,000	70	33,866,093
\$600,000 - \$6,000,000	6	21,752,217
Exceeding \$6,000,000	-	-
	---	-----
TOTAL	120	67,170,423
	===	=====

161. In respect of the purchases falling within the limits of \$90,000 and \$180,000, there was no evidence that a system of quotations was followed before the purchases were effected. There was also no evidence of the involvement of the Central Tender Board in respect of three(3) overseas purchases totalling \$5.224M.

162. The Stores Regulations provide for the use of prenumbered and preprinted goods received notes (GRN's) to be prepared in quadruplicate to evidence receipt of goods. Issues are then made on the strength of duly authorised stores requisitions (ISR's) which are also prenumbered and preprinted. However, these procedures were not followed in that stencilled receiving and issue forms were being used. In addition, only one copy was prepared and was numbered only at the time of use. These matters were drawn to attention in my 1995 Report, and despite this, there was no evidence of action taken to remedy these deficiencies. The Accounting Officer is therefore urged to take urgent steps to enforce these requirements of the Stores Regulations since failure to do so can lead to irregularities.

163. Amounts totalling \$44.576M were expended on fuel and lubricants as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Gasolene and dieselene	17,408,712
Ava gas for aircraft	5,397,835
Cooking and welding gas	16,391,819
Charcoal	2,554,389
Lubricants	2,823,320

TOTAL	44,573,075 =====

However, of the forty-five(45) vehicles which were based at Camp Ayangana, log books for only ten(10) vehicles were presented for audit examination. In the circumstances, it could not be determined whether there was proper accountability for fuel and lubricants shown as having been consumed, since entries in the log books were used as the authority for issues instead of internal stores requisitions (ISR's). It is recommended that the use of ISR's be extended to the issue of fuel and lubricants in keeping with the requirements of the Stores Regulations.

164. Included in the amount of \$16.392M shown as expenditure on cooking and welding gas, were sums totalling \$561,600 representing the cost of rental for 138 cylinders. However, only 24 cylinders could be located. This matter was drawn to attention in my 1995 Report as a result of which representatives of the Army met with the Supplier. The Accounting Officer has since advised that the supplier has agreed to waiver the rental charges relating to the cylinders in question.

165. The sum of \$40.123M was expended on the Rental & Maintenance of Buildings. Included in this figure were unpaid liabilities totalling \$10.367M relating to 1995 which were discharged in 1996. Therefore, actual expenditure in 1996 was \$29.756M, compared with an amount of \$37.166M expended in 1995, inclusive of the liabilities mentioned.

166. An analysis of the expenditure under this subhead, revealed four(4) instances of purchases falling within the limits of \$180,000 and \$600,000 which were effected without adjudication by the Departmental Tender Board. These purchases were made on the sole authority of the Accounting Officer and without adherence of system of quotations.

167. The sum of \$13.612M was expended on the maintenance of

infrastructure. Included in this figure were unpaid liabilities totalling \$741,596 which relates to 1995. An analysis of this expenditure revealed the following:-

- (a) Seventeen(17) contracts falling within the limits of \$180,000 and \$450,000 were executed for various maintenance works. However, there was no evidence that a system of quotations was followed before the contracts were awarded;
- (b) There was no evidence of the involvement of the Departmental Tender Board in respect of one(1) contract falling within the limits of \$450,000 and \$900,000 nor was there evidence that a system of competitive bidding was followed before the contract was awarded; and
- (c) One(1) contract was awarded in the sum of \$1.046M for repairs to bridge without the involvement of the Central Tender Board, nor was there evidence the proposed work was advertised. In the circumstances, it could not be determined on what basis the contractor was selected.

168. An amount of \$12.5M was shown as having been expended on electricity charges. Included in this figure were sums totalling \$9.746M representing electricity charges for 1995, and as at 31 December 1996 amounts totalling \$5.952M were owing to the Electricity Corporation. Therefore, actual consumption of electricity for 1996 was \$8.706M compared with \$12.5M shown as expenditure in the Appropriation Account.

169. Amounts totalling \$50.685M were expended on Transport, Travel and Postage. Included in this expenditure were sums totalling \$19.153M representing the hire of vehicles, compared with \$23.8M expended in 1995. While it is accepted that a certain amount of hire of vehicles might be necessary for security reasons, in view of the significant amount involved, the extent to which vehicles are hired should be reviewed with a view to effecting cost savings. This matter was drawn to attention in my 1995 Report, and despite this that such a review was carried out.

170. The sum of \$31.752M was expended on Other Services Purchased. Included in this figure were unpaid liabilities \$11.615M relating to 1995. Therefore actual expenditure in 1996 under this subhead was \$20.337M compared with \$37.812M expended in 1995 inclusive of the liabilities mention. An analysis of the actual expenditure incurred in 1996, however, revealed four(4) instances where contracts falling within the limits of \$180,000 and \$450,000 were awarded without adherence to a system of quotations.

171. The sum of \$436.161M was expended under Subhead 314 - Other, mainly for the supply of rations, clothing etc. for the Army. Included in this figure were outstanding liabilities totalling \$86.832M relating to 1995. Therefore, actual expenditure in 1996 was \$349.329M compared with \$494.680M expended in 1995 inclusive of liabilities totalling \$134.620M, giving a reduction of \$145.351M in expenditure under this subhead.

Revenue Accounting and Control

172. It was previously reported that the amount of US\$97,664 equivalent to G\$13.673M was retained from the proceeds from the sale of a Beechcraft aircraft as fees for services rendered by the company that acted as agents for the Force on the matter. The State Solicitor's Office was requested to review this matter with a view to arriving at a more equitable sum to be retained by the company. The agreement of sale and the agency agreement between the Army and the Agent had not been presented for inspection and up to the time of this report this matter had not been settled.

Other Matters

173. Revenue derived from the commercial operations of the Guyana Defence Force aircrafts was used to defray expenses in connection with the aircraft operations. Such revenue should have been paid over to the Consolidated Fund, as required by Section 17 of the Financial Administration and Audit Act. Therefore, the retention of the revenue is a breach of the law. In addition, the incurrence of expenditure out of the revenue derived is a circumvention of Parliamentary approval to incur expenditure. This matter was drawn to attention in my 1995 Report, and despite this, there was no evidence that attempts were made to comply with the requirements of the Law.

174. The GDF had two helicopters and an islander which were used for charter services. The local proceeds were banked in the Force's Central Bank Account No. 0203004143 kept at GNCB. An examination of the records revealed that total receipts for 1996 were \$34.733M while payments totalled \$31.688M.

175. The foreign currency earned was being banked in a foreign currency A/c No. F/C 011. However, in 1995, amounts totalling US\$196,770, equivalent to G\$27.548M, representing proceeds from charter were not paid into this account. The charterer was instead instructed by letters dated 26/9/95 and 13/11/95 to pay over these sums to five(5) overseas suppliers of aircraft spares. Confirmation had not been received from one(1) supplier in relation to payments to him totalling US\$92,338 equivalent to G\$12.927M. At the time of reporting, it is understood that this matter was engaging the attention of the Director of Public Prosecution.

Capital Expenditure

Subhead 12001 - Buildings

176. The sum of \$30M was voted for the construction of accommodation, office complex and revetment at Ruimveldt and the rehabilitation of the Mess Hall Building at Camp Ayangana. Amounts totalling \$35.225M were expended, giving an excess expenditure of \$5.225M. This excess expenditure was covered by an advance from the Contingencies Fund in the sum of \$27.097M covering subheads 12001, 28007 and 51003. The following is a breakdown of the expenditure of \$35.225M:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Rehabilitation of Medex Quarters at Timehri	3,290
" of flat at Timehri	1,701
" of buildings at Camp Stephenson	808
Construction of guard hut & fence at Camp Ayangana	1,058

	6,857
Discharge of 1995 outstanding liabilities	28,368

TOTAL	35,225
	=====

177. As can be noted, the office complex and the revetment at Ruimveldt were not constructed nor was the Mess Hall at Camp Ayangana rehabilitated. In addition, the sum of \$28.368M was utilised to discharge outstanding liabilities in 1995. The liabilities were the subject of adverse comments in my 1995 Report.

178. In relation to the rehabilitation of the Medex Quarters at Timehri, evidence was seen of a recommendation being made to the Central Tender Board for a waiver of the tendering procedures because of the urgency of the proposed works. However, no approval was seen from the Central Tender Board. In any event, the competent authority for the grant of such a waiver is the Secretary to the Treasury. A similar observation was made in respect of the flat at Timehri. The rehabilitations works were, however, physically verified.

Subhead 28001 - Pure Water Supply

179. The sum of \$4M was allocated for the rehabilitation of water mains and booster pumps at all bases, of which amounts totalling \$3.999M were expended on the purchase of the following which were verified as having been received and properly brought to account:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Purchase of lighting plant for Camp Soweyo	631
" " building materials	1,573
" " PVC pipes etc.	670
" " one(1) HP Kurata Water Pump	630
" " six(6) water tanks	78
Purchase and installation of three(3) water pumps	417

TOTAL	3,999
	=====

Subhead 28007 - Agricultural Development

180. The sum of \$8M was voted was allocated for the purchase of refrigeration equipment, milking containers and the rehabilitation of farm buildings. Amounts totalling \$10.329M were expended. The difference of \$2.329M was funded from the advance from the Contingencies Fund mentioned at Paragraph 180 above. The following is a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Purchase of one(1) milking machine	390
" of building materials	3,506
" of four(4) cows	222

Discharge of 1995 unpaid liabilities	4,118
	6,211

TOTAL	10,329
	=====

The items purchased were verified as having been received and properly brought to account.

Subhead 51001 - Drugs Surveillance

181. The sum of \$5M was allocated for the purchase of equipment

for drugs surveillance, the full amount of which was expended. The items purchased were verified as having been received and properly accounted for.

Subhead 51003 - Equipment

182. The sum of \$20M was voted for the purchase of machinery and equipment for army locations. Amounts totalling \$38.756M were expended. The difference of \$18.756M was funded from the advance from the Contingencies Fund mentioned at Paragraph 180 above. The following is a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$'000
Purchase of three(3) Nissan Pick-Up	6,600
" " one(1) telephone system	6,000
" " thirteen(13) computers & accessories	5,632
" " one(1) BN Highlander engine	4,907
" " one(1) outboard motor	1,420
" " one(1) transceiver set & accessories	1,729
" " two(2) generators	2,858
" " six(6) A/c units	1,043
" " one(1) fibre glass boat	811
" " four(4) water pumps	871
Miscellaneous purchases	1,875

	34,179
Discharge of 1995 unpaid liabilities	4,577

TOTAL	38,756
	=====

183. There was, however, no evidence that five(5) of the above purchases were adjudicated by the Central Tender Board. The Accounting Officer explained that these purchases were made from sole suppliers and that the Secretary to the Treasury and the Accountant General had advised that it was not necessary for the Central Tender Board to be involved. The Audit Office is, however,

of the view that the Central Tender Board should have approved of these purchases in keeping with the authority limits as contained in the Tender Board regulations. The items purchased were verified as having been received and properly brought to account.

HEAD 3 & DIVISION 501

GUYANA NATIONAL SERVICE

Current Expenditure

184. The salaries bank account No. 203007473, which became non-operational in May 1996, was overdrawn by \$999 as at 31 December 1996. The cash book as at this date, according to the bank reconciliation statement, also reflected a negative balance of \$1.297M instead of a 'nil' balance. This state of affairs was mainly due to three(3) cheques valued at \$1.4M which were fraudulently drawn and encashed in 1993.

185. The Accounting Officer had explained that the perpetrator was charged by the Police and was convicted and imprisoned and that the treatment of the loss was being dealt with at the level of the Office of the President. The Accounting Officer has since advised that the matter was engaging the attention of the Attorney General's Office. It is recommended that a losses report be filed with the Secretary to the Treasury with a view to writing off of the loss.

186. Although this account was reconciled to December 1996, several items shown in the reconciliation statement had been coming forward for a considerable period of time. The Accounting Officer has given the assurance that efforts would be made to investigate these items.

187. A new salaries bank account No. 2030007754 was established in June 1996. However, the cash book reflected positive balances at the end of each month instead of 'nil' balances, as shown below:-

MONTH -----	AMOUNT -----	MONTH -----	AMOUNT -----
	\$		\$
June	2,387,956	October	1,035,461
July	567,380	November	1,105,455
August	1,335,446	December	822,488

September

876,672

These balances resulted from the delay in paying over deductions to the relevant agencies as well as refunds of unpaid salaries. For control purposes, it is necessary for all payments in respect of salaries to be paid before the end of the month, and every effort should therefore be made to comply with this requirement. It is also recommended that all unclaimed salaries be paid over to the Main Bank Account operated by the Sub-Treasury.

188. At the time of the audit in January 1997, the Register of contributors to the National Insurance Scheme was not updated for the period under review. This records has, however, since been brought up-to-date.

189. Purchases falling within the limits of \$90,000 and \$180,000 require a system of quotations to be followed before they are effected. However, five(5) instances were noted where there was non-compliance with this requirement. The Accounting Officer explained that this was an oversight.

190. A physical verification of a sample of twenty-seven(27) stock items in May 1997 revealed discrepancies in respect of sixteen(16) items when comparison was made with the related stock records. These discrepancies should be investigated.

Capital Expenditure

Subhead 51002 - Guyana National Service

191. The sum of \$6M was voted for the acquisition of training aids for the New Opportunity Corps, Kuru Kuru, Sophia, Cove and John and Smyth Street, and library books for all locations. Amounts totalling \$5.972M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Purchase of building materials	3,916
Training aids	1,197
Purchase of spares for generator	409
Miscellaneous purchases	450

TOTAL	5,972
	=====

192. In accordance with the Tender Board Regulations, purchases falling within the limits of \$180,000 and \$600,000 require competitive bidding and adjudication by the Departmental Tender Board. However, these procedures were not followed in respect of

the following purchases:-

DATE	PV NO.	PARTICULARS	AMOUNT
30/05	443	Purchase of engine for DFD 1088	\$360,000
03/06	784	Purchase of lumber	585,000
05/06	796	-do- -do-	450,750
TOTAL			1,395,750

Efforts should be made to ensure strict compliance with the Regulations.

HEAD 4

OFFICE OF THE PRIME MINISTER

193. Excess expenditure totalling \$28,000 was incurred under Subhead 307 - Transport, Travel & Postage. Since there were overall savings of \$55,000 under Other Charges, it would have been more appropriate for a virement of funds to have been sought to accommodate the excess expenditure.

HEAD 5 & DIVISION 505

PARLIAMENT OFFICE

194. It is requirement for annual returns of employees' earnings (Form II Returns) to be submitted to the Inland Revenue Department not later than the end of February of the following year. However, at the time of the audit in April 1997, the Department's Form II Return was not prepared and submitted to the IRD.

195. The sum of \$4M was voted for the installation of equipment and the construction of library facilities, of which amounts totalling \$3.307M were expended on the rehabilitation of the Library. The contract was awarded in the sum of \$2.922M. However, a variation was approved in the sum of \$1.388M by the Central Tender Board, giving a revised contract sum of \$4.310M. The amount of \$3.307M shown as expenditure represented the value of work completed to the end of 1996. The rehabilitation work was rebudgeted for in 1997, and the difference was met out of the 1997 voted provision. The work was physically verified.

HEAD 6 & DIVISION 505

OFFICE OF THE AUDITOR GENERAL

Current Expenditure

196. The Salaries Bank Account No. 461, which became non-operational in May 1996, was not reconciled for the period August to December 1996 and reflected a balance of \$317,227 as at 31 December 1996. It is recommended that until such time that a decision is taken to close the account, monthly reconciliations should be effected.

197. An examination of the reconciliation statement for July 1996 revealed the following unsatisfactory features:-

- (a) Seventy-three(74) cheques totalling \$434,815 were stale-dated and had been coming forward since 1995 and earlier years. Efforts should be made to locate the payees, failing which the cheques should be cancelled and refund made to the Accountant General; and
- (b) There were several unidentified items in the bank reconciliation statement which have been coming forward for a considerable period of time. Evidence was seen where the Accounting Officer wrote the Bank with a view to effecting the necessary adjustments. However, up to the time of reporting, the Bank had not responded. Renewed efforts should therefore be made to follow up this matter with the Bank;

Capital Expenditure

Subhead 12001 - Building

198. The sum of \$7M was voted for modification of the Head Office building to accommodate computers, of which amounts totalling \$6.424M were expended. The contract was awarded by the Central Tender Board in August 1996, and the work was supervised by the Ayangana Consultants Ltd, a state-owned company. The building was completed in February 1997 at a total cost of \$7.368M. The difference of \$944,191 was met out of the voted provision for 1997.

Subhead 25001 - Office Equipment & Furniture

199. The sum of \$1.8M was voted for the purchase of equipment and furniture, of which amounts totalling \$1.106M were expended. The items were verified as having been received and properly brought to account.

Subhead 44001 - Institutional Strengthening

200. An amount of \$40.994M was allocated for (a) the provision of vehicles, training equipment and computer facilities and (b) technical assistance in auditing and computer operations. Sums totalling \$34.886M were shown as having been expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$'000 \$'000
IDB/UNDP Technical Assistance:	
Consultancy	5,709
One(1) Nissan Pathfinder	3,115
Local & overseas training	2,777
One(1) Nissan Sentra Motor Vehicle	2,163
Computer printer & accessories	1,299
Other	1,290

	16,353
European Union Technical Assistance:	
Local area computer network	13,968
Consultancy	1,060
Training & Other	3,505

	18,533

TOTAL	34,886
	=====

The items purchased were verified as having been received and properly brought to account.

HEAD 8 & DIVISION 505

PUBLIC AND POLICE SERVICE COMMISSIONS

201. The Salaries Bank Account No. 463, which became non-operational in May 1996, was overdrawn by \$51,080 as at 31 December 1996. Efforts should be made to investigate this overdraft.

202. The sum of \$500,000 was provided for the purchase of equipment, of which amounts totalling \$354,000 were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Two(2) airconditioning units	204,000

One(1) refrigerator	48,300
Ten(10) fans	43,500
Miscellaneous	58,200

TOTAL	354,000
	=====

203. In relation to the purchase of the airconditioning units, there was no evidence of a system of quotations being followed and adjudication by the Departmental Tender Board, as required by Tender Board Regulations. Efforts should be made to ensure strict compliance with these Regulations.

HEAD 9

TEACHING SERVICE COMMISSION

204. The salaries bank account No. 622, which became non-operational in June 1996, was overdrawn by \$646,000 as at 31 December 1996 and was last reconciled to 1981. Efforts should be made to investigate the overdraft with a view to clearing it.

205. A new account No. 3065 was opened in July 1996 in accordance with a Ministry of Finance Circular No. 6/96. However, the Cash Book was not cast and balanced, and as a result the account was not reconciled. It should be pointed out that the main purpose of opening of new bank accounts is to avoid the problems associated with the previous bank accounts and to start from a clean position. Unless urgent action is therefore taken to ensure that the cash book is properly maintained and the bank account is promptly reconciled, there is danger that the problems associated with the previous account will be repeated.

HEAD 10 & DIVISION 505

PUBLIC PROSECUTIONS

206. The Salaries Bank Account No. 456 and the Imprest Bank Account No. 126 were not reconciled for the period under review. The failure to reconcile bank accounts can lead to irregularities being perpetrated without detection. Every effort should therefore be made to have the reconciliation of these account brought up-to-date. In addition, the salaries bank account was overdrawn by \$473,540 as at 31 December 1996. The overdraft should be investigated with a view to clearing it.

207. It should be noted that up to the time of reporting, the Department had not complied with the Ministry of Finance Circular

No. 6/96 to open new bank accounts and for which a satisfactory explanation was not obtained.

208. The sum of \$3.5M was voted for the rehabilitation of building and the purchase of equipment, of which amounts totalling \$3.463M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
One(1) photocopier & duplicating machine	1,238
One(1) computer & installation costs	623
Four(4) typewriters	486
New telephone system	476
One(1) airconditioning unit	103
One (1) fax machine	89
Others	448

TOTAL	3,463
	=====

The items purchased were physically verified. However, they were not reflected in the inventory records. Efforts should be made to inventorise these items as a matter of urgency.

HEAD 12, 21, 23-27 & DIVISION 507

MINISTRY OF HOME AFFAIRS

Current Expenditure

Employment Costs

209. The Salaries Bank Account No. 508, which became non-operational in June 1996, reflected a balance of \$1.463M as at 31 December 1996. However, there was no evidence that the account was reconciled since January 1995. It should be pointed out that the timely reconciliation of bank accounts is a very important

internal control mechanism since the failure to do so can lead to irregularities being perpetrated without detection.

210. The new Salaries Account No. 3022, which was opened in June 1996 in accordance with Ministry of Finance Circular No. 6/96, reflected a balance of \$3.697M. However, this account was also not reconciled since it became operational. It should be pointed out that the main purpose of the opening of new bank accounts is to avoid the problems associated with the previous bank accounts and to start from a clean position. Unless urgent action is therefore taken to ensure that the new bank account is promptly reconciled, there is danger that the problems associated with the previous account will be repeated. The Accounting Officer, however, contended that reconciliations were done for subsequent periods but up to the time of reporting they could not be located.

211. In respect of Head 21, four(4) instances were noted of overpayment of salaries totalling \$31,083 relating to officers who had left employment. Efforts should be made to recover the amounts involved.

212. According the Unclaimed Salaries Register, amounts totalling \$3.159M were reflected as unclaimed salaries for 1996. However, twenty-two(22) instances totalling \$288,115 were noted where the amounts were not credited to the votes, resulting in an overstatement of expenditure on Employment Costs.

213. In addition, twenty-six(26) instances totalling \$285,928 were noted where unclaimed salaries were refunded into the Main Bank Account but the related entries were not made in the Unclaimed Salaries Register. As a result, the Unclaimed salaries Register was understated by the latter amount. Further, in most cases only the net salaries were refunded, and there was no evidence that action was taken to recover the deductions which were paid over to the relevant agencies. Efforts should be made to recover the amounts involved from the relevant agencies.

214. It is a requirement for the Public Service Management to approve of all overtime work relating to staff on the permanent establishment. However, there was no evidence that this was done although total overtime payments for 1996 amounted to \$531,976. These relate to work done by Head Office staff and staff of the National Registration Center. In addition, the Overtime Register did not indicate the nature of work done, and several instances were noted where payments for overtime work totalling \$171,940 were not supported by paysheets. These matters were drawn to attention in my 1995 Report, and despite this, there was no evidence of any action taken to remedy these deficiencies.

215. Amounts totalling \$34.291M were expended on Benefits & Allowances. The following unsatisfactory features were, however, observed in relation to this expenditure:-

- (a) A payment valued at \$603,305 was made on 16 May 1996 for the purchase of a bank draft for the supply of uniform accessories. However, there was no evidence of adherence to Tender Board procedures nor was there evidence of receipt of goods. A similar situation was observed in relation to payment for the handcuffs valued at \$440,076. These purchases should be investigated by Management; and
- (b) Thirty-six(36) other purchases totalling \$9.918M, and falling within the limits of \$180,000 and \$600,000, were made without adjudication by the Departmental Tender Board nor was there evidence that a system of quotations was followed before the purchases were effected.

Other Charges

216. The Main Bank Account No. 881, which ceased to be operational in June 1996, reflected a balance of \$3.833M as at 31 December 1996. However, it could not be determined when last this account was reconciled.

217. In accordance with the Ministry of Finance Circular No. 6/96, all unspent releases for 1996 as at 31 May 1996 were to be transferred into a new main bank account, and the remaining cash book balance was to have been paid over to the Consolidated Fund. In this regard, an amount of \$62.242M was transferred to the new main bank account leaving a cash book balance of \$2.830M which up to the time of reporting had not been transferred to the Consolidated Fund.

218. The new main bank account No. 3020, which became operational in June 1996, reflected a balance of \$4.988M as at 31 December 1996. The cash book, however, reflected a large balance of \$83.476M as at this date. In addition, this account was not reconciled since it was established, and therefore the comments at Paragraphs 209 and 210 are also applicable.

219. It is a requirement for cheque orders to be cleared within fourteen (14) days of their issue. However, an examination of the Cheque Order Register revealed that orders were being cleared on average three (3) months later. In addition, at the time of the audit in August 1997 two hundred and thirty-seven (237) cheque orders totalling \$88.552M had not been cleared. Forty-five(45) of these valued at \$65.523M relate to purchases and alternative auditing procedures had to be adopted to verify the receipt of the items purchased.

220. Amounts totalling \$24.890M were expended on Materials,

Equipment & Supplies. The following is an analysis of the purchases under the various authority limits:-

AUTHORITY LIMIT	NO. OF PURCHASES	AMOUNT
-----	-----	-----
		\$'000
Below \$90,000	299	8,694
\$90,000 - \$180,000	57	8,110
\$180,000 - \$600,000	31	8,086
	---	-----
TOTAL	387	24,890
	---	-----

221. In relation to the purchases falling within the limits of \$90,000 and \$180,000, there was no evidence of the application of a system of quotations before the purchases were effected. A similar observation was made in relation to purchases falling within the limits of \$180,000 and \$600,000 in that there was no evidence of the involvement of the Departmental Tender Board. There was also evidence of apparent sub-division of purchases to avoid adjudication by the Departmental Tender Board. The following are examples:-

DATE	P.V.NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
09/02	81	2500 lbs. fibre	\$112,500
-do-	82	2500 lbs. fibre	112,500

TOTAL			225,000
			=====
14/02	137	50 cards razor blades, etc.	\$175,000
-do-	138	12 cards razor blades	15,600
-do-	139	138 cards razor blades	179,400

TOTAL			370,000
			=====
14/03	122	One (1) platform scale	\$150,000
-do-	123	Four(4) pan scales	52,000
-do-	162	Three (3) pan scales	39,000

TOTAL			241,000
			=====
08/11	214	1000 lbs. soap powder	\$140,000
-do-	215	2000 cakes soap	100,000

			240,000
			=====
06/12	157	40 gals. bayclin, etc.	\$285,616
-do-	159	40 gals. bayclin, etc.	285,616

			571,232
			=====

222. Amounts totalling \$10.667M were expended on the purchase of fuel and lubricants. In relation to the Election Commission and the National Registration Centre, fuel was purchased on a credit basis from a supplier. However, a reconciliation of the individual charge bills with the monthly billings of the supplier was not done before payments were made. In addition, orders were not raised when fuel was purchased, resulting also in a lack of reconciliation between what was ordered and what was received and paid for.

223. A payment of \$228,000 was made for the supply of 500 gallons of gasoline and 1000 gallons of dieselene for the Fire Department. However, there was no evidence of the receipt of 400 gallons of dieselene valued at \$104,000. This transaction should be investigated by Management.

224. Log books for fourteen(14) vehicles for various departments were not presented for examination. In the circumstances, it could not be determined whether effective control was exercised over the use of these vehicles. In addition, one vehicle assigned to the National Registration Centre was taken to a workshop for repairs in 1995 and up to the time of reporting, the vehicle had not been returned.

225. Amounts totalling \$8.438M were expended on Rental & Maintenance of Buildings. An analysis of this expenditure, however, revealed that a contract valued at \$340,675 was awarded for electrical works at the Police Complaints Authority but there was no evidence of adjudication by the Departmental Tender Board. In addition, the contract was signed by the Confidential Secretary who also certified satisfactory completion of the work, instead of the Superintendent of Works. These breaches should not be allowed to recur.

226. The sum of \$2.828M was expended on the Maintenance of Infrastructure. An analysis of this expenditure, however, revealed that the following purchases were made from the same supplier without adherence to a system of quotations and/or adjudication by the Departmental Tender Board:-

DATE	PV NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----

			\$
14/05	266	22 rolls razor wire	134,420
03/06	3	16 rolls " "	97,600
05/08	49	12 rolls chain link fencing	262,800
26/08	627	41 rolls razor wire	250,510
-do-	628	40 " " "	244,400
26/09	640	25 " " "	152,750
24/10	323	8 rolls chain link fencing	175,200

TOTAL			1,317,680
			=====

227. A quantity of wallaba poles, chain link fencing, galvanised sheets and lumber valued \$337,467 and charged to Head 25 - Fire Protection Service - was put into immediate use instead of being brought to account in the stores and then issued on approved Internal Stores Requisitions. Efforts should be made to ensure strict compliance with the Stores Regulations.

228. Included in the amounts of \$11.004M expended on electricity charges were two(2) advanced payments totalling \$3.087M in respect of the Prisons and the Fire Protection Department. However, there was no evidence of reconciliation between the amount paid and the actual charges for electricity. In addition, five(5) payments totalling \$465,000 were not supported by bills/receipts.

229. Amounts totalling \$ 15.510M were expended on Transport, Travel & Postage. However, two(2) purchases of tyres valued at \$1.041M, which were made from the same supplier on the same date, appeared to have been subdivided to avoid adjudication by the Central Tender Board. In addition, there was no evidence that a system of quotations was followed before the purchases were made nor was there evidence of the involvement of the Departmental Tender Board.

230. The sum of \$1.708M was expended on telephone charges, of which amounts totalling \$323,801 represent overseas telephone charges relating to the Ministry. However, the Telephone Register was not written up to distinguish between overseas telephone calls which were official and those which were private. In the latter case, recoveries would have had to be made from the persons concerned. In addition, telephone registers were not kept at the Prisons, Police Complaints Authority, Fire Department and the General Registrar's Office. This record should be introduced without delay.

231. Amounts totalling \$8.294M were expended on Other Services Purchased. Included in this figure were seven(7) payments totalling \$556,177 in respect of the purchase of stationery and office supplies for the Elections Commission which were incorrectly charged to this subhead. Had the correct charge been made, the voted provision under Materials, Equipment & Supplies

would have been exceeded by \$528,000.

232. The sum of \$380.732M was expended under Subhead 314 - Other, of which amounts totalling \$314.990M relate to the National Registration Centre while \$54.767M relates to dietary items and other miscellaneous expenditure for the Prisons Department. The following unsatisfactory features were, however, observed in relation to the expenditure under this subhead:-

- (a) An analysis of purchases under the various authority limits in respect of the National Registration Centre is shown below:-

AUTHORITY LIMITS	NO. OF PURCHASES	TOTAL
-----	-----	-----
		\$'000
Below \$90,000	343	14,048
\$90,000 - \$180,000	235	32,200
\$180,000 - \$600,000	8	8,488
\$600,000 - \$6M	5	7,270
	---	-----
TOTAL	591	62,006
	---	=====

In respect of purchases falling within the limits of \$90,000 and \$180,000, there was no evidence that a system of quotation was followed before the purchases were effected. In relation to those falling within the limits of \$180,000 and \$600,000, there was also no evidence of adjudication by Departmental Tender Board for six(6) purchases totalling \$3.389M nor was there evidence of the application of a system of quotations. Further, of the five(5) purchases falling within the limits of \$600,000 and \$6M, only one(1) purchase was adjudicated by the Central Tender Board;

- (b) Summarised below are one hundred and sixty(160) payments totalling \$37.388M for which supporting bills/receipts were not attached to the vouchers to support payments:-

HEAD OF CHARGE	NO. OF PAYMENTS	AMOUNT
-----	-----	-----
		\$'000
23 - Prisons	16	1,628
26 - National Registration Centre	144	35,760
	---	-----
TOTAL	162	37,388
	---	=====

The majority of payments relate to purchases and alternative auditing procedures had to be adopted to verify the receipt of the items. Notwithstanding this, it is important for all payments to be supported by adequate documentation and as

such every effort should be made to ensure that all bills and receipts are attached to the related payment vouchers;

- (c) Seven (7) payments totalling \$400,000 relating to the rental of buildings for which provision was made under Head 26 - National Registration Centre, Subhead 304 were instead charged to Subhead 314 - Other. Had the correct charge been made the provision would have been exceeded by \$366,000; and
- (d) Sixteen (16) payments totalling \$793,058 relating to the purchase of stationery, newspapers and magazines were incorrectly charged to Head 26, National Registration Centre, Subhead 314 - Other. Of this amount, \$175,193 represents the purchase of newspapers and magazines which should have been charged to Head 21, Subhead - 302. The remaining amount of \$617,865 should have been charged to Head 26, Subhead 302.

Stores and Other Public Property

233. A physical verification of a sample of one hundred (100) items of stock kept at the Ministry of Home Affairs and the National Registration Centre in June, 1997 revealed discrepancies in respect of seventy-six (76) items when comparison was made with the stock records. These discrepancies should be investigated.

Capital Expenditure

Subhead 12001 - Buildings (Prisons)

234. The sum of \$35M was provided for the rehabilitation of prison buildings at Mazaruni, Georgetown, New Amsterdam and Lusignan. Expenditure totalling \$39.210M was incurred as follows:-

DESCRIPTION	AMOUNT
	\$'000
-----	-----
Rehabilitation of Mazaruni Prison	15,028
" " Georgetown Prison	1,218
" " New Amsterdam Prison	2,093
" " Lusignan Prison	12,914
" " Prison Headquarters	134
Purchase of building and other materials	7,823

TOTAL	39,210
	=====

235. The contract for the rehabilitation of the Mazaruni Prison was awarded in the sum of \$7.588M. However, a variation of \$3.592M was approved by Cabinet, giving a revised contract sum of

\$11.180M. The difference of \$3.848M represents payments based on contracts executed in 1995.

236. The amounts of \$1.218M and \$2.093M shown as expenditure on the Georgetown and New Amsterdam prisons respectively represent the purchase of building materials which were used to rehabilitate different sections of the prisons with the help of prison labour. The items purchased were verified as having been received and properly brought to account.

237. The rehabilitation of the Lusignan Prison was executed in two(2) contracts valued at \$10.544M. The difference of \$2.370M represents the purchase of materials which were used to carry out miscellaneous works with the help of prison labour. The works were physically verified.

238. In respect of the purchase of building and other materials valued at \$7.823M, there was no evidence of the involvement of the Central Tender Board in respect of two(2) purchases valued at \$5.316M. The items purchased were, however, verified as having been received and properly brought to account.

Subhead 12002 - Police Stations & Buildings

239. An amount of \$35M was voted for the rehabilitation of Police Station Buildings at Eve Leary, Brickdam, Mora, Imbotero, Timehri, Alberttown, Weldaad, Whim, Orinduik, Kamarang, Sans Souci and Suddie. Amounts totalling \$23.791M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$'000
Rehabilitation of officers' quarters at Eve Leary	11,628
" " Mess Hall/Canteen - Brickdam	222
" " Police Station - Imbotero	3,637
" " " " - Timehri	2,168
" " " " - Weldaad	1,643
Consultancy Services	1,256
Miscellaneous	866

SUB-TOTAL	21,420
Rehabilitation of Police Station - New Amsterdam	668
" " " " - McKenzie	763
" " Admin. Building - New Amsterdam	940

TOTAL	23,791 =====

240. The rehabilitation of Officers' Quarters at Eve Leary was executed in three(3) contracts valued at \$11.075M. The difference

of \$553,000 represents variations on two(2) contracts. The works were physically verified. The rehabilitation work done at the Imbotero Police Station, however, could not have been verified because of the remoteness of the area.

241. All the other rehabilitation works under this subhead were physically verified. However, there was no evidence that approval was granted by the Chief Planning Officer for a change in programme to accommodate the expenditure on the Police Stations at New Amsterdam and Mc.Kenzie. The amount of \$940,000 expended on the Administration Building in New Amsterdam represents final payment based on a contract awarded in 1995.

Subhead 12003 - Fire Ambulances & Stations

242. The sum of \$10M was provided for the rehabilitation of the Central Fire Station, Alberttown, West Ruimveldt and New Amsterdam Fire Stations. The full amount was expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$'000
Rehabilitation of Central Fire Station	7,409
" " West Ruimveldt Fire Station	607
" " New Amsterdam Fire Station	1,546
Consultancy Services & Advertising	438

TOTAL	10,000
	=====

243. The rehabilitation of the Central Fire Station was executed in two(2) main contracts valued at \$6.612M. The difference of \$797,000 represents payments made on five(5) smaller contracts for lacquering, repairs to Radio Room and termite treatment.

244. The amount of \$607,000 shown as expenditure on the West Ruimveldt Fire Station represents final payment on a contract which was awarded in 1995. The rehabilitation works under this Subhead were physically verified. However, no work was done on the Alberttown Fire Station because of the inadequacy of the voted provision. The proposed rehabilitation was rebudgeted for in 1997.

Subhead 17001 - General Registrar's Office

245. The sum of \$2M was voted for the purchase and installation of computers and establishment of security systems at the Registrar's General Office. Amounts totalling \$1.989M were expended. However, the following expenditures do not appear to be of a capital nature and hence should have been charged to the appropriate subheads under Current Expenditure:-

DESCRIPTION	AMOUNT
-------------	--------

-----	-----
	\$'000
Purchase of stationery	92
Purchase of suite material and floor mat	175
Binding & securing registers	1,071
Covering and lacquering suite	76
Employer's contribution to N.I.S.	37

TOTAL	1,451
	=====

Had the correct charge been made, the voted provision under Subheads 302 and 309 would have been exceeded by \$260,000 and \$1.070M respectively.

246. In addition, no expenditure was incurred for the purchase and installation of computers and the establishment of security systems. Instead, the sum expended was utilised in the purchase of other office equipment. However, there was no evidence that approval was granted by the Chief Planning Officer for a change in programme to accommodate the expenditure of \$538,000.

Subhead 24001 - Land & Water Transport (Police)

247. An amount of \$26.8M was provided for the purchase of motor cycles, bicycles, boats and engines for use by the Police Force. The full amount was expended for the purchase of the following vehicles/equipment:-

DESCRIPTION	AMOUNT
-----	-----
Five (5) motor cycles	6,761
Three (3) outboard engines	2,505
One (1) balahoo	120
Fifty-nine (59) life jackets	126
Three (3) station wagons	1,800

SUBTOTAL	11,312
One (1) Hyundai motor car	2,000
One (1) 4 x 4 single pick-up	2,550
One land rover	2,819
One (1) water truck	8,119

	15,488

TOTAL	26,800
	=====

248. As can be noted, amounts totalling \$15.488M were expended on purchases of capital items which were not reflected in the Capital Profile of the Ministry, and there was no evidence that approval was granted from the Chief Planning Officer for a change in programme to accommodate this expenditure. The vehicles/equipment purchased were, however, verified as having been received and properly brought to account.

Subhead 24005 - Land & Water Transport (Prisons)

249. The sum of \$2.4M was voted for the purchase of one (1) vehicle for the Lusignan Prison. Expenditure totalling \$2.393M was incurred in the purchase of the following:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
One (1) Toyota pick-up	1,853
One (1) fibre glass boat and four (4) seats	540

TOTAL	2,393
	=====

There was, however, no evidence that approval was granted by the Chief Planning Officer for a change in programme to accommodate the expenditure on the fibre glass boat. The items purchased were verified as having been received and properly brought to account.

Subhead 25001 - Equipment & Furniture (Police)

250. An amount of \$4M was provided for the purchase of office equipment and furniture for the Police Force. Expenditure totalling \$3.996M was incurred. The items purchased were verified as having been received and properly brought to account.

Subhead 26001 - Equipment (Police)

251. The sum of \$20M was provided for the purchase of communication, traffic, mechanical and other equipment for the Police Force. The full amount was expended in the purchase of the following:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Gymnasium equipment	340
Forensic equipment	955
Police equipment	5,567
Photographic equipment	723
Arms and ammunition	2,000
Generators and fax machine	1,130
Musical equipment	1,922
Communication equipment	4,993
Television set, VCR, microphone	1,007
AC units	1,180
Miscellaneous equipment	183

TOTAL	20,000
	=====

The items purchased were verified as having been received and properly brought to account.

Subhead 26002 - Communication Equipment (Fire)

252. An amount of \$1M was voted for the procurement of mobile and hand-held sets for the Fire Department. The full amount was expended. The items purchased were verified as having been received and properly brought to account.

Subhead 26003 - Tools & Equipment (Fire)

253. The sum of \$3M was provided for the purchase of tools and other equipment for the Fire Department. The full amount was expended. The items purchased were verified as having been received and properly brought to account.

Subhead 26004 - Other Equipment (Prisons)

254. The sum of \$2.3M was voted for the purchase of equipment for the Prison Service, of which amounts totalling \$2.162M were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 26006 - Equipment (Home Affairs)

255. An amount of \$500,000 was voted for the provision of equipment for the Head Office, of which amounts totalling \$496,000 were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 26007 - Office Equipment & Furniture (Fire)

256. The sum of \$1M was provided for the purchase of furniture and equipment for the Fire Department, of which amounts totalling \$997,000 were expended. The items purchased were verified as having been received and properly brought to account.

HEAD 13 & DIVISION 505

PUBLIC UTILITIES COMMISSION

Current Expenditure

257. The emoluments of the Chairman and members of the Commission were being charged directly to the Consolidated Fund and were accounted for in the Statement of Statutory Expenditure instead of the Commission's Appropriation Account. However, the legal authority for this arrangement could not be ascertained.

258. In my 1995 Report, it was mentioned that sums totalling \$7.010M were paid to a consultancy firm for the review of the operations of GT&T, but that a formal contract had not been entered into between the Commission and the firm. During 1996, this situation continued, and amounts of \$4.4M and \$640,000 were paid to the firm under Subheads 309 and 314 respectively without a formal contract.

259. As in 1995, the Accounting Officer acknowledged the observation and explained that the services of the Consulting Firm were requested by the Commission and that the Minister of Trade approved of the recommendation to recruit this firm. He further explained that Firm was engaged on a case by case basis and that the present arrangement was more cost effective.

260. The Imprest bank Account No. 948, which became non-operational in May 1996, reflected an overdraft of \$15,070 as at 31 December 1996. Efforts should be made to investigate the reason(s) for the overdraft and to take steps to liquidate it. At the time of discussion of the draft report, the Accounting Officer has advised that corrective action had since been taken.

261. Included in the expenditure of \$993,000 incurred under Subhead 304 - Rental and Maintenance of Buildings, were amounts totalling \$654,216 representing the purchase of home furnishings for the Chairman's residence. Since the building was being rented as furnished quarters from the Ministry of Works, it would appear improper for the Commission to meet the cost of the furnishings. In addition, purchases of furniture for the Chairman's residence

are expenditure of a capital nature. The charging of these items against current appropriations is therefore inappropriate.

Capital Expenditure

Subhead 25006 - Public Utilities Commission

262. The sum of \$4.5M was voted for the purchase of one(1) vehicle and construction of conference room, of which amounts totalling \$4.309M were expended. Included in the expenditure on the Conference Room were the following four(4) contracts valued at \$1.138M which were awarded to the same individual without adherence to Tender Board procedures:-

DATE ----	CONTRACT NO. -----	DESCRIPTION -----	AMOUNT -----
			\$
10/10	7/96	Construction of boardroom	675,772
22/10	8/96	Minor works to boardroom	178,860
15/11	12/96	Miscellaneous carpentry works to boardroom	47,050
15/11	13/96	Purchase & installation of airconditioning unit	236,000

TOTAL			1,137,682 =====

Had one(1) contract been awarded, this would have required public advertisement and adjudication by the Central Tender Board. However, the contracts were awarded on the sole authority of the Accounting Officer. In the circumstances, it could not be determined on what basis the contractor was selected and whether the prices charged were the most competitive.

263. An inspection of the works revealed that although it was done in accordance with the quantities and specifications stipulated in the contracts, significant damage by termites was observed. As a result, remedial works estimated to cost \$74,000 was being done in 1997. This would tend to suggest that the material used in the works was not properly treated so as to be resistant to termite damage and appeared therefore not of an acceptable quality.

264. Also charged under this subhead were amounts of \$112,597 and \$88,000 expended in purchasing furniture and an airconditioning unit respectively. These items were not included in the Capital Profile of the Commission, and there was no evidence that approval was granted by the Chief Planning Officer for a change in programme to accommodate these expenditures.

265. The Public Utilities Commission was established by the Public Utilities Commission Act No. 26 of 1990. Section 5(2) of that Act states that the Commission shall be a body corporate. This indicates that the Commission is an authority that is legally distinct from the Central Government. The Commission should therefore receive an annual subvention from the Central Government and be subject to separate financial reporting instead of receiving appropriations and accounting for them as a Central Government agency.

HEAD 14 & DIVISION 514

MINISTRY OF LEGAL AFFAIRS

Current Expenditure

Employment Costs

266. In my 1995 Report, mention was made of the salaries bank account No. 468 not being reconciled since 1986. Despite this, there was no evidence of any action being taken to remedy this deficiency. It should be noted that the failure to reconcile bank accounts can lead to irregularities being perpetrated without detection.

267. This account ceased to be operational with effect from October 1996 and a new account No. 3120 was opened in accordance with Ministry of Finance Circular No. 6/96. However, at the time of the audit in July 1997, this new account was not reconciled for six(6) months. It should be pointed out that the main purpose of the opening of new bank accounts was to avoid the problems associated with the previous bank accounts and to start from a clean position. Unless urgent action is therefore taken to ensure that the new bank account is promptly reconciled, there is danger that the problems associated with the previous account will be repeated. At the time of reporting, the Accounting Officer has advised that the reconciliation was brought up-to-date to June 1997.

Other Charges

268. Amounts totalling \$2.414M were expended Materials, Equipment & Supplies. However, supporting documents such as bills and receipts were not presented for audit examination in respect of seven(7) purchases totalling \$693,718 which were made by way of cheque orders. In addition, attempts to use alternative auditing

procedures to verify the receipt of the items proved futile. The Accounting Officer explained that the supporting documents were submitted to the Ministry of Finance to be attached to related cheque orders. Efforts should therefore be made to locate these documents and to establish that value was received in respect of these purchases.

269. According to the Appropriation Account, the sum of \$525,000 was expended for the sanding and lacquering of the Ministry of Legal Affairs Building. The contract was awarded and payments made in the sum of \$816,900. The difference of \$291,900 was, however, charged to Subhead 309 - Other Services Purchased. Had this latter amount been charged to Subhead 304 - Maintenance of Buildings - there would have been excess expenditure of \$265,515 under this subhead. It is evident that the charging of part of the contract sum to Subhead 309 was done to avoid overrunning the voted provision on Subhead 304, and it would have been more appropriation for a virement of funds to be sought to accommodate the full expenditure of \$816,900.

270. According to the Tender Board Regulations, contracts for works exceeding \$450,000 and below \$900,000 require the preparation of an Engineer's Estimate, public advertisement and adjudication by the Ministerial Tender Board. However, these procedures were not followed in relation to the above contract which was awarded on the application of the 3-quote system.

271. According to the Appropriation Account, the sum of \$1.8M was voted and expended for electricity charges for the year. However, electricity bills in support of a payment of \$1.2M were not produced for audit examination. In the circumstances, the expenditure could not be properly verified. The Accounting Officer explained that a statement of indebtedness was attached to the payment voucher and that it might have been misplaced.

Capital Expenditure

Subhead 12002 - Supreme/Magistrates' Court

272. The sum of \$35M was voted for the rehabilitation of the roof of the Georgetown Supreme Court and the renovation to the New Amsterdam Supreme Court and the Georgetown Magistrates' Court. Amounts totalling \$27.076M were expended as follows:-

DESCRIPTION -----	AMOUNT ----- \$ '000
Georgetown Supreme Court	10,473
New Amsterdam Supreme Court	3,283
Consultancy Services	4,817
Carpentry work to courtrooms, jury rooms	

& judges' chambers	8,503

TOTAL	27,076
	=====

273. The contract for the rehabilitation of the roof of the Georgetown Supreme Court was awarded in the sum of \$9.485M and as at 31 December 1996, amounts totalling \$3.658M were paid to the contractor as mobilisation advance and first valuation. The Accounting Officer explained that because the contract was awarded late in the year, it was not possible for the works to be completed in 1996 and that funds were rebudgeted in 1997 for the completion of rehabilitation works. At the time of reporting, the rehabilitation works were completed.

274. The remainder of the rehabilitation works done on the Georgetown Supreme Court building valued at \$6.815M involved electrical work, plumbing and painting to other areas of the building. However, there was no evidence that approval was granted for a change in programme to accommodate this expenditure. In addition, these additional works were executed in thirty-two(32) contracts involving four(4) contractors. Of particular note are the several sets of contracts which were awarded to the same individuals and which appeared to have been subdivided to avoid adjudication by the relevant Tender Boards. The following are examples:-

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$
12/04	56/96	Tiling floor & walls of Police toilet area	214,820
12/04	57/96	Carpentry work to Police toilet area	297,800

TOTAL			512,620
			=====

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$
30/04	79/96	Construct toilet area in Jury rooms	370,150
30/04	80/96	Rehab. toilet area for Judges Chambers	223,150
30/04	81/96	Rehab. toilet area for Judges' Chambers	217,350
30/04	82/96	Rehab. toilet area for	

	Judges' Chambers	224,525

TOTAL		1,035,175
		=====

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$
15/07	181/96	Rehab. toilet area for Judges' Chambers	240,790
16/07	182/96	Rehab. toilet area for Judges' Chambers	225,850

TOTAL			466,640
			=====

275. The contract for the renovation to the New Amsterdam Supreme Court was awarded in November 1996 in the sum of \$3.157M and as at 31 December 1996, amounts totalling \$2.236M were paid to the contractor as mobilisation advance and first valuation. The Accounting Officer offered the same explanation as that of Paragraph 273, and at the time of reporting, the renovation works were completed.

276. In addition to the renovation of the New Amsterdam Supreme Court, amounts totalling \$1.047M were expended on rehabilitation of the judge's and caretaker's quarters. However, there was no evidence that approval was granted for a change in programme to accommodate this expenditure. In addition, the following four(4) contracts were awarded on the same date to one(1) contractor for rehabilitation of these quarters:-

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$
24/07	216/96	Replace windows - judge's quarters	213,000
24/07	217/96	Repair furniture -judge's quarters	224,740
24/07	218/96	Masonry & carpentry works - caretaker's quarters	430,400
24/07	219/96	Tile floor - caretaker's quarters	179,000

TOTAL			1,047,140

277. Had one contract been awarded, this would have required public advertisement and adjudication by the Central Tender Board. However, the contracts were awarded on the sole authority of the

Accounting Officer on the application of a system of quotations. It is evident that the works were subdivided to bring them within the limits of the Accounting Officer, thereby avoiding the involvement of the Central Tender Board.

278. As can be noted, no work was done on the Georgetown Magistrates' Court, although there were savings of \$7.924M under this subhead. In addition, amounts totalling \$8.503M were expended on carpentry works to courtrooms, jury rooms and Judges' Chambers. However, there was no evidence that approval was granted for a change in programme to accommodate this expenditure. Of particular note are the several sets of contracts which were awarded to the same individuals and which also appeared to have been subdivided to avoid adjudication by the relevant Tender Boards. The following are examples:-

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$
16/02	17/96	Carpentry work at jury room	212,870
16/02	18/96	Carpentry work at court #2 chambers	219,870
16/02	19/96	Carpentry work at court #1A chambers	212,370

TOTAL			645,110
			=====

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$
07/05	172/96	Repairs to Judges' courtroom ceiling	400,300
07/05	173/96	Repairs to Judges' courtroom floor	300,970
07/05	174/96	Repairs to Judges' courtroom eastern wall	449,830
07/05	175/96	Repairs to Judges' chambers	287,165
07/05	176/96	Repairs to Judges' courtroom northern walls	408,330

TOTAL			1,846,595
			=====

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----

			\$
16/07	183/96	Repairs to Judges' Chambers	336,010
16/07	184/96	-do- -do-	359,275

TOTAL			695,285 =====

Subhead 12003 - Buildings (Deeds Registry)

279. The sum of \$2.350M was allocated for the rehabilitation of the Deeds Registry, of which amounts totalling \$1.771M were expended. The rehabilitation works were physically verified.

Subhead 15001 - Justice Improvement Programme

280. The sum of \$108M was voted for the rehabilitation of selected Magistrates' Courts, including Suddie, Providence, Vigilance, Cove and John, Whim, Vreed-en-Hoop, Georgetown, Anna Regina, Charity, Wakenaam, Leguan and Sisters and the construction of Law Library. Amounts totalling \$23.777M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Retention fees based on works done in 1995	584,800
Rehabilitation of Court Houses:-	
Suddie	6,330,441
Providence	3,588,197
Vigilance	2,201,253

Construction of Law Library	12,119,891
Consultancy fees	6,847,792
Payments for advertisement	304,592
	206,350

SUBTOTAL	19,319,647
Contribution to Legal Aid Centre	2,800,000
Lecture fees	104,820
Purchase & instal A/c units	808,250

	3,713,078

TOTAL	23,776,495 -----

281. As can be noted, only three(3) court houses were rehabilitated from among the several listed in the Capital Profile

of this Department, although there were savings of \$84.223M under this subhead.

282. The contract for the construction of the Suddie Magistrate Court was awarded in November, 1996 in the sum of \$11.603M and 31 December, 1996 amounts totalling \$6.330M were paid as mobilisation advance and first valuation. At the time of reporting, the works were completed.

283. The contract for the rehabilitation of the Providence Magistrate Court was awarded in November, 1996 in the sum \$6,980,253 and 31 December 1996 amounts totalling \$3,588,197 were paid as mobilisation advance and first valuation. At the time of reporting, the works were completed.

284. The contract for the rehabilitation of Vigilance Magistrate Court was awarded in December 1996 for \$2,831,620 and 31 December 1996 the sum of \$1,457,475 was paid based on valuation of works done to that date. At the time of reporting, the works were completed.

285. The contract for the construction of the Law Library was awarded in November 1996 in the sum of \$21.351M and at 31 December 1996 amounts totalling \$6.848M were paid as mobilisation advance and first valuation. At the time of reporting, the construction works were still in progress.

286. As can be noted from the above analysis, unprogrammed work to the value of \$3.713M was undertaken but there was no evidence that approval was granted by the Chief Planning Officer for a change in programme to accommodate these expenditures.

Subhead 25002 - Equipment (Supreme Court)

287. The sum of \$3M was voted for the improvement of telephone system and the purchase of equipment of which amounts totalling \$2.986M were expended. However, no work was done on the telephone system.

288. The items purchased in respect of six(6) payments totalling \$664,395 could not be traced as having been received nor were they reflected in the inventory records. In respect of two(2) other payments there was no evidence of receipt and inventorisation of sixteen(16) office chairs valued at \$73,800.

289. Purchases between the values of \$180,000 and \$600,000 require a system of quotations and adjudication by the Departmental Tender Board. However, there was no evidence that these procedures were

followed in respect of three(3) purchases valued at \$992,000.

Subhead 25003 - Equipment (Deeds Registry)

290. The sum of \$1.162M was allocated for the purchase of fans, filing cabinets and office furniture, of which amounts totalling \$1.143M were expended. However, in respect of one(1) purchase valued at \$440,000, no supporting documents were seen and there was no evidence that the items were received and brought to account. In addition, it could be determined whether a system of quotation was followed in relation to this transaction nor was there evidence of the involvement of the Departmental Tender Board.

Subhead 25004 - Furniture and Equipment

291. The sum of \$150,000 was allocated for the purchase of desks and steel chairs for the Ministry of Legal Affairs, the full amount of which was expended on the purchase of six(6) typist chairs. The items purchased were verified as having been received and properly brought to account.

DIVISION 517

MINISTRY OF LABOUR, HUMAN SERVICES & SOCIAL SECURITY

Subhead 28005 - Rural Water Supply

292. The sum of \$16.8M was voted for the maintenance of hinterland water systems of which amounts totalling \$7.9M were shown as having been expended. The latter amount was transferred to the Guyana Water Authority, and according to information submitted by this entity, thirteen(13) new wells were installed in Lethem at a cost of \$4.429M while the Bartica Water Supply System was rehabilitated at a cost of \$3.471M.

293. The Guyana Water Authority was established by Act No. 3 of 1972 and is subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1995. Draft financial statements were received in respect of 1996, and at the time of reporting, the audit was in progress. The amount of \$7.9M was verified as having been received by GUYWA.

Subhead 28009 - Georgetown Remedial And Sewerage Project

294. The sum of \$155M was voted for the institutional strengthening of the Georgetown Sewerage and Water Commissioners and the rehabilitation of the Georgetown Water Supply System. According to the Appropriation Account amounts totalling \$25.7M were shown as having been expended.

295. This project is funded jointly by the Government of Guyana and the Inter American Development Bank and is subject to separate financial reporting and audit. An examination of the audited accounts for 1996 revealed that amounts totalling \$185.932M were actually expended, giving a difference of \$160.232M. This difference resulted mainly from the failure to bring to account IDB disbursements totalling US\$1.150M equivalent to G\$161.277M. As a result, the expenditure under the Project has been understated in the Appropriation Account by \$160.232M.

DIVISION 518

MINISTRY OF LABOUR, HUMAN SERVICES & SOCIAL SECURITY

Subhead 28001 - Water Supply Technical Assistance & Rehabilitation

296. The sum of \$375M was voted for (a) the rehabilitation of seven(7) major water systems (b) one hundred and twenty(120) minor systems (c) institutional strengthening (d) human resources development (e) purchase of equipment and (f) rehabilitation of Guyana Water Authority Head Office building. According the Appropriation Account, amounts totalling \$349.270M were expended.

297. The Project is funded jointly by the Government of Guyana and a number of international financial institutions and is subject to separate financial reporting and audit. The last set of audited accounts to be produced was in respect of 1995. Draft financial statements have been received for 1996 and at the time of reporting, the audit was in progress. The amount of \$349.270M was verified as having been received by the Project.

HEAD 15

SUPREME COURT OF JUDICATURE

Employment Costs

298. The Salaries Bank Account No. 455, which became non-operational in July 1996, was not reconciled for the period under review and it could not be determined when last this was done. It should be pointed out that the failure to reconcile bank accounts can lead to irregularities being perpetrated without detection. In addition, the account was overdrawn by \$4.471M as at 31 December 1996. The overdraft at the end of 1995 was \$1.663M.

299. The new salaries account No. 4002, which became operational in July 1996 in accordance with Ministry of Finance Circular No. 6/96, up to the time of reporting, was not reconciled since it was established. It should be pointed out that the main purpose of the opening of new bank accounts was to avoid the problems associated with the previous bank accounts and to start from a clean position. Unless urgent action is therefore taken to ensure that the new bank account is promptly reconciled, there is danger that the problems associated with the previous account will be repeated.

300. At the time of the audit in July 1997, Form II returns in respect of PAYE deductions for 1996 had not been sent to the Inland Revenue Department. It should be noted that the statutory deadline for submission was 28 February 1997, and therefore the Department ran the risk of costs being incurred by way of penalties. The Accounting Officer has advised that submission had since been made to the IRD.

Other Charges

301. The main bank account No. 880, which became non-operational in July 1996, was not reconciled for the period under review and it could not be determined when last this was done. In addition, the bank account reflected a balance of \$4.231M but cash book was not cast and balanced. The exact balance on this account could not therefore be determined.

302. In 1995, it was reported that the sum of \$13.930M was collected as revenue but was not paid over to the Consolidated Fund. Up to the time of reporting, however, there was no evidence that action was taken to pay over the amount due to the Consolidated Fund. A similar situation occurred in 1996 in that the sum of \$36.553M was collected as revenue but only \$15.455M was paid over to the Consolidated Fund, leaving a balance of \$21.098M remaining in the new main bank account. This account reflected a balance of \$70.244M but was also not reconciled since it was established.

303. Forty-eight(48) payment vouchers totalling \$1.137M did not have supporting documents such as bills and receipts so as to be able to satisfactorily verify the incurrence of the expenditure. Thirty-three(33) of these totalling \$733,914 relate to the payment of salaries while the rest relate to purchases. The Accounting

Officer explained that the various sub-offices had been delinquent in returning paysheets to Head Office. She further explained that the purchasing system had since been centralised and as such the documentation and filing of purchase transactions are likely to improve.

304. Amounts totalling \$14.492M were expended on Materials, Equipment & Supplies. Six(6) instances were, however, noted where purchases valued at \$941,250 could not be traced to the stock records. The Accounting Officer offered the same explanation as contained in the previous paragraph in relation to this discrepancy. In addition, the sum of \$10M was paid to the Crown Agents for the supply of Law Book but up to the time of the audit in July 1997, the books had not been received.

305. An examination of the expenditure incurred on Rental & Maintenance of Buildings revealed apparent subdivision to avoid a system of quotations and/or adjudication by the Ministerial Tender Board. The following are examples of sets of contracts awarded to the same individuals:-

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$
16/04	59/96	Electrical works at Judge's Chambers	100,360
-do-	60/96	" " " " Courtroom	100,500

TOTAL			200,860
			=====
16/07	187/96	Plumbing work at Judge's Chambers	130,000
-do-	188/96	Painting of Judges's Chambers	140,300
-do-	189/96	Tiling toilet area - Judge's Chambers	109,649

TOTAL			379,945
			=====
09/08	251/96	Painting of Supreme Court Building	160,800
-do-	252/96	Carpentry work - Supreme Court Bdg.	168,700
-do-	253/96	" " " " "	148,100
-do-	254/96	Painting of Supreme Court Building	119,400

TOTAL			597,000
			=====

306. Amounts totalling \$2.391M were expended on Transport, Travel & Postage. An examination of this expenditure revealed that the

sum of \$473,730 was paid to an individual for the hire of taxi. However, there was no evidence that a formal contract was entered into in respect of this service. Efforts should be made to have a formal arrangement for this service. The Accounting Officer has advised that a vehicle has since been acquired for the Department which would obviate the need to hire vehicles.

HEAD 16

MAGISTRATES

Georgetown Magistrates' Court

Employment Costs

307. The salaries bank account No. 159, which became non-operational in August 1996, was not reconciled for the period under review and it could not be determined when last a reconciliation was done. Failure to reconcile bank accounts in a timely manner can lead to irregularities being perpetrated without detection. This significant shortcoming was drawn to attention in my 1995 Report, but up to the time of reporting, no attempt was made to reconcile this account.

308. In 1995, mention was made of the significant overdraft on this account, a situation which continued to prevail in 1996 and as at 31 December 1996, the account was overdrawn by \$11.618M. It had been explained that in 1994 and earlier years salaries were paid from this account without the processing of paysheets. Efforts should therefore be made to ascertain the extent to which this has happened so that steps can be taken to clear the overdraft by the transfer of funds from the Supreme Court main bank account to this account.

309. A new salaries bank account No. 3113 was opened in September 1996 in accordance with Ministry of Finance Circular No. 6/96. However, up to the time of reporting, no attempt was made to reconcile this account. It should be pointed out that the main

purpose of the opening of new bank accounts is to avoid the problems associated with the previous bank accounts and to start from a clean position. Unless urgent action is therefore taken to ensure that the new bank account is promptly reconciled, there is danger that the problems associated with the previous account will be repeated.

Other Charges

310. Amounts totalling \$3.238M were expended on Materials, Equipment & Supplies. However, eleven(11) cheque orders for purchases totalling \$682,435 and payable to the Clerk of Court were not cleared through the submissions of bills/receipts, up to the time of reporting. In addition, attempts to verify the receipt of the items purchased proved difficult in the absence of a detailed description of them. In the circumstances, the Clerk of Court should be asked to account for the latter amount, failing which recoveries should be made from him.

311. In 1995, mention was made of three(3) instances where the cheques for the purchase of stationery from two(2) Government agencies, were drawn in favour of the Clerk of Court. It had been recommended that as a measure of control, all such cheques should as far as possible be made out in favour of suppliers. It is evident from the preceding paragraph that no action was taken to implement this recommendation. It should not be over-emphasised that the practice of making out cheques in favour of employees instead of suppliers can lead to serious irregularities.

Revenue Accounting and Control

312. A daily record of used and unused receipts was not maintained for the period under review. Such a record is necessary to monitor the daily issue of receipts. This record has since been introduced with effect from 1997.

313. Amounts totalling \$22.457M were collected as fees, fines etc. and paid over to Supreme Court. However, acknowledgement receipts were not issued because of queries raised on the related collectors cash book statement(CCBS) and supporting documents. As a result, no transfer of revenue to the Consolidated Fund was made for the period under review.

314. A similar observation was made in 1995 where the sum of \$10.377M was not paid over to the Consolidated Fund but was instead retained in the Supreme Court Main Bank Account. The Accounting Officer is therefore advised to resolve the queries to enable the speedy transfer of revenue to the Consolidated Fund.

Other Matters

315. An examination of the Fines Register revealed that there were fines totalling \$2.345M which were outstanding at the end of 1996. However, the Register did not include information to indicate whether commitment warrants were issued in respect of these fines which have been outstanding for more than three(3) months.

316. An examination of the Civil Record Book revealed that there were 1,835 cases which were filed. However, case jackets in respect of 258 cases could not be located at the time of the audit. A similar situation was observed in respect of criminal cases. Of the 17,620 cases filed, case jackets were not located in respect of 3,912 cases.

317. The Suitors Deposit Account No. 157, which became non-operational in October 1996, reflected a balance of \$79.999M as at 31 December 1996. The account was, however, was not reconciled for several years, and therefore the comments at Paragraph 309 above are also applicable. In addition, although a new account No. 3114 was established in October 1996, there was no evidence of any attempts being made to reconcile it, nor was a new cash book introduced.

318. A daily record of used and unused receipts and cheques for Suitors Deposits was not maintained for the period under review. A similar observation was made in respect of the Bastardy Account.

319. The Bastardy Account No. 158, which became non-operational in October 1996, was not reconciled for several years and reflected an overdraft of \$971,402 as at 31 December 1996. A new account No. 3115 was opened in October 1996. However, this account reflected an overdraft of \$99,969 as at 31 December 1996. A new cash book was also not introduced for this account.

320. A total of 265 case jackets were filed in respect of affiliation cases. However, twenty(20) jackets were not produced for audit examination. Efforts should be made to locate these records.

HEAD 18

OFFICIAL RECEIVER

Other Charges

321. In my 1995 Report, mention was made of the old salaries account No 462 which was overdrawn by \$1.647M at 31 December 1995, and it could not be determined when last this account was reconciled. It was explained then that the Accountant General was written to with a view to closing this account but had advised that it be reconciled first. However, no further action was taken with regard to this account which continued to be overdrawn by this amount.

322. Amounts totalling \$635,412 were expended on the purchase of materials, equipment and supplies. However, stock records were not maintained for the period January to November 1996. In the circumstances, the receipt and utilisation of the items purchased during this period could not be satisfactorily verified.

323. Two(2) contracts valued at \$230,500 were awarded on the same date and to the same individual for repairs to two(2) airconditioning units. Had one(1) contract been awarded, this would have required a system of quotations. It is evident that the work was subdivided to avoid the application of the 3-quote system.

324. Included in the expenditure of \$1.195M shown as Other Services Purchased were two(2) amounts totalling \$188,280 representing payments for carpentry works at State Solicitor's Department which should have been charged to Subhead 304 - Rental and Maintenance of Buildings. Had the correct charge been made, there would have been excess expenditure of \$154,680 under the latter subhead. It is evident that the charge to Subhead 309 was done to avoid overrunning the voted provision, and it would have been more appropriate to seek approval for a virement of funds to accommodate the additional expenditure.

Revenue Accounting and Control

325. In 1995, it was reported that an amount of \$19.17M was collected for the sale of land and paid over to Account No. 981 (Revenue & Deposit Fund Receipts) in July 1995. However, this amount was not reflected in the Revenue Statement of the Official Receiver nor could it be traced to any other revenue statement. This amount has since been brought to account in the Revenue Statement of the Official Receiver in 1996.

Stores and Other Public Property

326. Although sectional inventories were introduced in 1996, a master inventory was not kept, as required by the Stores Regulations. Efforts should be made to introduce this record.

Other Matters

327. A review of the operations of the State Solicitor's bank account No. 120 revealed the following shortcomings:-

- (a) Although the account reflected a balance of \$32.409M as at 31 December 1996, the cash book was not written up since February 1996. As a result, an accurate balance on this account could not be determined. Every effort should therefore be made to update the cash book;
- (b) It could not be determined when last the account was reconciled. Since failure to reconcile bank accounts can lead to irregularities going undetected, the Accounting Officer is urged to ensure that this account is promptly reconciled;
- (d) The ledger accounts were not written up for the period under review to record the receipts and payments on each court order. As a result, the balances held against each court order could not be determined. Efforts should be made to update these accounts;
- (e) There was no evidence of supervisory checks in the Register of Used and Unused Receipts and Cheques. This is an important internal control measure without which acts of irregularity can be perpetrated. The Accounting Officer is therefore urged to ensure that these checks are instituted; and
- (f) Four(4) payment vouchers totalling \$370,750 were not produced for audit examination. In the absence of a properly written up cash book, these payments could not be properly verified;

328. In relation to the Public Trustee's Account No. 270 which reflected a bank balance of \$11.178M, the cash book was not balanced although it was written up-to-date. In addition, it could not be determined when last the account was reconciled, and there was no evidence of supervisory checks on the Register of Used and Unused Receipts and Cheques, the cash book and the ledger accounts. The recommendations of the previous paragraph are therefore also applicable.

329. Except for the comment on the balancing of the cash book, similar observations were made in respect of the Official Receiver's Account No. 330 which reflected a balance of \$2.890M as at 31 December 1996.

HEAD 19

DEEDS REGISTRY

330. In 1995, it was reported that the old salaries account No. 467 reflected a balance of \$14,230 and it could not be determined when last it was reconciled. It was recommended that this account be closed and the balance transferred to the Consolidated Fund. However, up to the time of reporting, no action was taken to implement this recommendation.

331. Excess expenditure totalling \$47,000 was incurred under Subhead 105 - Semi Skilled Operatives & Unskilled, and for which a satisfactory explanation was not obtained. Since there were savings on other subheads under Employment Costs, it would have been more appropriate for a virement of funds to be sought to accommodate the additional expenditure.

332. Although sectional inventories were introduced in 1996, a master inventory was not maintained, as required by the Stores Regulations. Efforts should be made to introduce this record.

333. In respect of trade marks, it was observed that 527 applications were made for the period under review, but no licences were issued in respect of these applications. It was explained that the delay in the processing of the applications was due to staff shortages and that applications for 1993 were being processed. A similar observation was made in 1995 where 513 applications which were made remained unprocessed.

334. Also in 1995, a total of 4,488 new applications were made for business names. However, only 486 applications could be located from the various bundles submitted for audit inspection. In addition, the applications were not filed in numerical sequence nor were the years separated, thus rendering the exercise of checking tedious and time-consuming. A review of the system pertaining to the registration of business names and the related record keeping in 1996 revealed that no attempt was made to remedy these deficiencies. As a result, it was not possible to carry out a proper evaluation of this important activity.

335. Thousands of transport forms were on hand at the time of inspection, but there were no records to indicate how many should have been accounted for. Controls over unused transport forms were also very weak for the following reasons:-

- . They were not prenumbered documents;

- . No records were maintained to show how many were ordered from the Printery and how many were received; and
- . Although transport forms were securely kept under the control of the Registrar, issues made to the Secretary were not documented. In other words, there was only documentation at the time of use.

These matters were raised in my 1995 Report, and despite this, it is disappointing to note that no attempt was made to remedy the deficiencies highlighted.

336. Numerous transports were issued in 1996 as replacements. One of the criteria should have been a check to ensure that the original was not lodged as security for bail. However, there was no evidence that such a check was carried out before replacement transports were issued. This matter was also drawn to attention in my 1995 Report.

HEAD 20 & DIVISION 506

MINISTRY OF FOREIGN AFFAIRS

Current Expenditure

Employment Costs

337. The salaries bank account No. 458, which became non-operational in July 1996, reflected a large positive balance of \$133.650M as at 31 December 1996 compared with a balance of \$158.083M as at the end of 1995. However, the cash book was not cast and balanced for the entire year. As a result, the exact balance on this account could not be ascertained. The Accounting Officer is advised to take urgent measures to have the cash book cast and balanced so that the balance on the account could be properly determined.

338. In relation to large bank balance on this account, it was explained that this was due to remittances to the overseas missions being sent directly by the Accountant General through the Bank of Guyana. These remittances included the salaries and allowances to foreign services officers and representative staff overseas. However, at the time of preparation of the paysheets, the Ministry was also in receipt of cheques from the Accountant General in respect of the salaries and allowances of these persons. These cheques were deposited into the salaries bank account and were not refunded to the Accountant General, thereby resulting in a build up of the balance in the account. It is recommended that (a) a reconciliation be carried out to identify the total amount involved and to refund it to the Accountant General and (b) an appropriate system be put in place to avoid a recurrence of the problem.

339. The account was also last reconciled to January 1996 and an examination of the reconciliation statement revealed the following unsatisfactory features:-

- (a) The reconciliation statement was not checked and certified by a supervisory officer attesting to its accuracy;
- (b) Several debits totalling \$4.021M appeared in the bank statement for several years without evidence of any action being taken to investigate them and to make the necessary adjustments. This matter was drawn to attention in my 1995 Report and despite this there has been no improvement; and

(c) Included in the list of unrepresented cheques were seventy-two (72) cheques totalling \$3.103M which were stale-dated. Recommendation had been made for the amounts to be written back to the cash book and one(1) cheque be made out in favour of the Accountant General for the said amount for credit to "Staled Dated Cheques Deposit Account." However, there was no evidence of any action taken to implement this recommendation.

340. The new Salaries Bank Account No. 3086, which became operational in August 1996, was last reconciled to September 1996. It should be pointed out that the main purpose of the opening of new bank accounts is to avoid the problems associated with the previous accounts and to start from a clean position. It follows that unless efforts are made to promptly reconcile new accounts and to take action based on the results of such reconciliation, there is every danger that the problems relating to the previous bank accounts will be repeated.

341. This new account also reflected a large positive balance of \$47.792M as at 31 December 1996 for the same reason as that mentioned at Paragraph 338 above. The recommendations contained in this paragraph are therefore also applicable.

342. The salaries cash book and the salaries control register bore no evidence of supervisory checks. It is recommended that these records be inspected at the end of each month by the supervisory officer who should affix his/her signature as evidence of such checks.

343. During the period under review, sixty-nine(69) advances were made from the salaries account, and at the time of the audit in May 1997, fourteen(14) advances totalling \$148,219 remained uncleared. Efforts should be made to recover these advances.

344. Amounts totalling \$1.089M representing National Insurance Scheme deductions for the period March - June 1996 were paid over to the Scheme but were not recorded in the Register of Cheques paid over to the Scheme. Acknowledgement receipts from the NIS were, however, seen for the total amount remitted. Notwithstanding this, every effort should be made to ensure that the Register is properly maintained.

345. Half yearly returns of travelling were not prepared and submitted to the Public Service Management of the Office of the President, as required by circular instructions, despite mention in my 1995 Report. It was explained that this was due to staff shortage.

Other Charges

346. Amounts totalling \$17.531M were expended on Materials, Equipment & Supplies. However, an examination of this expenditure revealed that six(6) purchases totalling \$615,664 could not be traced to the stock records. As a result, it could not be determined whether these items were actually received and properly utilised by the Ministry. The Accounting Officer is advised to investigate this discrepancy. In addition, a goods received book was not maintained for the period under review and there was no evidence of supervisory checks of the stores records.

347. An amount of \$200,100 was paid for printing of the annual report of the Ministry of Foreign Affairs. However, there was no evidence that a system of quotations was followed before this contract was awarded. Management has given the assurance that in future there would be adherence to the tendering procedures.

348. Amounts totalling \$7.410M were expended on fuel and lubricants. However, monthly analyses of fuel consumption for the Ministry's vehicles were not prepared for the period under review. As a result, it was not possible to ascertain the fuel consumption patterns of the vehicles and whether effective control was exercised over their use. Assurance has been given that these reports would in future be prepared.

349. The sum of \$7.269M was expended on electricity charges. Several payments totalling \$776,494 were, however, not recorded in the Electricity Register. This record also bore no evidence of supervisory checks. Efforts should be made to ensure that the Register is properly maintained and supervisory checks carried out on a periodic basis.

350. Amounts totalling \$41.617M were expended on Transport, Travel & Postage. The following unsatisfactory features were, however, observed in relation to this expenditure:-

- (a) Five(5) purchases of vehicle spares totalling \$169,822 could not be traced to the stock records. As a result, it could not be determined whether these items were actually received and utilised by the Ministry; and
- (b) On the 25th January 1996 four(4) new tyres were purchased for vehicle PDD 5584 for \$40,988. However, bills/ receipts were not seen in respect of this purchase which could not also be traced to the stock records. In addition, on 7th March, 1996 it was observed that among other parts purchased for PDD

5584, four(4) new tyres were again purchased for this vehicle.

The Accounting Officer is advised to investigate these discrepancies.

351. A separate record was not kept for overseas telephone calls, as required by existing financial directives. It was explained that it would be extremely difficult to maintain such a record in view of the nature of the work of this Ministry which requires overseas calls to be made to Missions at all hours. Assurances were, however, given that the cost of all private overseas calls were refunded to the Ministry by the concerned officers. In this regard, it was agreed that a record should be kept for all private overseas calls, indicating the receipts numbers whenever refunds are made.

Other Matters

352. Although the Register of Used/Unused Cheques was written up, it bore no evidence of supervisory checks. Assurance has been given that this lapse would be corrected.

353. The imprest bank account No. 353, which became non-operational in July 1996, was last reconciled to December 1995 and reflected a balance of \$56,318 as at 31 December 1996. It is recommended that the reconciliation of this account be brought up-to-date with a view to closing it.

354. A new imprest bank account No. 3085 was opened in August 1996 with an allocation of \$353,290. However, at the time of the audit in March 1997, the cash book was last written up to 31 October 1996 and the imprest was not retired at the end of the year. The Accounting Officer explained that there were urgent payments which had to be made before the close of the year due to the peculiar nature of the operations of the Ministry of Foreign Affairs. It is recommended that the Ministry replaces the ordinary imprest with a standing imprest so as to avoid the need to retire it at the end of each year.

355. An examination of the bank statements for this new imprest, revealed that the account was overdrawn on several occasions since it was established and as at 31 December 1996, the overdraft was \$1.208M, almost four times the imprest allocation. It is recommended that an adequate allocation be sought in order to avoid overdrawing this account.

356. Although several instances were noted where advances were granted from the Imprest, an advances register was not kept. Efforts should be made to introduce this important record. In addition, at the time of the audit in March 1997, three(3)

advances totalling \$36,000 remained uncleared. Efforts should be made to recover this amount.

357. There was no evidence of supervisory checks of the imprest cash book. In addition, the officer operating the Imprest was also one of the signatories to the bank account. This practice is not considered good internal control. It is therefore recommended that someone other than the imprest holder be made a signatory to the bank account.

Capital Expenditure

Subhead 12001-Buildings

358. The sum of \$7M was voted for the rehabilitation of overseas missions in Washington, Caracas and Ottawa and rehabilitation of Head Office. Amounts totalling \$6.893M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Painting, decorating etc. of Head Office	3,455
Repairs to Chancery Washington	2,484
Repairs to Residence at Ottawa	810
Construction of guard hut in Caracas	144

TOTAL	6,893
	=====

359. Included in the amount of \$3.455M shown above, was a payment of \$1.370M to the owner of a company which was awarded a contract for the painting and decorating of the Protocol Building. Because of tax implications involved, payment should have been made in the name of the company.

360. Also included in the amount of \$3.455M, is the sum of \$450,000 which was paid to a contractor for the washing of Tukuba Lodge. However, there was no evidence that a system of quotations was followed before the contract was awarded.

Subhead 24001 - Land Transport

361. The sum of \$13M was allocated for the purchase of four vehicles for the missions in Cuba, Washington, New York and Head Office, of which amounts totalling \$12.041M were expended. The vehicles purchased were verified as having been received and properly brought to account.

Subhead 25001 - Office Equipment & Furniture

362. The sum of \$2M was voted for the purchase of office equipment and household furnishings for overseas missions, of which amounts totalling \$1.917M were expended. There was, however, no evidence that approval was granted by the Chief Planning Officer for a change in programme to accommodate the purchase of a television and video recorder valued at \$144,000 for Head Office.

GUYANA CONSULATE - TORONTO, CANADA

363. At the time of inspection in April 1997, revenues totalling C\$98,544 equivalent to G\$9,854,400, as shown below, were remitted to the Accountant General through the purchase of international drafts. However, acknowledgement receipts were not received by the Consulate for the amounts remitted.

DATE	BANK DRAFT REF.	PERIOD	AMOUNT
----	-----	-----	-----
			C\$000
01/03/96	266775	Jan - February	12,785
19/04/96	266781	March	8,181
27/06/96	266792	April - May	17,655
09/08/96	266797	June - July	19,665
25/10/96	275828	Aug - September	15,217
12/12/96	00351917	Oct - November	17,117
29/01/97	00352327	December	7,924

Total			98,544
			=====

364. The Accountant General explained that the drafts would normally be deposited with the Bank of Guyana and it is only when they are cleared by the banking system and the Ministry of Finance so informed that receipts would be written. In view of the fact that international bank drafts are involved, it is again recommended that receipts be issued as soon as the drafts are received by the Accountant General.

365. At the time of inspection, collectors cash book statements for the period October 1996 to March 1997 were not submitted to

the Accountant General to enable him to bring to account the related transactions in the accounts of the Country. Efforts should be made to ensure the prompt submission of these statements.

366. Revenues were not deposited on a regular basis but were kept for as much as two weeks on some occasions before being deposited. Corrective action was, however, taken with effect from January 1997. A record of the daily cash composition was also not kept for the period under review. In order to secure better control over cash receipts, it is recommended that such a record be introduced.

367. At the time of inspection, the cash book for the Main Bank Account No. 0684 042 007 was only written up and the bank account reconciled to December 1996. Since the failure to reconcile bank accounts can lead to irregularities going undetected, every effort should be made to ensure the prompt reconciliation of this account.

368. In my 1995 Report, attention was drawn to the large balance in the account and the need to transfer the unutilised balances over the years to the Consolidated Fund. However, there was no evidence of any action taken in this regard and as at 31 December 1996 the balance on this account was C\$150,684, compared with C\$236,388 at the end of 1995. It is again recommended that a special exercise be carried out to ascertain the extent to which revenues were not remitted over the years so that the necessary transfers can be made to the Consolidated Fund.

369. At the time of inspection, payment vouchers and copies of the cash book were not submitted to the Accountant General's Department for the period April 1996 to February 1997 to enable the finalisation of the Public Accounts. Efforts should be made to ensure the prompt submissions of these documents to the Accountant General.

370. Excess expenditure was incurred under the following subheads:-

SUB HEAD	DESCRIPTION	ALLOCATION G\$000	EXP. G\$000	EXCESS G\$000
----	-----	-----	-----	-----
104	Clerical and Off. Support	1,764	3,058	1,294
201	Other Direct Labour Costs	900	1,406	506
304	Rental of Buildings	5,000	6,660	1,660
307	Local Trav. and Sub.	900	2,593	1,693
308	Telephone Charges	1,000	1,618	618
309	Other Services Purchased	4,500	5,011	511
314	Others	100	1,312	1,212

This situation resulted mainly from the inadequacy of funds allocated to meet expenses of the Consulate. Action should therefore be taken to ensure that realistic budgets are prepared and virements requested and approved early, where necessary.

371. The accuracy of the stock of stamps could not be verified as issues and balances of the different denominations of the stamps were not recorded in the Register of Stamps. Assurance was given that corrective action would be taken.

GUYANA MISSION TO THE UNITED NATIONS - NEW YORK

372. Receipts in acknowledgement of remittances were not always issued in numerical sequence. It is recommended that such receipts be issued in numerical order and be properly recorded in the Remittance Register.

373. It was observed that remittances were received from Guyana Embassy, Washington. However, receipts in acknowledgement of remittances were sent to the Ministry of Foreign Affairs. It is recommended that all acknowledgements be sent to Guyana Embassy, Washington in order to ensure adequate record keeping at this Embassy.

374. A remittance of US\$190,592 was received from Guyana Embassy, Washington on 27/9/96. However, the acknowledgement was written for US\$190,000. As a result, the cash book for the main bank account was understated by US\$592. The cash book should be adjusted to reflect the difference.

375. Several remittances were made to other Missions on behalf of the Ministry of Foreign Affairs and the amounts were subsequently refunded by the Ministry. However, a number of these remittances were made in 1995 and early 1996 but were not brought to account in the Main Cash Book until August 1996. Had the bank account been reconciled up-to-date, these omissions would have been observed and the cash book updated accordingly. As a consequence, the cash book for the Main Bank Account was overstated by amounts totalling US\$115,763 during the period February 1995 to July 1996, as shown below:-

DATE REMITTED	AMOUNT TRANSFERRED	MISSION
-----	-----	-----
21/2/95	US\$26,713	Brazil
29/2/95	20,000	Brazil

3/8/95	20,000	Washington
1/9/95	10,000	-do-
18/9/95	1,000	-do-
26/10/95	14,000	-do-
11/4/96	6,525	Suriname
22/5/96	9,500	Washington
9/7/96	8,025	Suriname

TOTAL	115,763	
	=====	

376. The main Bank Account was last reconciled up to January 1995, and an examination of the reconciliation statements revealed no evidence of supervisory checks. It is recommended that the reconciliation be brought up-to-date and be checked and certified by the Sub-Accounting Officer.

377. An examination of the reconciliation statement for January 1995 revealed several items which had been coming forward for a considerable period of time without evidence of any action taken to investigate them. Efforts should be made to investigate these items so that the necessary adjustments can be made.

378. Copies of bank deposit slips were not retained for audit examination. As a result, much difficulties were encountered in verifying deposits in respect of the main bank account. The difficulties were compounded when attempts were made to determine whether expenditure credits for the refund of one-third medical insurance coverage for staff, were properly brought to account. This was due mainly to the practice of totalling several receipts for refunds and making one entry in the cash book. It is recommended that each receipt be recorded individually in the cash book and proper reference made on the deposit slips.

379. Income tax payable to the United States Government was not deducted from the wages of the locally recruited staff attached to the UN Mission. It was explained that such deductions were not made over the years. However, it was not certain whether the Mission is in contravention of the USA tax laws. The Ambassador has given the assurance that appropriate advice on the matter would be sought.

380. The Guyana Government was indebted to the United Nations for an outstanding contributions totalling US\$108,770 for the period under review. In addition, the regular budget allocation for Guyana for the year 1997 is US\$106,508, giving a total regular budget expenditure of US\$215,278. However, it was observed that in the allocation letter for the year 1997, the Ministry of Foreign Affairs did not provide funds to the Guyana Mission for contributions for either 1996 or 1997. It is recommended that this matter be pursued with the Ministry of Foreign Affairs with a

view to making available the necessary funds to pay the amounts due to the United Nations as contributions.

381. On the 7th March 1995, an amount of US\$239,040 was transferred from Guyana Embassy in Washington to the Mission in New York for the payment of contributions to the United Nations. However, no payment was made in 1995 and the money was kept in the bank account rather than being refunded to the Ministry of Foreign Affairs. In 1996, an amount of US\$115,482 was paid to the United Nations as contributions for the year 1995 and part of 1994 from the funds held in the bank account in 1995. In view of the above, the Ministry of Foreign Affairs had treated the entire amount of US\$239,040 as final expenditure for the year 1995 when in fact no such expenditure took place in 1995 and only US\$155,482 was incurred in 1996.

382. As a result of the above observations, the appropriation account submitted by the Ministry of Foreign Affairs for the year 1995 would have overstated the actual expenditure for Subhead 312. In addition, this practice is considered irregular as the Law requires all Accounting Officers to refund all unspent portions of their withdrawals to the Consolidated Fund at the end of each financial year.

383. Receipts numbers were not quoted in the Votes Ledger in respect of expenditure credits. As a result, difficulties were experienced in the verification of refunds to the Votes and in the cash book, especially in relation to Subhead 203 - Benefits and Allowances.

384. An examination of the Votes Ledger for the period under review revealed that the following subheads were incorrectly cast and balanced:-

SUB HEAD	DESCRIPTION	EXPENDITURE IN VOTES	EXPENDITURE VERIFIED	DIFFERENCE
----	-----	-----	-----	-----
		\$	\$	\$
102	Semi Technical	6,022,520	5,724,020	298,500
103	Other Technical	4,048,546	4,108,546	60,000
104	Clerical & Office Support	9,060,059	8,896,468	163,591
304	Rental of Buildings	70,278,344	70,527,287	248,943

As a result, two(2) subheads were understated while the expenditure relating to the other two(2) were overstated. Due care should therefore be taken when casting the Votes Ledger so that the correct balances can be reflected.

385. At the 31 December 1996, the allocations under several subheads were exceeded, as shown below:-

SUB HEAD	DESCRIPTION	AMOUNT ALLOCATED	TOTAL EXPENDITURE	EXCESS EXPENDITURE
----	-----	-----	-----	-----
		\$'000	\$'000	\$'000
104	Clerical and Office Supp.	14,647	20,893	6,246
105	Semi-skilled	2,861	3,032	171
303	Fuel & Lubri.	200	221	21
308	Telephone	1,350	1,869	519
309	Other	1,000	1,560	560

Although the excess expenditure was reported to the Ministry of Foreign Affairs in the monthly financial statements, there was no evidence of any action taken in relation to the over expenditures.

386. In my 1995 Report, attention was drawn to BIDCO's indebtedness of US\$107,445 to the Mission in respect of rental of office space. At the time of reporting, the indebtedness had increased to US\$116,485, and from correspondence seen, it would appear that BIDCO was not in a position to meet its financial obligations to the Mission. It is therefore recommended that this matter be pursued with the Ministry of Finance.

387. At the time of the audit, BIDCO had not given up the offices which it was occupying. It is recommended that this matter be pursued with the Company with a view to vacating the offices so that the space could be used by the staff at the Consulate as well as the UN Mission.

GUYANA CONSULATE - NEW YORK

388. Remittances of revenue totalling US\$515,436 equivalent to G\$72,801,750 for the period 16/1/96 to 31/12/96 were made to the Accountant General's Department through the purchase of bank drafts. However, receipts in acknowledgement from the Accountant General were not received by the Consulate, New York. In this regard, the explanation and recommendation at Paragraph 364 are also applicable.

389. It was observed that the Revenue Bank Account No. 046-028 86-6-EAB was used for the payment of wages to the local staff of the Consulate. It was explained that this account was used because the bank was charging US\$3 for each cheque when drawn on the Wages Account, and as a result, the local staff stood to lose financially because of this deduction.

390. The account was also not reconciled for the entire period under review and it was observed that a draft reconciliation statement was last prepared in March 1994. However, assurances were given that all transactions for the month were properly checked for accuracy. It is recommended that the reconciliation of this account be brought up-to-date as early as possible.

391. At the time of the audit, the Consulate had no ordinary passport books on hand to deal with the demand by the Guyanese in New York. As a result, there were in excess of two hundred (200) applications for new passports pending. The present system provides for the Consulate to submit returns to Head Office for transmission to the Chief Immigration Officer in Georgetown before more passport books can be uplifted and submitted to the Consulate in New York. However, such returns were in arrears thereby causing the withholding of new passport books. It is recommended that this matter be discussed with the Chief Immigration Officer with a view to increasing the supply of passport books to the Consulate in New York.

392. Income tax payable to the United States Government was not deducted from the wages of the locally recruited staff attached at the Consulate, New York. It was explained that such deductions were not made over the years and that each employee had the responsibility to file his/her own tax returns to the Inland Revenue Service. However, it is not certain whether the Consulate was in contravention of the US tax laws. In my 1995 Report, recommendations were made that a check be carried out to ascertain the position with regard to this matter. It is again recommended that such action be taken.

393. In some instances the duplicate copies of payment vouchers were not given the cash book numbers. As a result, cross checking of payment vouchers with the cash book was time consuming. It is recommended that in future the main cash book numbers be quoted on both the original and duplicate copies of the payment vouchers to facilitate proper audit checks.

394. A Canon 4050 Photocopier was leased with effect from September 1993 at a rate of US\$525.26 per month from a US company. The lease agreement expires in September 1998. In view of the high rental cost of US\$6,03.12 per year, consideration should be given to the purchase of a new machine when the lease expires.

395. A register of all long distance telephone calls was not kept by the Consulate during the period under review. It is recommended that such a record be kept to effectively monitor such calls and to ensure that they are official and properly authorised.

396. At 31 December 1996 the allocation on several subheads had

been exceeded as shown below:-

SUB HEAD	DESCRIPTION	AMOUNT ALLOCATED	EXPENDITURE INCURRED	EXCESS EXPENDITURE
		G\$	G\$	G\$
104	Clerical & Off.Supp.	14,647,000	20,893,294	6,246,294
105	Semi-Skilled	2,861,000	3,032,258	171,258
303	Fuel & Lubricants	200,000	220,630	20,630
308	Telephone	1,350,000	1,868,849	518,849
309	Other	1,000,000	1,559,895	559,895

Although the excess expenditure reflected on the above allocations Subheads were reported to the Ministry of Foreign Affairs by way of the monthly financial returns, no appropriate action was taken by the Ministry to adjust the over expenditure for the year 1996.

Further no adjustments were made in the allocation letter for the year 1997. As a result, the same situation would re-occur at the end of 1997.

397. It has been observed that Subhead 103 - Other Technical Skilled - had a positive balance of G\$5,253,481 as at 31 December 1996. This was due to the subhead being used for payment of wages to only one local staff at a weekly rate of G\$64,860 and an annual total wage of G\$3.372 Million. However, in 1997 an allocation of \$8.422 Million was made by the Ministry. It is recommended that the difference be allocated to those subheads with inadequate allocations.

398. The cash book for the Student Affairs Bank Account was last written up in March 1996 and the account was last reconciled to December 1992. In addition, an examination of the cash book revealed several omissions. Efforts should be made to ensure that the prompt updating of the cash book and supervisory checks should be instituted to ensure that it is at all times accurate. The reconciliation of the bank account should also be brought up-to-date.

399. Although the inventory records were up-to-date and were last checked on 13/1/97, no action was taken in respect of the unserviceable items reported during the audit of the 1995 accounts. Efforts should be made to dispose of these items.

400. In the Capital Estimates of the Ministry of Foreign Affairs for the year 1996 an amount of G\$13 Million was budgeted for the purchase of four(4) vehicles, including one for New York. Consequently, the Ministry transferred directly to the Consulate's Main Bank Account an amount of G\$3,330,470 equivalent to US\$23,113.26 for the purchase of a Crown Victoria 113A. However,

no Vote Account was kept at the Consulate to record the expenditure. In addition, the related payment vouchers were charged to Deposits rather than the related capital expenditure head and subhead. This would have implications for the Deposit Fund Account.

401. In view of the purchase of the new car, the Consul General wrote the Ministry of Foreign Affairs on November 25, 1996 requesting permission to dispose of the old motor car which had an estimated value of US\$1500. However, at the time of the audit in April 1997, no approval was seen.

GUYANA EMBASSY - WASHINGTON,

402. It has been observed that remittances are sent to the Guyana Embassy in Washington on behalf of other Missions. These remittances when received are credited to Riggs Bank Account No. 08 - 490 - 331 and a full acknowledgement is then sent by Washington to the Ministry of Foreign Affairs for all remittances received. However, when the remittances are paid to the other Missions, for example the Consulate and Permanent Representative in New York, no acknowledgement receipts are sent to the Embassy in Washington. Instead, they are sent to the Ministry of Foreign Affairs. It is recommended that instructions be issued that such acknowledgements be sent to the Guyana Embassy in Washington to facilitate a proper audit of the record of remittances.

403. The Government of Guyana "Emergency Technical Co-operation for Crabwood Creek Flooding" Account # 08 - 399 - 642 reflected a balance of US\$34,483 as at 31/12/95 which had been coming forward for some time. It was explained that this account was inactive for a number of years and as a result a decision was taken to close it and to open a fixed deposit account on 11/4/96 with interest at the rate of 4.75%. At the time of the audit, the balance on this account had increased to US\$36,085. In view of the fact that this account was no longer being used, it is recommended that appropriate action be taken to close the fixed deposit when it matures and to transfer the balance to the Consolidated Fund.

404. Three(3) bank accounts were closed at the Embassy in Washington and the related bank drafts valued at US\$254,000 were sent to the Accountant General on the 11 March 1996. However, at the time of the audit, acknowledgement receipts were not submitted by the Accountant General to indicate whether these bank drafts were brought to account. It is recommended that the Ministry of Foreign Affairs pursues this matter with the Accountant General with a view to ensuring that the amounts are properly brought to account as miscellaneous revenue.

405. The monthly payments of US\$570 to Riggs Bank in respect of a loan of US\$23,638 to purchase a motor car continued in 1996 and the final payment of US\$494 was made in December 1996. These payments were, however, charged to the current expenditure.

406. Several Subheads had exceeded the allocations allowed by the Ministry of Foreign Affairs during the year 1996 as follows:-

SUBHEAD	DESCRIPTION	ALLOCATION	EXPENDITURE	EXCESS
-----	-----	-----	-----	-----
		\$'000	\$'000	\$'000
103 -	Other Technical	7,762	10,244	2,482
104 -	Clerical and Office Support	9,670	12,639	2,969
105 -	Semi-Skilled	2,372	2,572	200
302 -	Materials, Equipment Supplies	512	775	263
304 -	Rental of Building	5,715	7,190	1,475
306 -	Electricity	620	1,163	543
308 -	Telephone	1,900	3,235	1,335

It was explained that the allocations granted were inadequate to meet the expenses of the Embassy. Greater care should therefore be taken in the budgeting process so as to ensure that realistic allocations are granted. It is further recommended that proper analysis be done with the monthly financial returns submitted by the Missions in order to determine adequate allocations for these overseas Missions.

407. Remittances of revenue totalling US\$39,901.50 equivalent to G\$5.666M for the year 1996 were made to the Accountant General through the purchase of bank drafts. However, receipts were not submitted by the Accountant General in acknowledgement of the sums

remitted as revenue.

GUYANA HIGH COMMISSION - LONDON

408. It was noted that vouchers along with copies of the sub-accountants' cash book were not submitted to the Accountant General's Department for the entire period under review. As a result, the High Commission's expenditure for that period was not brought to account in the Country's accounts. It was explained that because of staff constraints this was not done. Appropriate action should be taken to correct this situation.

409. The vote accounts were not properly maintained as the allocations for the various sub-heads and releases for the respective months were not recorded. In addition, the accounts were not balanced and the Guyana Dollar equivalent of the expenditure was not reflected. As a result, the accuracy of the expenditure statements provided could not be verified. Management accepted this lapse and assurance was given that corrective action would be taken.

410. Monthly bank reconciliation statements were not prepared for the main bank account and the salaries bank account held at the Lloyd's Bank. It was explained that this was due to staff constraints. It should be pointed that the failure to reconcile bank accounts can lead to irregularities being perpetrated without detection.

411. Several unserviceable items were on hand at the time of the audit. It is recommended that approval be sought from the Ministry of Foreign Affairs for the disposal of these items.

412. The following bank accounts held at the Lloyd's Bank and under the control of the High Commission were overdrawn by amounts totalling £1.402M, equivalent to G\$336.259M, and US\$12.114M, equivalent G\$1.711 billion respectively, as at 31 December 1996

ACCOUNT NO.	DESCRIPTION	OVERDRAFT AT 31.12.96	
		US\$	£
01055721	G.H.C. London U.K.	-	244,432
01043855	G.H.C Overdue Interest	-	1,157,573
1472607	GNTC - Unpaid Loans	3,445,974	-
11879308	GNTC - Overdue Interest	8,668,369	-
TOTAL		12,114,343	1,402,005

413. Account No. 01055721 is an old Guyana High Commission, London U.K Main Account which ceased to be operational several years ago, and the nature of the overdraft could not be determined. This

overdraft has been attracting interest payable half-yearly and was chargeable to Account No. 01043855. As can be noted above, the interest was several times the overdraft which is an indicator of the length of time the overdraft has been in existence.

414. In relation to Account No. 1472607, it is understood that the amount of US\$3,445,974 represented liabilities to the Bank for goods supplied to the former Guyana National Trading Corporation through lines of credit. As noted above, interest charges to December 1995 stood at US\$8,668,369, which is more than double the value of the loan. Unless urgent action is taken to investigate the reasons for the overdrafts on these accounts and to take urgent steps to liquidate them, the liabilities will continue to increase through the accumulation of interest charges. To the extent that the overdrafts resulted from legitimate Government activity, the Government should enter into negotiation with the Bank with a view to converting them into a loan chargeable to the Public Debt.

THE GUYANA EMBASSY - BRUSSELS,

415. At the time of audit in October 1996, no Sub-Accounting Officer was appointed to the Embassy and as a result, the Charge 'D' Affairs carried out certain supervisory functions. In the circumstances, there was no one on whom responsibility for the financial affairs of the Embassy could be placed. It is therefore recommended that appropriate action should be taken to have a Sub-Accounting Officer appointed.

416. The following instances were noted where total expenditure exceeded the budgeted allocations:-

SUBHEAD -----	ALLOCATION -----	TOTAL EXPENDITURE -----	EXCESS EXPENDITURE -----
	G\$	G\$	G\$
105 000	500,000	1,128,689	628,689
302 004	70,000	150,395	80,395
304 002	300,000	418,384	118,384
307 004	400,000	491,682	91,682
314 000	100,000	110,260	10,262

It was explained that the current expenditure allocation for the year was received late from Georgetown and as a result the expenditure could not have been properly monitored. Efforts should be made to ensure that the Embassy receives early allocations so that the expenditure can be properly monitored.

417. An examination of the bank reconciliation statement of the

Main Bank Account revealed that several stale-dated cheques totalling BF 647,067 equivalent to G\$ 3.1 million were shown as unpresented. These cheques were issued several years ago and therefore cannot be cashed at the Bank. It is recommended that these cheques be written back to the cash book and one(1) cheque drawn for the entire amount and remitted to Head Office for deposit to the Deposits Fund bank account.

418. Because of the cost involved in purchasing bank drafts, revenue was remitted annually to Head Office rather than on a monthly basis, as required by existing regulations. However, an acknowledgement from the Accountant General's Department for the amount of \$US1,455 remitted early in 1996 in respect of revenue collection for the year 1995 was not produced for audit. It was explained that the acknowledgement receipt was not sent from the Accountant General's Department. Efforts should be made to ensure that acknowledgement receipts are promptly obtained for all revenue remitted to the Accountant General's Department.

419. Inventory records were not maintained for the Embassy. As a result, it could not be determined whether all assets under the control and use by the Embassy were properly accounted for and adequately safeguarded. These records should be introduced without delay.

HEAD 22

MINISTRY OF HOME AFFAIRS (POLICE)

Current Expenditure

Employment Costs

420. The salaries bank account No.542, which became non-operational in April 1996, reflected a balance of \$8.1M as at 31 December 1996. The cash book balance as at this date, according to the bank reconciliation statement, however, was \$5.991M instead of a 'nil' balance. It was explained that this balance represented unpaid salaries of officers who were interdicted from duty or were dismissed and that attempts were being made to identify these officers with a view to making the necessary transfers to the Consolidated Fund.

421. A new salaries bank account No. 3032 was opened in May 1996

in accordance with the Ministry of Finance Circular No. 6/96. However, the cash book reflected significant negative balances at the end of each month (except for December 1996) instead of 'nil' balances, as shown below:-

MONTH	BALANCE	MONTH	BALANCE
-----	-----	-----	-----
	\$		\$
May	(22,815,516)	September	(39,633,940)
June	(10,583,624)	October	(10,814,169)
July	(44,809,059)	November	(7,566,958)
August	(45,772,162)	December	4,813,041

The Accounting Officer explained that the negative balances resulted from the late transfer of funds from the Ministry of Finance in respect of increases in salaries. In relation to the positive balance of \$4.813M, the same explanation as that mentioned in the preceding paragraph was offered.

422. In addition, the new bank account was overdrawn by significant amounts on fifteen(15) occasions during the year, reflecting an apparent failure to effectively monitor the balance on this account. The following are the details:-

DATE	AMOUNT	DATE	AMOUNT
----	-----	----	-----
	\$		\$
23/05	27,671,604	12/09	748,940
30/05	1,322,699	30/09	33,921,098
07/06	1,908,989	04/10	33,555,156
21/06	5,059,670	31/10	38,556,641
30/06	4,424,913	13/11	648,240
10/07	4,364,545	30/11	12,154,289
31/07	38,773,428	30/12	48,567,218
31/08	47,941,353		

423. At the time of the audit in August 1997, the account was reconciled to May 1997 and an examination of the reconciliation statements revealed that they were not properly done. For example, the cash book balance quoted in the reconciliation statement as at 31 December 1996 was \$29.818M whereas the actual balance was

\$4.813M. Similarly, an examination of the November 1996 reconciliation statement revealed that the cash book balance quoted was \$46.378M whereas the actual cash book balance was a negative \$7.567M. In the circumstances, the reconciliation statements could not be regarded as reliable. In addition, the reconciliation statements bore no evidence of supervisory checks.

Other Charges

424. The Main Bank Account No. 834, which became non-operational in April 1996, reflected a balance of \$29.835M as at 31 December 1996 while the cash book balance at this date was \$5.366M. The Department was required to transfer all unspent releases for 1996 to the new main bank account and the remainder of the cash book balance to the Consolidated Fund. In this regard, an amount of \$29M was transferred to the new main bank account. However, no transfer was made to the Consolidated Fund, resulting in the balance of \$5.336M being left in the account.

425. A new main bank account No. 3034, which was opened in May 1996, reflected a balance of \$51.096M as at 31 December 1996. The cash book balance as at this date was \$7.144M. However, the bank account was not properly reconciled as evidenced by the fact that the bank statement balance as at 31 December 1996 was reconciled with a figure \$176.320M representing the cash book whereas the actual cash book balance was \$7.144M.

426. Amounts totalling \$28.494M were expended on fuel and lubricants. However, log books for vehicles were not presented for audit examination. In the circumstances, it could not be determined whether effective control was exercised over the use of these vehicles and whether the consumption patterns were realistic.

427. The sum of \$67.690M was expended on Rental & Maintenance of Buildings. Detailed examination of this expenditure, however, revealed several sets of contracts which were awarded on the same date to the same contractor for the repairs to Police Stations and officers' quarters. The following are examples:-

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$
30/05	15/96	Officer's quarters - Brickdam	342,495
-do-	16/96	-do- -do- -do-	379,140
-do-	23/96	-do- -do- -do-	381,962
-do-	30/96	-do- -do- -do-	402,302

TOTAL			1,505,899

30/05	22/96	Officer's quarters - Brickdam	558,140
-do-	24/96	-do- -do- -do-	592,180
-do-	31/96	-do- -do- -do-	594,660
TOTAL			1,744,980
28/08	38/96	Officer's quarters - BV	597,122
-do-	39/96	-do- -do- -do-	597,191
-do-	41/96	-do- -do- -do-	580,730
-do-	42/96	-do- -do- -do-	578,580
TOTAL			2,353,623
28/08	40/96	Officers' quarters - Providence	544,600
-do-	43/96	-do- -do- -do-	600,000
-do-	44/96	-do- -do- -do-	585,795
-do-	46/96	-do- -do- -do-	600,000
TOTAL			2,340,395

428. It is evident that the contracts were awarded in a piecemeal manner to bring them within the limits of the Departmental Tender Board, thereby avoiding public invitation to tender and adjudication by the Central Tender Board. In addition, the contracts were awarded on "selective" tendering basis which is not considered acceptable from the point of view of the Tender Board Regulations. Similar observations were made in my 1995 Report and it is disappointing to note that the apparent circumvention of the Tender Board Regulations continued to be repeated.

429. The Accounting Officer, however, contended that the contracts were awarded as per quarters and not locations and having regard to the urgency of having them completed for occupation by the officers. This explanation, however, ignores the savings which might have been effected had the works been executed in larger blocks and requiring a system of public invitation to tender and assessment by the Central Tender Board. At the time of reporting, however, the Accounting Officer has advised that this practice has since ceased.

430. Included in the sum of \$101.661M was expended on Transport, Travel & Postage were amounts totalling \$13.720M which were expended on vehicle repairs. These amounts were paid to an individual for the repairs to the Force's vehicles, although there

was a mechanical workshop. It was explained that the Workshop was not in operation during the period under review and that steps had since been taken to resuscitate its operation.

431. Amounts totalling \$5.212M were expended for telephone charges. Of this amount the sum of \$435,889 represented personal overseas telephone calls made by ranks of the Force. However, only \$105,559 was recovered from the salaries of the ranks. Efforts should be made to recover the difference of \$330,330.

Other Matters

432. 1,651 advances totalling \$149,996M were made from the Main Bank Account instead of the Imprest Bank Account, contrary to financial instructions. It was explained that the imprest allocation of \$700,000 was inadequate and resort had to be made to the Main Bank Account. It is recommended that approaches be made to the Accountant General with a view to increasing the imprest allocation.

HEADS 28-30, 32-33 AND DIVISIONS 508, 510 & 512

MINISTRY OF AGRICULTURE

Current Expenditure

Employment Costs

433. Two(2) new salaries bank accounts (Account Nos. 3056 and 3057) were opened in June 1996 because of the problems associated with the two(2) previous accounts, mainly in relation to the lack of reconciliation over the years. However, despite this effort to start from a clean position and the Minister of Agriculture's intervention in terms of persuading the Accounting Officer to give reconciliation of bank accounts the priority it deserves, there was no evidence that attempts were made to reconcile these accounts. As a result, the main purpose of the opening of the new bank accounts has been defeated and there is danger that the problems associated with the old accounts will be repeated in respect of the new accounts.

434. This state of affairs is considered most disheartening in that the failure to reconcile bank accounts can lead to irregularities being perpetrated without detection. The Accounting Officer is therefore again advised to ensure that the reconciliation of these accounts is brought up-to-date.

435. At the time of inspection on 30 April 1997, the cash book for Account No. 3056 - Salaries Account - was not written up for December 1996. It was, however, brought up-to-date in June 1997 when the matter was drawn to attention. It is recommended that the cash book to be written up and balanced on a daily basis so that at any one point in time the balance on hand can be ascertained.

436. The old salaries bank account No. 940 was overdrawn by \$4.916M as at 31 December 1996, and at the time it ceased to become operational in May 1996, the overdraft was \$2.717M, giving an increase in overdraft of \$2.199M between the period June to December 1996. In my 1995 Report, mention was made of the continuous overdraft on this account, a situation which continued in 1996 and for which a satisfactory explanation was still not obtained. In addition, the account was not reconciled since October 1991 and therefore the comments at Paragraph 434 are applicable.

437. In 1995, it was also reported that the old wages deductions account

No. 941 showed a large positive bank balance of \$3.779M as at December 1995 although the cash book showed a 'nil' balance. It was evident that there were delays in paying over deductions to the relevant agencies. The Accounting Officer had agreed to the closure of this account since no useful purpose was served by having an additional bank account to monitor the payment of deductions. Despite this, a new account (Account No. 3057) was opened in June 1996. The Accounting Officer explained that the Accountant General had since been written to with a view to the closure of this account and a response was being awaited. In addition, at the time the former account became non-operational in May 1996, the balance was \$2.999M and at December 1996, this balance was reduced to \$2.858M. The account was also last reconciled to December 1992.

438. Two(2) other salaries bank accounts (Account Nos. 509 and 578) which were not operational since 1991 reflected balances of \$1.827M and \$302,004 respectively as at 31 December 1996. The Accounting Officer had explained that approaches were made to the Accountant General to have these accounts closed and the balances transferred to the Consolidated Fund but was advised that these accounts had to be reconciled first.

439. An examination of the Register of Contributors to the National Insurance Scheme revealed that there were 145 names without NIS numbers at the time of the audit. 85 of these names relate to persons who were in the employ of the Ministry prior to 1996. It had been explained that most of these persons were transferred from the Regions and that their NIS particulars were not submitted to the Ministry. Since contributions to the National Insurance Scheme have implications for social security benefits for employees, renewed efforts should be made to ensure that all employees are properly registered with the Scheme.

440. Out of a sample of forty(40) travelling files of officers in receipt of commuted travelling and mileage allowances, eight(8) were not presented for audit examination. However, alternative auditing procedures were adopted in the verification of payments to these persons. In addition, eleven(11) officers in receipt of such allowances were also assigned vehicles under the control of the Ministry. However, the log book for only one(1) vehicle was presented for audit examination and therefore the extent of the use of the Ministry's vehicles by the other officers could not be satisfactorily determined.

441. An examination of the log book presented revealed that the concerned officer had the full-time use of the Ministry's vehicle although he was paid commuted travelling allowance for the use of his personal vehicle. In addition, the officer was authorised a mileage ceiling of 350 miles per month which he fully utilised throughout the year, except in January 1996 when he was paid a mileage allowance for incurring 500 miles travelling using his personal vehicle.

442. A similar situation was observed in respect of the other ten(10) officers in that these officers, in addition to being paid commuted travelling allowances, were in receipt of mileage allowances of approximately 350 miles per month for the use of their personal vehicles.

443. The Accounting Officer explained that a number of vehicles were acquired and because of the difficulties in recruiting drivers, the vehicles were assigned to these officers as a temporary arrangement.

However, up to the time of reporting, this arrangement was still in force. Notwithstanding the explanation given, the cost implications are that these officers were in effect enjoying a double benefit in that they had the full-time use of the Ministry's vehicles while at the same time they were paid commuted travelling allowances for the use of their personal vehicles, not to mention payments for mileage allowances. This practice in effect constitutes waste, the extent of which was in excess of \$2M in 1996 and should be discontinued immediately. Officers should either use their personal vehicles or the Ministry's vehicles in the performance of their official duties and not both.

Other Charges

444. There was no evidence that the new Main Bank Account No. 3054 was reconciled since it was established in June 1996 and therefore the comments at Paragraph 434 are also applicable. In addition, in accordance with Circular No. 6/96, only the unspent releases for 1996 were to be transferred from the old Main Bank Account to this account and the remainder of the cash book balance was to have been paid over to the Consolidated Fund. In this regard, the sum of \$198.567M was transferred to the Account No. 3054.

445. As at 31 December 1996 the new main bank account reflected a balance of \$99.374M while the cash book showed a balance of \$619,734. The difference was mainly due to 562 cheques valued \$77.097M which were issued on 31 December 1996. This is an indicator that the cash book was not closed on 2 January 1997 as required by the Accountant General's Circular regarding the closure of the Country's Accounts. Instead, it appeared to have remained opening for an unspecified period and the cheques drawn back-dated to 31 December 1996. This practice is also in breach of Section 36 of the Financial Administration and

Audit Act which prohibits funds allocated in one year to be expended in the following year

446. The old Main Bank Account No. 938 which became non-operational in May 1996, reflected an overdraft of \$5.840M as at 31 December 1996 and for which a satisfactory explanation was not obtained. In addition, this account was reconciled on a yearly basis instead of on a monthly basis, the last reconciliation being for 1995.

447. One hundred and sixty-two(162) cheques valued at \$1.970M drawn on Account No. 938 were still on hand at the time of inspection in June 1997. 127 of these were issued in 1995 and earlier periods. 37 cheques valued at \$142,314 were in favour of the National Insurance Scheme. The Accounting Officer explained that most of these cheques relate to payments which were unclaimed by the respective payees. In order to avoid any possible irregularities occurring, especially in view of the fact that these cheques were not crossed, efforts should be made to contact the payees, failing which the cheques should be cancelled and the cash book adjusted accordingly.

448. Another Main Bank Account No. 705 which was not operational since July 1991 reflected a large balance of \$40.428M as at 31 December 1996, and it could not be determined when last it was reconciled. In my 1995 report, I had recommended the closure of this account and a transfer of the balance to the Consolidated Fund. However, up to the time of reporting, no action was taken to implement this recommendation.

449. In addition, at the time of inspection, three hundred and sixteen(316) cheques valued at \$2.091M drawn on this account, were still on hand. Two hundred and nineteen(219) of these cheques valued at \$319,504 were drawn in favour of the National Insurance Scheme. In this regard, the recommendation at Paragraph 448 is also applicable.

450. The sum of \$18.269M was expended on Materials, Equipment and Supplies. However, the following unsatisfactory features were observed in relation to this expenditure:-

- (a)Thirty-six(36) payments totalling \$1.037M for the purchase of stationery and office supplies for Head Office and Crops and Livestock Division, were not subject to storekeeping procedures but were put to immediate use. This is a breach of the Stores Regulations, and in the absence of any record to indicate the receipt and utilisation of the items purchased, the expenditure incurred could not be properly verified. Efforts should therefore be made to ensure full compliance with the Stores Regulations; and
- (b)Forty-three(43) payments totalling \$1.794M for the purchase of stationery and office supplies for various departments could

not be traced to the stock records. In the circumstances, it could not be determined whether the items purchased were received and duly brought to account. This discrepancy should be investigated by the Ministry.

451. A goods received book was not kept at the Crops and Livestock Division, despite comments to this effect in my 1995 Report. There also continued to be a lack of proper segregation of duties in that the officer in charge of the Store was involved in the procurement of the items. In addition, issues were not documented and approved since no ISR's were being used. These practices represent a significant breakdown in internal control and storekeeping procedures and as such urgent action should be taken to remedy the deficiencies highlighted.

452. According to the Appropriation Accounts, amounts totalling \$7.712M were expended on the purchase of fuel and lubricants. However, of the thirty-eight(38) vehicles for which log books were required to be maintained, log books were only presented in respect of six(6) vehicles. In the circumstances, it could not be determined whether all journeys undertaken were authorised and whether there was effective control over the use of the vehicles for which log books were not presented.

453. The sum of \$17.455M was expended on the rental and maintenance of buildings. The following is a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rental of buildings	2,842,600
Repairs to four(4) buildings at in Region 1	3,100,000
Purchase of building materials etc.	2,039,355
Maintenance of Seed Technology Unit	925,679
Repairs to AFA House at Bartica	800,000
" " House at Region 9	800,000
" " AITCC building at Mon Repos	702,654
" " CCLO Office & Vet. section & lab.	532,409
" " Building at Region 2	500,000
" " to Kuru Kuru Extension Centre	500,000
" " to Kuru Kuru Extension Centre	471,462
Other	4,240,611

TOTAL	17,454,770
	=====

The maintenance works at the Regions were executed by the Regions by way of inter departmental warrants and financial returns were seen to attest to the expenditure incurred. The other works were physically verified.

454. According to the Appropriation Account, amounts totalling \$9.548M were expended on electricity charges. However, the Electricity Charges Register was not presented for audit examination. In addition, the following four(4) payments totalling \$4.809M were not supported by electricity charges bills:-

DATE	PV NO.	PARTICULARS	AMOUNT
----	-----	-----	-----
			\$
13/12	402	Charges for 1996 - Head Office	2,838,485
18/12	609	Electricity Charges - Fisheries	1,736,000
07/11	162	Charges for August '96 - NARI	228,307
16/12	439	Charges for July '96 - Lands & Surveys	6,644

TOTAL			4,809,436
			=====

Efforts should be made to introduce an electricity charges register so that the charges against each meter can be properly monitored. In addition, greater care should be exercised in ensuring that all supporting documents are attached to the related payment vouchers.

455. The sum of \$29.147M was expended on Transport, Travel and Postage. Included in this figure is an amount of \$3.204M representing the hire of vehicles for the Crops and Livestock and Hydromet Divisions. It should be noted that the two(2) Departments together had twenty-seven(27) vehicles in use and, as mentioned earlier, eleven(11) of these vehicles were assigned to officers who were also in receipt of commuted and mileage allowances for the use of their personal vehicles. The extent of the hire of vehicles therefore does not appear to be justified.

456. The question of the extent of the hire of vehicles was raised in my 1995 Report and I had recommended that "a review of the transportation requirements of all the Departments of the Ministry be carried out with a view to rationalising the use of the Ministry's vehicles. This may result in the avoidance of the hire of vehicles and consequent savings to the Ministry". However, there was no evidence of any action being taken to implement my recommendation.

457. The sum of \$296.612M was expended as contributions to local and international organisations, of which amounts totalling \$226.232M were granted as subventions to the following state agencies:-

NAME OF ORGANISATION	AMOUNT
-----	-----
	\$'000
National Agricultural Research Institute	145,000
Guyana School of Agriculture	46,032
New Guyana Marketing Corporation Ltd	18,100
National Dairy Development Project	17,100

TOTAL

226,232
=====

458. The National Agricultural Research Institute (NARI) was last audited in respect of 1991. Draft financial statements for 1992 were received in June 1997 and at the time of reporting the audit was in progress. The amount of \$145M was, however, verified as having been received by NARI but in the absence of audited accounts for 1996, it could not be determined whether the subvention received by NARI was properly utilised.

459. In 1995, it was reported that the Guyana School of Agriculture (GSA) was last audited to 1993 and that financial statements had not been received for the years 1994 -1995. This situation remained the up to the time of reporting. The amount of \$46.032M was, however, verified as having been received by the GSA but in the absence of audited accounts, it could not be determined whether the amount received by the GSA as subvention was properly utilised.

460. In relation to the New Guyana Marketing Corporation Ltd., the last set of audited accounts was in respect of 1994. Financial statements for the years 1995 were received and at the time of reporting, the audit was in progress. The amount of \$18.1M was verified as having been received by the Corporation.

461. The National Dairy Development Programme (NDDP) was last audited to 1987. Financial statements were submitted in August 1997 for the years 1991 to 1996 but because of the gap in financial reporting for the years 1988 to 1990 as well as their incomplete nature, the statements were returned to NDDP. The amount of \$17.1M was, however, verified as having been received by NDDP but in the absence of financial statements the proper utilisation of this amount could not be determined.

462. The system provides for cheque orders to be cleared within sixteen(16) days. However, an examination of the Cheque Order Register revealed that these orders were being cleared on average after forty(40) days. Efforts should be made to ensure compliance with the Regulations.

Revenue Accounting & Control

463. Amounts totalling \$464.966M were collected as revenue by the Ministry. However, a revenue chart was not kept to monitor the collection of revenue from sub-offices. Revenue accounts and revenue control accounts were also not maintained. In the circumstances, it could not be determined whether all revenues collectible were actually collected. This matter was drawn to attention in my 1995 Report and it is disappointing that no action was taken to introduce these

records.

464. An examination of the Register of Licence Books kept at Head Office revealed that it was not subject to periodic checks by the Internal Audit Department. Requisition and issue note numbers were also not quoted in the Register.

Other Matters

465. The Imprest Account No. 3055 was short-retired by \$113,270 at the end of 1996. The Accounting Officer explained that the short-retirement was due to outstanding advances and that efforts were being made to recover these advances.

466. 586 advances totalling \$18.978M were issued from the Imprest in 1995. However, 178 of these totalling \$7.854M were cleared by instalments. This highlights the need for greater monitoring of advances granted to ensure that they are cleared fully and in a timely manner. This matter was drawn to attention in my 1995 Report.

467. According to the records of the various deposit accounts kept by the Ministry, balances at 31 December 1996 totalled \$161.192M, compared with \$105.610M at the end of 1995. The following are the details:-

DESCRIPTION -----	AMOUNT	AMOUNT
	1996 \$	1995 \$
Wildlife - General	79,238,380	36,842,349
Wildlife - Fish	43,844,281	30,117,126
Block Sundry (fishing licences)	36,732,101	31,262,715
Wildlife - Duck	1,166,201	1,166,201
Works for Private Parties	210,791	6,221,506
	-----	-----
TOTAL	161,191,754	105,609,897
	=====	=====

468. Given that the greater portion of the above amounts represent
revenue
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Capital Expenditure

Division 508 - Ministry of Agriculture

Subhead 13001 - Black Bush Polder Rehabilitation

469. The sum of \$25M was voted for the rehabilitation of drainage and irrigation canals in Black Bush Polder, of which amounts totalling \$24.708M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of Johanna Main Drain	4,560,458
Wages & salaries	9,590,658
Fuel & lubricants	4,455,718
Purchase of spares and other consumables	3,302,118
Travelling & subsistence	2,220,822
Repairs to vehicles and equipment	578,618

TOTAL	24,708,392
	=====

470. The contract for the rehabilitation of Johanna Main Drain was awarded for \$8.616M and payments totalling \$4.239M were made based on the value of the work executed as at 31 December 1995. The work was completed in 1996 and payments totalling \$4.560M were made to the contractor. In addition, a number of other drains and canals were rehabilitated using force account. The works were physically verified.

Subhead 13002 - Agriculture Sector Loan

471. The sum of \$25M was allocated for (a) institutional strengthening of the D & I Project Executing Unit (b) establishment of a Lands and Surveys Commission and (c) emergency D & I works. According to the Appropriation Account, amounts totalling \$4.983M were expended.

472. The Project is funded jointly by the Inter American Development Bank and the Government of Guyana under Loan Agreement Nos. 965 and 966 and is subject to separate financial reporting and audit. Draft financial statements for 1996 have been received, and up to the time of reporting, the audit was in progress.

Subhead 13003 - Rehabilitation of D & I Areas

473. The sum of \$310M was voted for the rehabilitation of the Torani, Manarabisi and Seaforth Nos. 1 & 2 canals and sluices at Letter Kenny, Craig, Gargen of Eden, Hubu and Three Friends, drainage and irrigation

works at Jackson-Moleson and Somerset/Berks and regulators at Torani, Anne's Grove and Capoey. Amounts totalling \$311.179M were shown as having been expended, resulting in an excess expenditure of \$1.179M. The following is a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of Torani Canal	122,231,689
" " Manarabisi Canal	14,187,110
" " Letter Kenny canals etc.	14,765,863
" " Garden of Eden canals etc.	16,122,712
" " Capoey canals etc.	6,056,050
" " Somerset/Berks canals etc.	4,000,000
Emergency works in Region 4	36,550,894
" " " Region 3	12,613,525
" " " Region 10	13,470,420
" " " Region 2	1,062,107
Wages & salaries	20,270,819
Purchases of spares & stationery	17,620,628
Other services purchased	12,261,526
Purchases of equipment	7,845,758
Fuel & Lubricants	7,642,698
Travelling & subsistence	2,759,884
Miscellaneous	1,716,887

TOTAL	311,178,571 =====

474. The contract for the rehabilitation of Torani Canal was awarded in the sum of \$174.759M in April 1996 and at the end of the year amounts totalling \$116.161M were paid to the Contractor based on the assessed value of the work done. The work was physically inspected, and at the time of reporting it was still in progress.

475. Included in the amount of \$14.187M shown as rehabilitation of the Manarabisi Canal is the sum of \$12.825M representing the outstanding balance on the purchase of two drainage pumps valued at \$45.679M in 1995.

476. In relation to the expenditure incurred in the Letter Kenny area, a Sluice was constructed at a cost of \$18.824M. At the end of 1996, payments totalling \$9.705M were made to the contractor based on valuation for work done. At the time of reporting, the work was completed and was physically verified.

477. Two(2) reinforced concrete out-fall sluices were constructed at Garden of Eden. Payments totalling \$10.974M were made to the contractor based on the valuation of works done at the end of 1996. The contract sum was \$16.371M, and at the time of reporting, the work

was still in progress.

478. The expenditure of \$6.056M incurred at Capoey relates to the rehabilitation of eight(8) regulators at Capoey and excavation works at Mainstay while the rehabilitation works at Somerset/Berks represents the desilting of 800 rods of drains. The works were physically verified.

479. The amount of \$7.846M was expended for the purchase of radio phones, mobile radios, motor pumps, computers and accessories etc. The items purchased were verified as having been received and properly brought to account.

480. Included in the expenditure of \$36.551M reflected under Region 4 are the following contracts which were awarded to the same contractor and which appeared to have been subdivided to avoid adjudication by the Central Tender Board:-

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
-----	-----	-----	-----
			\$
19/02	36/96	Cleaning and excavation of canals at Buxton/Friendship	2,917,700
19/02	37/96	-do- -do-	3,991,500

TOTAL			6,909,200
			=====

These contracts were awarded by the Ministerial Tender Board whose authority limit is \$6M. The Accounting Officer explained that the works at Buxton/Friendship were of an emergency nature as there was flooding in the area. This explanation does not appear to be satisfactory and since the proposed works were advertised, and the Central Tender Board could have been involved in the same way as the Ministerial Tender Board.

481. Five(5) contracts valued at \$4.225M were awarded to an engineering firm for consultancy services. Enquiries revealed that the firm in question was partly owned by a senior official of the D & I Board. Although this official was not involved in the adjudication of the awards, by virtue of his position, a conflict of interest would appear to arise. In the circumstances, it would seem necessary for the firm to be ruled ineligible for the award of any D & I contract. This matter was drawn to attention in my 1995 Report. The Accounting Officer has since advised that with effect from September 1996, no further contracts were awarded to this firm.

Subhead 13005 - Agriculture Sector Hybrid Programme

482. The sum of \$260M was allocated for the upgrading and maintenance

of farm access roads in the various Regions, of which amounts totalling \$72.351M were shown as having been expended.

483. The Agriculture Sector Hybrid Programme is funded jointly by the Government of Guyana and the Inter American Development Bank and is subject to separate financial reporting and audit. An examination of the audited accounts for 1996, however, revealed that expenditure totalling \$411.745M was incurred. It is to be noted that expenditures totalling \$269.066M were reflected under Division 519 Subhead 15002 - Corentyne and Essequibo. Taking this into account, the Appropriation accounts were understated by \$70.327M. Explanations obtained revealed that a number of overseas disbursements by the IDB in 1996 were not brought to account in the accounts of the Ministry, resulting in an under-reporting of expenditure for the period under review.

Subhead 13006 - Purchase of Equipment

484. The sum of \$48M was voted for the purchase of heavy duty equipment to execute drainage and irrigation works throughout the Country. Amounts totalling \$42M were expended in the purchase of eleven(11) reconditioned Hymacs. The equipment purchased were verified as having been received and properly brought to account.

Subhead 17004 - National Agricultural Research Institute

485. The sum of \$20M was voted for rehabilitation of buildings and other infrastructure. According to the Appropriation Account, the full amount was expended. However, an examination of the records of NARI revealed that \$11.597M was expended, giving a difference of \$8.403M which should have been refunded to the Ministry for credit to the Consolidated Fund. A similar observation was made in 1995 where there was an unspent amount of \$19.606M.

486. The following is a breakdown of the expenditure of \$11.597M:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of three(3) Type C buildings	3,075,011
" " three(3) Type B buildings	6,053,866
" " four(4) duplexes	827,923
" " Post harvest Laboratory	1,410,646
Consultancy & supervisory fees	230,000

TOTAL	11,597,446 =====

At the time of inspection in August 1997, the rehabilitation of one(1) duplex was in progress and work had not net commenced on another duplex.

Subhead 17005 - Guyana School of Agriculture

487. The sum of \$14M was allocated for the purchase of equipment and the rehabilitation of buildings. The full amount was shown as having been expended. However, an examination of the records of GSA revealed that amounts totalling \$15.790M were expended as follows:-

DESCRIPTION	AMOUNT

	\$'000
Rehabilitation of buildings	13,725
Purchase of equipment	2,065

TOTAL	15,790
	=====

The difference of \$1.790M was financed from internally generated funds. The rehabilitation works were physically verified and the equipment were received and properly brought to account.

Subhead 17009 - National Dairy Development Programme

488. In 1996, the sum of \$10M was voted for the purchase of artificial insemination equipment, forage harvester and chopper and the establishment of Williamsburg/Port Mourant Pasture. According to the Appropriation Account, the full amount was shown as having been expended. The records of NDDP, however, revealed an expenditure of \$9.959M in the purchase of the following:-

DESCRIPTION	AMOUNT

	\$
3,226 doses of Semen	4,429,752
Three(3) forage harvesters & choppers	1,594,438
One(1) vehicle	2,079,000
Three(3) motor cycles	1,170,000
Office equipment	686,395

TOTAL	9,959,585
	=====

489. The items purchased were verified as having been received and properly brought to account. However, as can be noted, one(1) vehicle and three(3) motor cycles were purchased but there was no evidence that approval was granted from the Chief Planning Officer for a change in programme to effect these purchases.

Subhead 17019 - Extension Services

490. The sum of \$5M was allocated for the purchase of computer, equipment, furniture and two(2) outboard motors for national Extension Services. Amounts totalling \$3.325M were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 21001 - Hydrometeorology

491. The sum of \$12M was voted for the rehabilitation of the National Hydromet Station, the purchase of office equipment and one(1) vehicle. Amounts totalling \$7.565M were expended. The rehabilitation works were physically verified while the items purchased were verified as having been received and properly brought to account.

Subhead 25001 - Project Evaluation and Equipment

492. The sum of \$1M was allocated for the purchase of air condition units and other equipment for the Planning department and Agriculture Head Office. The full amount was expended. The items were physically verified and were properly brought to account.

Subhead 33002 - Geodetic Surveys

493. The sum of \$10.6M was voted for the reproduction of maps of Guyana, of which amounts totalling \$10.422M were expended in the 6,000 maps. These maps were properly brought to account in the records of the Ministry.

Subhead 33003 - National Land Registration

494. The sum of \$21M was allocated for the issuing of land titles, the purchase of equipment and one(1) vehicle of which amounts totalling \$20.199M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Issuing of 400 land titles	16,390
Purchase of vehicle	2,993
" " surveying equipment	816

TOTAL	20,199
	=====

The items purchased were verified as having been received and properly brought to account.

Division 510 - Ministry of Agriculture (MMA III)

495. The sum of \$48.717M was voted for the desilting of the Abary River mouth, rehabilitation of roads, flood control in the Mahaicony area, realignment and land titling, establishment of cattle pasture and the purchase of outboard engines and equipment at the Mahaica-Mahaicony-Abary Agricultural Development Authority. The allocation was made under the following subheads:-

SUBHEAD	DESCRIPTION	AMOUNT
-----	-----	-----
		\$'000
13001	Civil Works	18,717
17001	Agricultural Development	25,000
47001	General Administration	5,000

TOTAL		48,717
		=====

496. The MMA/ADA was established by Act No. 27 of 1977 and is subject to separate financial reporting and audit. An examination of the audited accounts for 1996, however, revealed that amounts totalling \$40.897M were expended on civil works and agricultural development, giving a difference of \$7.820M which should have been refunded to the Ministry for credit to the Consolidated Fund. The following gives a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Permanent infrastructure	31,876
Drainage and irrigation works	8,292
Buildings	550
Plant and machinery	179

TOTAL	40,897
	=====

497. In relation to General Administration, according to the audited accounts, operating revenue, inclusive of the subvention of \$6.247M from Central Government, totalled \$98.019M while actual expenditure, excluding depreciation, was \$145.3850M, giving a cash flow deficit of \$47.366M. This deficit was financed mainly from a reduction in bank balances from \$8.283M to an overdraft of \$2.665M, the unspent portion of \$7.820M relating to the capital works as well as increase in current liabilities from \$10.466M to \$37.873M.

498. The Authority's audited accounts were required to be laid in the National Assembly as soon as is practicable after the audit is concluded and the report issued. However, it could not be determined when last this was done. It is recommended that urgent steps be taken to have all the outstanding accounts laid before the National Assembly.

Division 512 - Artisinal Fisheries

Subhead 12004 - Fisheries Technical Assistance Project

499. The sum of \$14M was voted for the training of personnel in the Fisheries Department and the preparation of a strategy for sustainable development in the fisheries sector. The full amount was expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$'000
Consultancy services	11,000
Purchase of vehicle	2,820
" " office furniture	180

TOTAL	14,000
	=====

The consultancy services represents the payment of fees to consultants who were engaged to prepare a fisheries background report and a fisheries management and development plan for Guyana. The equipment purchased were verified as having been received and properly brought to account.

Subhead 12005 - CARICOM Resource & Management Programme

500. The sum of \$21M was allocated for the provision of basic fisheries resources information and institutional strengthening of the fisheries sub-sector. Amounts totalling \$19.918M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$'000
Consultancy services	17,198
Contributions to CARICOM	1,500
Salaries to local employees	500

TOTAL	19,918
	=====

The amount of \$17.198M represents fees paid to consultants to develop a management, to conduct workshops, to prepare fisheries management plans for all Caribbean countries.

Subhead 12006 - Agricultural Development

501. The sum of \$1M was allocated for the promotion of aquaculture in schools, of which amounts totalling \$457,185 were expended on the construction and fencing of fish pond at Bygeval Multilateral School.

HEAD 31

HYDRAULICS DIVISION

502. Excess expenditure totalling \$160,000 was incurred under Subhead 302 - Materials, Equipment & Supplies. Since there were savings under other subheads, it would have been more appropriate for a virement to be sought to accommodate the excess expenditure.

503. The sum of \$12.619M was expended on the Maintenance of Infrastructure. An examination of this expenditure revealed that a payment of \$2.7M to a contractor to rehabilitate the Bartica River Sluice and outfall channel. A physical inspection of the works revealed that twenty-three(23) pile were installed. However, the contractor was paid for the installation of thirty-six(36) piles. As a result, he was overpaid the sum of \$324,900.

504. The Accounting Officer explained that the contract in question was awarded by the Regional Administration in Region 7 and the work was supervised and payments made by that Region on behalf of the Ministry. Notwithstanding this, efforts should be made to recover this amount from the contractor.

HEAD 34 - 36 & DIVISION 516

MINISTRY OF HEALTH

Current Expenditure

Employment Costs

505. A diary of pay changes was not maintained for the period under review. As a result, pay changes had to be verified through the tedious examination of individual paysheets, personal files and other records. Efforts should be made to introduce this record as early as possible.

506. Paychange directives were not forwarded promptly to the Central Accounting Unit (CAU) to enable changes to be made to the payrolls. This has resulted in persons' names remaining on the payrolls on average seven(7) months after they ceased to be employed. This undue delay in processing of pay changes can lead to irregularities. The Accounting Officer is therefore advised to ensure that all pay change directives are promptly forwarded to the CAU to enable the speedy adjustment to the payrolls.

507. The salaries bank account No. 945, which became non-operational in July 1996, was overdrawn by \$6.875M as at 31 December 1996, compared with an overdraft of \$48.730M as at 31 December 1995. In addition, the account was overdrawn by significant amounts at the end of each month, as shown below:-

MONTH ENDING	OVERDRAFT	MONTH ENDING	OVERDRAFT
-----	-----	-----	-----
	\$		\$
January 1996	23,467,272	July 1996	5,503,348
February 1995	23,933,873	August 1996	6,572,905
March 1996	3,070,495	September 1996	6,801,713
April 1996	4,505,123	October 1996	6,866,833
May 1996	714,412	November 1996	6,866,953
June 1996	4,736,466		

Efforts should be made to investigate the overdraft with a view to clearing it.

508. In my 1995 Report, it was mentioned that a cash book was not maintained for this account and therefore no reconciliation could

have been carried out. With effect from January 1996, a cash book was introduced and the monthly transactions were being reconciled. However, without any opening balance, the account continued to be unreconciled.

509. A new salaries bank account No.3083 was opened in July 1996 in accordance with Ministry of Finance Circular No. 6/96. At the time of the audit in May 1997, this new account was not reconciled since it was established. However, at the time of reporting, the reconciliation was brought up-to-date to June 1997.

510. The cash book for this account reflected large balances at the end of each month instead of 'nil' balances, resulting from the failure to pay over deductions to the relevant agencies before the close of the month. The following are the details:-

MONTH	BALANCE	MONTH	BALANCE
-----	-----	-----	-----
	\$		\$
July	5,673,947	October	5,821,099
August	5,560,339	November	6,456,358
September	1,269,575	December	76,593

It is an important control mechanism for the cash book to reflect a 'nil' balance at the end of each month and as such every effort should be made to comply with this requirement.

511. Sixteen(16) instances were noted where the payment vouchers were not seen in respect of the related paysheets. In addition, payment vouchers were not filed in date sequence, resulting in the examination of paysheets being tedious and time-consuming. Greater care should therefore be exercised in the securing and filing of vouchers and related documents.

512. Amounts totalling \$19.664M were expended on uniform allowances. However, details of the distribution of the allowances totalling \$3.174M were neither appended to the related vouchers nor were they provided for audit examination. The Accounting Officer is advised to investigate this apparent discrepancy.

513. A contract valued at \$4.329M was entered on 10 August 1996 for the supply of uniforms for nurses and other categories of staff. The delivery date for the uniforms was 23 September 1996, and an amount of \$1.299M was advanced to the contractor. Up to the time of reporting, however, the uniforms had not been supplied. It is understood that the matter was engaging the attention of the Police.

Other Charges

514. The Main Bank Account No. 946, which became non-operational in July 1996, reflected a balance of \$8.073M as at 31 December 1996 and it could not be determined when last the account was reconciled.

515. A new main bank account No. 3079 was opened in July 1996 in accordance with the Ministry of Finance Circular No. 6/96. This new account reflected a large balance of \$346.271M as at 31 December 1996 while the cash book balance at this date was \$39.874M. However, at the time of the audit in May 1996, the account was not reconciled since it was established. At the time of reporting, however, the reconciliation was brought up-to-date to December 1996.

516. There is an old main bank account No. 440 which became non-operational in July 1991. However, this account was not reconciled for several years and reflected a balance of \$5.335M as at 31 December 1996. Steps should be taken to close this account and to transfer the balance to the Consolidated Fund.

517. According to the appropriation accounts, amounts totalling \$450.845M were expended on the materials, equipment and supplies, of which sums totalling \$419.481M relate to the purchase of drugs and medical supplies. Included in the latter figure, were amounts totalling \$23.996M representing unpaid liabilities for 1995. However, there was no evidence that approval was granted from the Secretary to the Treasury to discharge these liabilities using the 1996 voted provision. A similar observation was made in relation to 1996 where liabilities totalling \$7.739M were discharged in 1997 without the approval of the Secretary to the Treasury.

518. The Tender Board Regulations provide for the following authority limits in relation to the procurement of goods:-

LIMITADJUDICATION BY

Below \$90,000	Permanent Secretary without quotations.
\$90,000 - \$180,000	Permanent Secretary on written quotations.
\$180,000 - \$600,000	Ministerial Tender Board.
\$600,000 - \$6,000,000	Central Tender Board subject to approval of the Minister of Finance.
Above \$6,000,000	Central Tender Board subject to the approval of Cabinet.

519. The following is an analysis of the purchase of drugs and medical supplies under the above limits:-

LIMIT	NO. OF PURCHASES	VALUE
-----	-----	-----
		\$'000
Below \$90,000	148	8,739
Above \$90,000 and below \$180,000	252	37,883
Above \$180,000 and below \$600,000	32	9,190
Above \$600,000 and below \$6M	31	209,779
Above \$6M	41	153,890
	---	-----
TOTAL	504	419,481
	===	=====

520. As can be noted, 252 purchases valued at \$37.883M fell within the limits of \$90,000 and \$180,000. However, there was no evidence of adherence to a system of quotations before the purchases were made. In addition, as in 1995, these purchases were deliberately sub-divided in most cases in lots of slightly less than \$180,000 to bring them within the adjudication limit of the Accounting Officer, thereby avoiding the involvement of the Ministerial Tender Board and/or the Central Tender Board.

521. A similar observation was made in relation to the purchases falling within the limits of \$180,000 and \$600,000 in that there was evidence of subdivision of contracts to avoid the involvement of the Central Tender Board. In addition, although there was evidence of the involvement of the Ministerial Tender Board, such involvement was only in relation to the opening of tenders. There was no documentary evidence indicating the results of any assessment made by this board.

522. As in 1995, there was also evidence that suppliers were delivering drugs and medical supplies in bulk with the verbal understanding that payments of slightly less than \$180,000 would be phased out over a period of time, depending on the availability of funds.

523. The system for the procurement of drugs and medical supplies would normally require adherence to the following procedures:-

.The Pharmacy Bond prepares a Request For Purchase (RTP) whenever stocks are required to be replenished;

- .The RTP is sent to the Central Accounting Unit of the Ministry for processing;
- .Once the supplier is identified by the expeditor, a Purchase Order and the related payment voucher and cheque are prepared;
- .The expeditor makes the purchase, and the goods are delivered at the Pharmacy Bond in Kingston;
- .The goods are checked by staff of the Pharmacy Bond, the relevant entries are immediately made in the Goods Received Book, and Goods Received Notes (GRN's) are promptly prepared;
- .The bin cards are updated with the receipt of the goods from the GRN's;
- .Copies of the RTP and the GRN along with the supplier's invoice are sent to the Central Accounting Unit to be affixed to the payment voucher to substantiate the payment;
- .The Central Accounting Unit is required to maintain a Stores Ledger to provide for an independent check on the bin cards kept by the Pharmacy Bond. From a copy of the GRN, the Stores Ledger is updated with the purchase;
- .Periodic physical verification of the stocks by persons independent of the Bond are required to be carried to ensure that all stocks are duly accounted for and the stock records are always up-to-date, accurate and reliable; and
- .Any discrepancy is thoroughly investigated and adjustments to the stock records, especially as it relates to shortages, require the specific approval of the Secretary to the Treasury.

524. This system provides adequate checks and balances by segregating various aspects of the procurement cycle so that no one person or set of connected persons is/are involved in the entire process. In particular, (a) the ordering and payment to suppliers, (b) the actual purchases and (c) the receipt of the goods and the related storekeeping functions are done by different and independent persons.

525. Despite these obvious safeguards, there was a complete breakdown of the system. The staff of the Pharmacy Bond were exclusively involved in all the aspects of the procurement cycle, save and except the drawing of the cheque. In particular:-

- .No RTP's were raised and hence no Purchase Orders were prepared. Orders were placed verbally via the telephone by the Chief Pharmacist. This is a significant breakdown of internal control in that the Chief Pharmacist, who had overall responsibility for and control over stocks, was in contact with suppliers and was allowed to place orders directly with them;

- .There were no expeditors and therefore a vital aspect of internal control was lost when storekeeping staff were integrally involved in the procurement process. (The Chief Pharmacist was for all intents and purposes the Chief Storekeeper);
- .At the time of receipt of goods, no entries were made in the Goods Received Book and no goods received notes were prepared. It was only when funds became available that the supplier would be contacted and asked to sub-divide the purchase into, in most cases, lots of slightly less than \$180,000 and the related invoices received, that the entries would be made. It is clear that documentation of the receipt of goods was only done as a mere formality to facilitate payment to the suppliers;
- .It is also evident that requesting certain suppliers to submit the manipulated invoices when funds were available was done as an act of deception to give the impression that the goods were supplied on the date of payment;
- .Depending on the availability of funds, the time lag between the receipt of the goods and making the relevant entries in the Good Received Book and preparing the GRN, could be several months. It therefore means that at any one point in time the Pharmacy Bond would contain goods which might not legally belong to the Ministry;
- .The Central Accounting Unit (CAU) abrogated its duty in allowing the Pharmacy Bond to initiate payments to suppliers. The payment vouchers were prepared by the Pharmacy Bond instead of the CAU thereby removing a vital aspect of the checks and balances in the system. In such circumstances, the CAU merely attended to the formality of drawing the cheques;
- .No Stores Ledger was maintained by the Central Accounting Unit and therefore no independent check could be carried out on the accuracy of the bin card entries and generally on the proper accountability of stocks on hand;
- .Bin cards were not centrally located and were not properly secured. Instead, they were kept individually where the items were stored. In such a situation, there was no guarantee that all the cards were intact, and the possibility existed of tampering with this important record. In addition, the cards were updated by persons responsible for issuing the items which is obviously an unsatisfactory situation; and

.According to the Accounting Officer, a physical verification of stocks was carried out in 1996. However, only partial submission of the results was made to the Audit Office. In addition, new stock records were opened based on physical quantities counted but no discrepancy report was prepared and submitted to the Secretary to the Treasury so that the possibility of write-offs could be considered.

526. These matters were drawn to attention in my 1995 Report, and it is indeed very disappointing to note that no action was taken to remedy these shortcomings, except in the case of the physical verification of stocks.

527. Only a small amount of purchases (\$18.449M) was made from UNICEF, a reputable non-profit international organisation whose drugs are stamped "Not For Resale". Given the problems over the years relating to the lack of proper accountability for drugs and medical supplies to the Ministry, as described in detail in the Crane Report of July 1992, purchasing greater quantities from UNICEF would have been an important safeguard.

528. An inspection visit was paid to the Pharmacy Bond and the following unsatisfactory features continued to be observed:-

.The general condition and layout of the building housing the Bond were such that it could not be considered suitable for storing drugs and medical supplies, a view which was shared by the Chief Pharmacist.

.The building over the years was the subject of adverse comments by the Fire Department;

.The Bond lacked proper ventilation and was extremely dusty and hot. There was limited airconditioning in two areas, and one of the two airconditioned units had been out-of-order for several months. In contrast, it was noted that stationery and office supplies were stored in an airconditioned environment at the Central Supplies Unit. The cooling system at this Unit could clearly have been better utilised at the Pharmacy Bond since certain types of drugs in stock were required to be kept in cool conditions in order for them to maintain their potency and to avoid contamination.

.Drugs in both the In-take and Out-take bonds were not stored and packed in a manner to facilitate a physical verification. Items were in many cases not packed on racks and were not properly labelled but were stored in carton boxes in a very disorganised manner. In the circumstances, any stock count would be an extremely difficult and time-consuming exercise.

.Slow moving stocks could not be easily identified and there was no evidence of any periodic surveys to determine whether there were expired or damaged drugs on hand. It was explained that only donor agencies gave drugs with short shelf lives. However, given the state and condition of the Bond, shelf lives could be considerably shortened.

.The Bond appeared to be a serious fire hazard. There was evidence of exposed electrical wiring and carton boxes containing drugs were strewn throughout the Bond, packed in a haphazard manner. In addition, there were two large fuel storage tanks belonging to a private company in the vicinity of the Bond. It is also understood that there was a faulty electrical transformer in the area which ever so often sparked. Given the large volume of stocks kept at the Bond and the absence of insurance coverage, should there be a fire, the loss would be tremendous.

529. In view of the lack of segregation of duties relating to (a) liaising with suppliers and the ordering of goods, (b) the receipt, storage and issue of items and (c) effecting payments to suppliers, the disorganised nature of the Bond, the storage of drugs not officially brought to account and issuing from them and the absence of independent stock records, any physical verification of stocks would appear to be a fruitless exercise.

530. In the light of the above, the following recommendations are again made:-

(a) There should be strict adherence to the Government's Tender Board Regulations. In this regard, the Ministry should endeavour to foresee its annual requirements of drugs and medical supplies well in advance so that there is adequate time for the various procedures to be followed before purchases are effected;

(b) As a matter of policy, the Ministry should seek to purchase as far as possible drugs from UNICEF in view of the fact that it is a non-profit organisation of international standing and reputation and that its supplies are stamped "Not For Resale". The latter is an important safeguard against the possible theft of drugs and re-selling them;

(c) The established procedures relating to procurement should be strictly followed. In particular, staff of the Pharmacy Bond should not be in contact with suppliers nor should they place orders with suppliers. In this regard, a procurement department should be set up within the Ministry and should be independent of and physically removed from the Pharmacy Bond;

(d) All goods received should be immediately brought to account in the Goods Received Books and GRN's should be promptly prepared and forwarded to the Central Accounting Unit;

(e) A stores ledger should be maintained by the Central Accounting Unit for stocks held at the Pharmacy Bond to provide for an independent check on the accuracy of the bin cards;

(f) Under no circumstances should the Pharmacy Bond be allowed to prepare payment vouchers to effect payments to suppliers. This is a function of the Central Accounting Unit which has been neglected for some time; and

(e) The Pharmacy Bond in Kingston should be re-sited in view of its apparent unsuitability for the purpose it now serves and in the light of the adverse comments by the Fire Department;

531. Amounts totalling \$32.340M were expended on fuel and lubricants, of which sums totalling \$3.422M relate to fuel and lubricants purchased for the thirty-one(31) vehicles and fifty-six(56) motor cycles which were operational during the year. However, of the latter amount, bills totalling \$882,385 covering the months of April and June 1996 could not be located.

532. Of the thirty(30) vehicles for which log books were required to be maintained, log books were presented in respect of only six(6) vehicles. In addition, an examination of the log books presented revealed that they were not properly maintained. For example, fuel purchased was not always recorded and journeys were sometimes not authorised. In the circumstances, it could not be determined whether all journeys undertaken were authorised and whether there was effective control over the use of vehicles.

533. Amounts totalling \$21.457M were expended on Rental & Maintenance of Buildings. However, two(2) contracts valued at \$818,016 and falling within the limits of \$180,000 and \$450,000 were awarded without adherence to a system of quotations.

534. In respect of Head 34 (Subhead 312) Subsidies and Contributions to Local and International Organisations - amounts totalling \$200.049M were expended as follows:

DESCRIPTION	AMOUNT
-----	-----
	\$ '000
National Parks Commission	40,000
Wismar/McKenzie Hospital	96,532
Fort Canje Mental Hospital	10,000
Ptolemy Reid Rehabilitation Centre	5,000
National Blood Transfusion	1,988
AIDS Secretariat	3,992
Caribbean Food and Nutrition Institute	4,559
World Health Organisation	4,611
Caribbean Environmental Health Institute	14,126
Caribbean Epidemiology Surveillance Centre	11,257
Pan American Health Organisation	1,711
Others	6,273

TOTAL	200,049
	=====

535. The National Parks Commission was established by Act No. 23 of 1977. The last set of financial statements audited and reported on was in respect of 1991. Financial statements were received for the period 1992 - 1995 and at time of reporting the audits were in progress. The amount of \$40M was verified as having been received by the National Parks Commission.

536. The Wismar/Mc Kenzie Hospital was administered by the Bauxite Development Company Ltd (BIDCO) and its results of operations and financial position were reflected in the financial statements of Linden Mining Enterprises up to August 1996. The Ministry of Health had since taken over the operations of the Hospital with effect from September 1996. The amount of \$96.532M was verified as having been received by the Hospital.

537. In relation to the Fort Canje Mental Hospital, the amount of \$10M was transferred to a Committee of Management of the National Psychiatric Hospital. A Chartered Accounting Firm was appointed auditors of the Hospital without the involvement of the Office of the Auditor General, in contravention of the Financial Administration and Audit Amendment Act. Apart from this breach of the Law, no audited accounts for 1996 was received. As a result, it could not be determined whether the amount transferred to the Hospital was properly expended. It should be noted that in 1995, there was an unspent balance of \$11.856M which should have been refunded to the Ministry for credit to the Consolidated Fund.

538. The Ptolemy Reid Rehabilitation Centre has been functioning as a Non-Governmental Organisation since December, 1992 as a result of a Cabinet Decision - C.P. (92) 9th meeting (held on 12 May, 1992). However, it could not be determined whether this entity had been producing audited accounts. In addition, the salaries of some of the technical staff were paid for by the Ministry and charged to the Ministry's Appropriation Account. A similar situation obtained in respect of drugs and medical supplies provided. The amount of \$5M was, however, verified as having been received by the Centre.

539. The other entities are not part of Central Government activities and the amounts involved were verified as having been received by them.

Stores and Other Public Property

540. The Ministry was in receipt of large quantities of gifts. However, a gifts register was not maintained, as required by financial instructions. In addition, there was no evidence that the gifts were valued and the Accountant General so informed so that they could be recorded in the Public Accounts. These matters were drawn to attention in my 1995 Report and it is disappointing that no action was taken to ensure compliance with these instructions.

541. Although the Ministry was in possession of a large quantity of assets, the inventory records had not been updated for the period under review. In addition, at the commencement of the audit, a request was made for a list of all assets under the control by the Ministry. However, up to the time of reporting, only the lists of vehicles and assets falling under Head 34 - Administration were received. These lists were also incomplete since buildings were not included and the locations of the assets were not stated.

542. The Stores Ledger kept at the Central Supplies Unit was not properly maintained. In most cases, the ledger balances were not in agreement with bin card balances, resulted from receipts and issues not being promptly brought to account in the former record. Transactions were also not recorded sequentially and there was no evidence of supervisory checks on these two(2) records.

Other Matters

543. The imprest bank account No. 944, which became non-operational in July 1996, reflected a balance of \$25,454 as at 31 December 1996

and it could not be determined when last it was reconciled. No new imprest was opened, and it was explained that this was due to the unsatisfactory manner in which the previous imprest was operating. The failure to operate an imprest is likely to adversely impact on the operations of the Ministry. The Accounting Officer is therefore urged to speedily resolve this matter with the Ministry of Finance.

544. The amounts shown as approved estimates for Heads 35 and 36 were not in agreement with the actual estimates approved by the National Assembly, as shown below:-

HEAD	APPROVED ESTIMATES	AMOUNT SHOWN IN APPROPRIATION A/C	DIFFERENCE
	\$'000	\$'000	\$'000
35	715,990	723,149	7,159
36	307,093	309,693	2,600

Had the correct amount been shown under Head 35, there would have been excess expenditure totalling \$6.254M under Subhead 302 - Materials, Equipment & Supplies. In addition, two(2) other subheads reflected excess expenditure totalling \$479,000, and it would have been more appropriate for a virement of funds to have been sought to accommodate the excess expenditure since there were savings under other subheads.

Capital Expenditure

Subhead 12003 - Georgetown Hospital Health Care II

545. The sum of \$495M was voted for (a) the continuation of the construction of the Ambulatory Care, diagnostic and surgical units, support services buildings and standby water facilities at the Georgetown Hospital and (b) installation of accident emergency, intensive and critical care clinic and surgical wards. Amounts totalling \$494.841M were shown as having been expended.

546. The Project is funded jointly by the Government of Guyana and the Inter-American Development Bank and is subject to separate financial reporting and audit, in keeping with the requirements of the contractual agreement. The last set of audited accounts was in respect of 1996 and was issued on 30 April 1997.

547. An examination of the audited accounts of the Project revealed that actual expenditure incurred was \$417.524M compared with the amount of \$494.841M shown in the Appropriation Account, giving a difference of \$77.317M. As a result, the Appropriation Account was overstated by the latter amount. A similar observation was made in my 1995 Report, where there was a difference of \$318.02M between the audited accounts of the Project and the Appropriation Account. It

is again recommended that there should be greater coordination between the Ministry of Health and the Project Executing Unit with a view to ensuring that the two(2) sets of records are in agreement with each other.

Subhead 12014 - Buildings (Health)

548. The sum of \$90M was voted for (a) the plumbing of floor and building of administrative buildings (b) building of pharmacy bond in Region 6 (c) extension to maternal health centres and child care buildings and (d) refurbishing of surgical and medical block and maternity wards. Amounts totalling \$76.354M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$'000
Building of Pharmacy Bond in Region 6	686
Extension of Health Care buildings	7,897
Refurbishing Surgical Block	2,395
" maternity wards	50,587
Rehabilitation of Main Admin. Building	4,078

SUBTOTAL	65,643
Repairs to GAHEF Main Building	4,670
Rehabilitation to Doctors' Flats	4,219
Rehabilitation of New Amsterdam Nursing School	1,822

	10,711

TOTAL	76,354
	=====

549. As can be noted, amounts totalling \$10.711M were expended on repairs to GAHEF Main Building and the rehabilitation of Doctors's Flats and the New Amsterdam Nursing School but there was no evidence that approval was granted by the Chief Planning Officer for a change in programme to accommodate this expenditure. The Accounting Officer explained that such approval was granted and promised to make available a copy. However, up to the time of reporting, he had not done so.

550. A contract valued at \$1.827M was awarded on 3 July 1996 for the construction of two(2) fire escapes at the Administration Building. At the time of inspection on 18 February 1997 work had not commenced. However, three(3) cheques dated 31 December 1996 were drawn for the full amount based on valuation certificates issued in December 1996.

In addition, up to the time of reporting, work had not commenced on the south eastern fire escape, as a result of which two(2) cheques valued at \$91,334 and \$859,014 were still on hand. It is evident that the cheques were drawn in December 1996 to utilise the voted provision when in fact no work was done. This was facilitated by what appeared to be manipulated valuation certificates.

Subhead 12015 - Mortuary

551. The sum of \$7M was voted for the construction of a mortuary at the Georgetown Hospital, of which an amount of \$1.695M was expended in the discharge of a liability on the purchase of a morgue refrigerator in 1995. At the time of the audit, the construction of the mortuary and autopsy building, which had commenced in 1995, was still in progress. In relation to the purchase of the refrigerator, the Accounting Officer explained that the equipment was received in May 1997 and was at site awaiting installation.

Subhead 12016 - Nutritional Surveillance

552. The sum of \$3M was allocated for the determination of the change in the health and nutritional status of the population and the level of national food security with a view to an improvement in monitoring of the health status of the population. Amounts totalling \$1.603M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Purchase of computer accessories	437,800
" " analytical equipment	438,137
Surveillance surveys	515,025
Miscellaneous	217,297

TOTAL	1,608,259 =====

The items purchased were verified as having been received but were, however, not inventorised.

Subhead 19001 - Sector Programme (Health)

553. A sum of \$65M was voted for (a) the completion of Phase I of the Sector Programme and (b) the commencement of Phase II, including the rehabilitation of the National Dental Centre, Moruca and Madhia hospitals and needs assessment of the National Dental Centre. Amounts totalling \$33.633M were shown as having been expended.

554. The Project is funded by the European Community General Import

Programme and is subject to separate financial reporting and audit. Financial statements for 1996 have been received, and at the time of reporting, the audit was in progress.

555. An examination of these financial statements, however, revealed an expenditure of \$11.234M, giving a difference of \$22.399M. The following is a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of District Hospitals	8,730,912
" " National Dental School	301,400
Supply of oxygen to Suddie Hospital	2,201,456

TOTAL	11,233,768
	=====

Subhead 25001 - Office Furniture And Equipment

556. The sum of \$16M was allocated for the purchase of one(1) vehicle for the Ministry, one(1) vehicle, motor cycles and outboard engines for vector control and one(1) truck for dietary control. Amounts totalling \$10.856M were expended in the purchase of the following:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
One(1) motor car	3,417
Five(5) motor cycles	3,113
Fifteen(15) outboard engines	1,770
One(1) Pick-Up Truck	2,102
VHF base antennae, cables etc.	454

TOTAL	10,856
	=====

The items purchased were verified as having been received but were, however, not inventorised.

Subhead 25001 - Office Furniture & Equipment

557. The sum of \$2M was allocated for the purchase of writing desks, chairs and computers, of which amounts totalling \$1.984M were expended. The items purchased were verified as having been received

but were, however, not inventorised.

Subhead 25002 - Equipment

558. The sum of \$8M was voted for the purchase of twelve(12) fogging machines, laboratory equipment and eight(8) sets of communication equipment. Amounts totalling \$6.574M were expended in the purchase of the following:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Laboratory Equipment	5,866
One(1) portable transceiver	671
One(1) 4 drawer filing cabinet	37

TOTAL	6,574
	=====

559. As can be noted, no expenditure was incurred in the purchase of fogging machines and only one(1) set of communication equipment was acquired. In addition, the cost of the filing cabinet was incorrectly charged to this subhead instead of Subhead 25001. Had the correct charge been made the voted provision under Subhead 25001 would have been exceeded. The items purchased were verified as having been received but were, however, not inventorised.

HEADS 37-45 & DIVISIONS 542 & 543

MINISTRY OF EDUCATION AND CULTURAL DEVELOPMENT

Current Expenditure

Employment Costs

560. The salaries bank account No. 927, which became non-operational with effect from May 1996, was overdrawn by \$3.691M at 31 December 1996. At the time it ceased to be operational, the overdraft was \$5.832M. Efforts should be made to investigate the reason(s) for the overdraft with a view to clearing it. In addition, at the time of the audit, five(5) cheque books relating to this account were still on hand. These should be returned to the Bank of Guyana for cancellation.

561. A new salaries bank account No. 3060 was opened in May 1996 in accordance with Ministry of Finance Circular No. 6/96. However, this account was also overdrawn on several occasions by significant amounts and as at 31 December 1996, it reflected a large overdraft of \$68.318M.

562. In addition, the cash book for this new account was not balanced since it was established and therefore a proper reconciliation with the bank balance could not have been carried out. Further, an examination of the reconciliation statement prepared for December 1996 revealed the following unsatisfactory features:-

(a) There was no evidence of checking and certification of the statement;

(b) The bank overdraft of \$68.318M was reconciled with a purported negative cash book balance of \$10.471M. As mentioned above, the cash book was not being balanced;

(c) Amounts totalling \$70.891M were shown as deposits not credited by the Bank. Detailed examination revealed that although cheques for wages and salaries were received from the Main Bank Account and recorded in the cash book, there were undue delays in the banking of the amounts involved, as shown below:-

DATE	CHEQUE NO.	AMOUNT	DATE	DEPOSIT	
				DEPOSITED	REFERENCE
----	-----	-----		-----	-----
		\$			
12/11	147629	126,996		13/12/96	259302
18/12	147075	898,451		07/01/97	259312
19/12	147086	1,038,737		29/01/97	259345
20/12	147141	1,200,042		29/01/97	259343
23/12	148351	243,000		28/01/97	259342
23/12	147194	1,856,372		28/01/97	259344
24/12	147345	1,498,121		28/01/97	259314
27/12	147442	143,713		07/01/97	259313
30/12	147376	445,727		07/01/97	259315
31/12	147395	538,851		07/01/97	259315
18/12	147076	6,610,870		07/01/97	259311
19/12	147100	21,337,281		28/01/97	259314
21/11	148129	34,952,885		15/06/97	259205

TOTAL		70,891,046			
		=====			

Of particular note, is the amount of \$34.953M representing November 1996 salaries which was not deposited until June 1997. Had these deposits been made promptly, the account would not have reflected an overdraft at the end of 1996; and

(d) Included in the list of unrepresented cheques were fourteen(14) cheques totalling \$824,888 which had become stale-dated. These

transactions should be cancelled and refund made to the Main Bank Account.

563. Nine(9) instances were noted of an apparent misappropriation of funds totalling \$470,348. These relate to the refund of unclaimed salaries. It is understood that the Police were investigating the matter.

564. A salaries control register to show the movement of salaries from one month to the next, was not kept for the period under review. As a result, the examination of the payrolls and related records was rendered very tedious and time-consuming. This record should therefore be introduced as early as possible.

565. A register of cheques paid over to the National Insurance Scheme was not kept for computerised payroll. In addition, amounts paid over to the National Insurance Scheme did not always agree with the amounts shown in both the computerised and handwritten paysheets. The following are examples:-

MONTH	TYPE OF PAYROLL	AMOUNT AS PER NIS SCHEDULE	AMOUNT AS PER NIS RECEIPT	DIFFERENCE
-----	-----	-----	-----	-----
		\$	\$	\$
February	Computerised	4,417,364	4,543,724	126,360
November	-do-	5,129,106	5,254,581	125,475
"	Handwritten	849,343	690,436	158,907

566. NIS contributions for hand-written salaries sheets were paid over late on ten(10) occasions, as a result of which interest totalling \$27,900 was charged by the Scheme for 1996. In addition, a total of 1306 employees NIS numbers were not recorded on the National Insurance Schedules as at December 1996. It would appear that these persons were not registered with the Scheme.

567. There is an old salaries bank account No. 480 which was not operational since July 1991 and which had a positive balance of \$32.830M as at 31 December 1996. It is recommended that this account be closed and the balance transferred to the Consolidated Fund.

Other Charges

568. 1,109 payment vouchers totalling \$77.827M were not presented for audit examination, of which 545 vouchers totalling \$47.118M represented wages and salaries while the rest relate to other charges. As a result, a proper examination of the related expenditure could not be carried out. It is recommended that a special effort be made to locate these vouchers and supporting documents with a view to ascertaining whether value was received in respect of these payments.

569. It is a requirement for all cheque orders to be cleared within sixteen(16) days of their issue through the submission of bills/receipts and other documents in support of the payments made. However, numerous instances were noted where cheque orders were cleared several months after they were issued, and at the time of reporting 134 cheque orders totalling \$9.115M remained outstanding. The Accounting Officer is therefore advised to investigate this discrepancy with a view to ensuring that value was received by the Ministry.

570. The main bank account No. 926, which ceased to be operational in May 1996, was overdrawn by significant amounts on several occasions during the year and as at 31 December 1996, it was overdrawn by \$78.213M. Efforts should be made to investigate the reason(s) for the overdraft with a view to clearing it.

571. In accordance with Ministry of Finance Circular No. 6/96, a new main bank account No. 3061 was opened in May 1996. All unspent releases for 1996 were required to be transferred from the previous main bank account to this account and the remainder of the cash book balance was to be transferred to the Consolidated Fund. At the time Account No. 926 ceased to be operational, the cash book balance was \$119.798M. However, an amount of \$133.701M was transferred to the new account and there was no evidence of any transfer to the Consolidated Fund. A satisfactory explanation was not obtained why an amount in excess of the cash book balance was transferred to the new main bank account.

572. The new main bank account reflected a balance of \$121.936M as at 31 December 1996. However, on several occasions it was observed that this account was also overdrawn by large amounts. In addition, although the account was reconciled to December 1996, a number of unsatisfactory features were observed in relation to the reconciliations:-

(a) There was no evidence of checking and certification of the statement;

(b) The cash book balances as stated in the reconciliation statements did not agree with the actual cash book balances, as can be seen from the following:-

MONTH ENDING	CASH BOOK BALANCE QUOTED ON BRS	ACTUAL CASH BOOK BALANCE	DIFFERENCE
-----	-----	-----	-----

	\$	\$	\$
May	1,416,374	(15,319,529)	16,735,903
June	(39,552,719)	(53,457,100)	13,904,381
July	(85,209,680)	(99,114,392)	13,904,712
August	48,757,090	34,452,047	14,305,043
September	85,021,865	70,441,258	14,580,607
October	311,532,241	294,371,852	17,160,389
November	146,844,459	67,130,510	79,713,949
December	79,200,479	59,749,684	19,450,795

In the circumstances, the reconciliation of the new main bank account cannot be regarded as reliable.

573. The cash book for the new main bank account also reflected large negative balances at certain periods and it is evident that payments were being made before funds were released from the Ministry of Finance. This practice would have resulted in the bank account being periodically overdrawn.

574. Amounts totalling \$36.738M were expended on Materials, Equipment & Supplies. However, nine(9) purchases valued at \$7.432M were adjudicated upon by the Ministerial Tender Board instead of the Central Tender Board. Efforts should be made to ensure strict compliance with the Tender Board Regulations.

575. The sum of \$8.196M was expended on fuel and lubricants for the period under review. However, of the twenty-two(22) vehicles in use by the Ministry, log books in respect of six(6) vehicles were not presented. In the absence of log books, it could not be determined whether the journeys undertaken were authorised and whether there was effective control over the use of these vehicles.

576. Amounts totalling \$30.663M were expended on Rental & Maintenance of Buildings. An analysis of this expenditure revealed that of the sixteen(16) contracts awarded and falling within the limits of \$180,000 and \$450,000, there was no evidence that a system of quotations was followed before the contracts were awarded. In addition, seven(7) contracts were awarded within the limits of \$450,000 and \$900,000 but there was no evidence that the proposed works were publicly advertised. The Accounting Officer explained that the contracts were awarded after a process of "selective tendering".

577. The sum of \$8.345M was expended on maintenance of infrastructure. However, five(5) contracts were awarded within the limits of \$180,000 and \$450,000 but there was no evidence of adherence to a system of

quotations before the contracts were awarded.

578. Amounts totalling \$20.425M were expended on electricity charges. However, the Electricity Charges Register reflected an amount of \$9.072M, giving a difference of \$11.353M. The Register also bore no evidence of supervisory checks.

579. The sum of \$1.517M was expended on telephone charges for the period under review. However, from the telephone records it could not be determined what portion of the above amount represented overseas calls. In addition, amounts totalling \$76,473 were refunded by officers for private overseas calls. However, only \$57,708 was credited to the Votes Ledger, resulting in the Appropriation Accounts being overstated by \$18,755.

580. Amounts totalling \$372.768M were expended on Education Subvention, Grants etc., as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
President's College	77,000
Cyril Potter College of Education	16,391
Critchlow Labour College	7,542
Adult Education Association	4,800
Queen's College	34,345
Government Technical Institute	29,973
University of Guyana	65,000
CXC subsidy	32,000
Text, exercise books and newsprint	71,571
Grants to schools	6,976
BIDCO	5,362
Kuru Kuru Cooperative College	4,896
Miscellaneous	16,912

TOTAL	372,768
	=====

581. The President's College was set up by Act No. 11 of 1990 and is subject to separate financial reporting and audit. The last set of audited accounts was in respect 1992. Financial statements for the years 1993 to 1994 have been submitted and at the time of reporting the audits were in progress. The amount of \$77M was verified as having been received by the President College but in the absence of audited accounts for 1996, it could not be determined whether this amount was properly expended.

582. The Critchlow Labour College was registered in 1968 as a company limited by guarantee and was being audited by a private auditor. It is understood that the accounts of the College were last audited to September 1997. However, a copy of such audited accounts was not made available. The amount of \$7.542M was verified as having been received by the College.

583. The amount of \$34.345M shown as subvention to the Queen's College was paid over to the Board of Governors of the College. It is understood that an order was issued by the Minister of Education giving the College the status of a separate legal entity. The Queen's College was therefore required to have separate financial reporting and audit. However, it could not be determined whether this was done. As a result, it could not be determined whether the amount shown as subvention was properly expended.

584. The University of Guyana is a legal entity and is subject to separate financial reporting and audit. The last set of audited accounts was in respect of financial year ended 31 August 1996. The amount of \$65M was verified as having been received by the University.

585. An examination of the amount of \$71.571M expended on text and exercise books and newsprint revealed the following discrepancies:-

- (a) The sum of \$17M was shown as having been paid for the cost of newsprint. However, up to the time of reporting, the newsprint had not been supplied, and the cheque for this amount was still lying in the safe up to the end of September 1997. As a result, the appropriation account was overstated by this amount. The Accounting Officer has advised that payment had since been made to the supplier;
- (b) 1,500 copies of Mathematics text books valued at \$2.025M were ordered from a particular supplier. However, up to the time of reporting, these books were not received by the Book Distribution Unit of the Ministry. The Accounting Officer gave the assurance that this matter would be investigated; and
- (c) 24,000 copies of Mathematics Text Books were ordered from a supplier in Trinidad at the cost of \$32.343M. However, a physical verification at the Book Distribution Unit revealed that only 22,900 books were received, even though the supplier's invoice had indicated that 24,000 books were shipped. The Accounting Officer explained that an investigation was being carried out in relation to this discrepancy.

586. The sum of \$157.941M was expended on Subsidies and Contributions

to Local and International Organisations, as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Caribbean Examinations Council	67,340
National Sports Commission	35,000
National Library	34,466
National Museum	6,300
Trade Union Congress	2,500
International Organisations	4,073
Central Mashramani Committee	2,500
Others	5,762

TOTAL	157,941
	=====

587. The National Sports Commission was established by Act No. 23 of 1993 and is subject to separate financial reporting and audit. Financial statements for the year 1995 were received and at the time of reporting, the audit was in progress. The amount of \$35M was verified as having been received by the Commission, but in the absence of audited accounts for 1996, it could not be determined whether this amount was properly expended.

588. The National Library was established by Act No. 4 of 1972, Chapter 40:01 of the Laws of Guyana. The last set of financial statements to be audited and reported on was in respect of 1991. No financial statements have been submitted for audit for the years 1992 to 1996.

The amount of \$34.466M was verified as having been received by the National Library but in the absence of audited accounts for 1996, it could not be determined whether this amount was properly expended.

589. The Guyana Museum was established by Ordinance 12 of 1950. The accounts were last audited in 1980, and no financial statements have been prepared for audit for the period 1981 to 1996. As a result, there was a lack of financial reporting for the last sixteen(16) years. The amount of \$6.3M was verified as having been received by the Museum but in the absence of audited accounts for 1996, it could not be determined whether this amount was properly expended.

590. Excess expenditure totalling \$3.844M was incurred under six(6) heads of expenditures. Since there were savings within subheads under each of these heads, it would have been more appropriate for a virement of funds to be sought to accommodate the excess expenditure.

Stores and Other Public Property

591. A review of the operations of the store at Head Office revealed

the following unsatisfactory features:-

- (a) Requisitions to purchase (RTP) were signed by the expeditor as requisitioning officer, instead of the related heads of department; and
- (b) Of the 679 Internal Stores Requisitions (ISR) used for the year, 498 requisitions were not approved. It is recommended that all requisitions be properly approved before issues are made from the stores. The Accounting Officer gave the assurance that this would be done in the future.

Capital Expenditure

Division 542 - Primary Education Improvement Programme

Subhead 12002 - Primary Education Project

592. The sum of \$1.230 billion was voted for (a) development of human resources (b) improvement of curriculum development and education technology and (c) improvement of physical infrastructure of primary schools. Amounts totalling \$741.922M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Development of human resources	14,095
Curriculum development & education technology	3,195
Physical infrastructure of primary schools:-	
Rehabilitation of schools	81,404
Construction of new schools	488,469
Design & supervision	75,701

	645,574
Machinery & equipment	4,418
Credit fee & interest	36,898
Administrative expenses	37,742

TOTAL	741,922
	=====

593. The Project is financed jointly by the Government of Guyana and the Inter American Development Bank under the Loan Agreement 827/SF

- GY and is subject to separate financial reporting and audit. The audit for 1996 was finalised and the related report and opinion were issued on 25 July 1997.

Division 543 - Ministry of Education

Subhead 12001 - Nursery, Primary and Secondary Schools

594. The sum of \$88M was allocated for the rehabilitation of the seven(7) schools and the Book Distribution Unit. Amounts totalling \$64.756M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$'000
Central High School	9,809
St. George's Community High School	5,113
Tutorial High School	1,527
Christ Church Secondary School	4,307
Queen's College	12,000
Bishop's High School	6,106
St. Peter's Nursery School	4,443
St. Ambrose Primary School	2,528
Book Distribution Unit	15,818
Ministry of Education - Head Office	1,132
Miscellaneous	1,973

TOTAL	64,756 =====

595. Although eight(8) schools were rehabilitated, two(2) schools - St. Mary's Community High School and Ascension Community High School - which were listed in the Capital Profile of the Ministry, were not rehabilitated. Approval was, however, granted for the renovation of the Ministry's Head Office building in place of the Ascension Community High School.

596. In relation to the rehabilitation work undertaken at Tutorial High School, the contract was awarded in the sum of \$3.813M. However, only work to the value of \$1.492M was done, and by letter dated 2 April 1997 the contract was terminated because of the failure of the contractor to complete the work.

597. The contract for the Christ Church Secondary School was awarded in the sum of \$14.051M. However, as at 31 December 1996, no work was done, and the amount of \$4.215M shown as having been expended represented the payment of a mobilisation advance. The rehabilitation work was completed in 1997.

598. The amount of \$12M shown as having been expended on Queen's College was paid over to the Board of Governors of that school for that body to undertake the renovation works. It is understood that an order was issued to make this institution a separate legal entity. The Queen's College was therefore required to have separate financial reporting and audit. However, it could not be determined whether this was done.

599. The tender documents and the minutes of the Central Tender Board meeting relating to the contracts for the rehabilitation of Bishop's High School, St. Ambrose Primary School and St. George's Community School were not produced for audit examination.

600. Included in the amount of \$1.757M shown as Miscellaneous were the construction of trestle and reservoir at Campbellville Community High School at cost of \$250,103 and the rehabilitation of the Laing Avenue Nursery School at a cost \$103,330. However, there was no evidence that approval was granted for a change in programme to accommodate these expenditures.

Subhead 12004 - Building (Cultural Centre)

601. The sum of \$3.3M was voted for the rehabilitation of the National Cultural Centre, of which amounts totalling \$3.286M were expended. The following contracts were awarded for carpentry and electrical works undertaken:-

DATE	CONTRACT NUMBER	DESCRIPTION	CONTRACT SUM	AMOUNT PAID
----	-----	-----	-----	-----
			\$	\$
23/07	112/96	Repairs & painting	660,665	198,199
23/07	113/96	-do- -do-	643,990	695,690
18/09	252/96	Electrical works	417,380	417,380
26/11	277/96	Carpentry & sheet metal	843,225	843,225
			-----	-----
TOTAL			2,565,260	2,154,494

602. Had the rehabilitation works been not considered in one lot, this would have required public advertisement and adjudication by the Central Tender Board. However, the works were undertaken in a piecemeal manner and the related contracts were awarded after a system of selective tendering by the Ministerial Tender Board, except for Contract No. 277/96 which was awarded on the sole authority of the Accounting Officer and without form of competitive bidding.

Subhead 12005 - Archives

603. The sum of \$7M was voted by way of a supplementary estimate dated 20 December 1996 for rehabilitation works at the National Archives. According to the Appropriation Account, the full amount was expended. It was, however, observed that payment was made to the EEC PMIU GIP Account under the EC/GOG Sector Programme for Health and Education and an acknowledgement receipt dated 22 May 1997 was issued.

604. It is evident that no work could have been undertaken in 1996, the authority for the expenditure would have lapsed at the end of 1996 and the funds should have been surrendered to the Consolidated Fund in keeping with requirements of Section 36 the Financial Administration and Audit Act. In such circumstances, funds would have had to be rebudgeted to meet the proposed expenditure on the Archives. As a result, the Appropriation Account was overstated by the amount of \$12M. It should be noted also that at the time of reporting, the renovation works had not yet been completed.

Subhead 12007 - Building (National Library)

605. In 1995, the sum of \$4M was voted for the rehabilitation of the Georgetown, New Amsterdam and Linden libraries. The full amount was shown as having been expended. Discussions with the Chief Librarian revealed that no expenditure was incurred as the amount involved was insufficient to meet the expenditure and was retained to be utilised in 1996. This amount should have been refunded to the Ministry for credit to the Consolidated Fund. As a result, the 1995 Appropriation Account had been overstated by \$4M.

606. For the period under review, a further sum of \$4.5M was allocated for similar works to be undertaken, the full amount of which was again shown to have been expended. However, an examination of the records of the National Library revealed that only sums totalling \$3.869M were expended. In the circumstances, the Appropriation Account for 1996 would also have been overstated by \$631,118 which should have been refunded to the Ministry for credit to the Consolidated Fund.

In other words, for the years 1995 and 1996 amounts totalling \$8.5M were shown as having been expended on the rehabilitation of the National Library. However, only \$3.869M was expended, leaving an unspent sum of \$4.631M which should have been refunded to the Consolidated Fund.

607. Included in the cost of \$3.869M was a labour contract valued \$956,771 which was awarded through a system of selective tendering by the Committee of the National Library. Such a contract would have required public advertisement and adjudication by the Central Tender Board.

Subhead 12009 - Critchlow Labour College

608. The sum of \$1.182M was voted for the purchase of furniture and fire extinguishers. The full amount was shown as having been expended by the College which is subject to separate financial reporting and audit by a private auditor. However, a copy of the latest audited accounts was not presented.

Subhead 12011 - Teacher's Training Complex

609. The sum of \$10M was voted for the rehabilitation of the washroom facilities in the dormitories and the renovation of the Principal's residence at Turkeyen. Amounts totalling \$2.610M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Washroom facilities in the dormitories	699,623
Principal's residence	946,735
Construction of fence	927,505
Miscellaneous	36,450

TOTAL	2,610,313 =====

610. The contract for the rehabilitation of the washroom facilities of the dormitories was awarded in the sum of \$3.055M, and an amount of \$699,923 was paid to the contractor in December 1996 as mobilisation advance. A similar observation was made in respect of the contract for the Principal's residence which was awarded in the sum of \$3.156M. The rehabilitation works were rebudgeted for in 1997.

611. The amount of \$927,505 shown as construction of fence represents an unpaid liability for work done in 1995. However, there was no

evidence that approval was granted from the Secretary to the Treasury to discharge this liability out of 1996 voted provision. The Accounting Officer explained the work was not rebudgeted for in 1996 due to an oversight.

Subhead 12012 - University of Guyana

612. The sum of \$38M was voted for the completion of hostel and the rehabilitation of roofs at the University of Guyana, the full amount of which was shown as having been expended. The University's accounts were last audited to August 1996 and an examination of these accounts revealed an expenditure of \$4.785M on buildings, leaving a balance of \$33.215M to be expended in the financial year commencing September 1996.

Subhead 19001 - Sector Programme (Education)

613. The sum of \$60M was voted for (a) completion of the first phase of the Sector Programme and (b) commencement of the second phase including Hinterland Teacher Training Programme, construction of nursery schools at Triumph, Lodge, Skeldon, and Leeds and the acquisition of school furniture and laboratory equipment. According to the Appropriation Account, amounts totalling \$50.081M were expended. The Programme is funded jointly by the European Union under the General Import Counterpart Programme and is subject to separate financial reporting and audit.

614. In 1995, it was reported that according to the audited accounts, amounts totalling \$124.235M were expended whereas the Appropriation Account showed only an amount of \$35.481M, giving a difference of \$88.754M. As a result, the Appropriation Account in 1995 had been understated by the latter amount.

615. Financial statements for the Programme for 1996 were received and at the time of reporting, the audit was in progress. An examination of these statements revealed an expenditure of \$39.840M, giving a difference of \$20.160M. The following gives a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----

	\$
Construction of nursery schools	19,696,690
Hinterland Teachers' Training Programme	1,334,115
Library & Language Training Programme	5,905,600
Upgrading science facilities	11,169,700
Water & Sanitation - Kato	1,733,936

TOTAL	39,840,041
	=====

616. It should be noted, however, that up to the time of reporting, the cheque for \$50.081M and payable to the Accountant General was still lying in the Ministry's safe. As a result, capital revenue would have been understated by this amount.

Subhead 24001 - Department of Culture

617. The sum of \$6M was voted for the purchase of a duplicating machine, filing cabinets, typewriters, computers, furniture and the reconstruction of a fence. Amounts totalling \$5.919M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Purchase of two(2) duplicating machines	630,000
" " four(4) filing cabinets	162,000
" " one(1) typewriter	112,000
" " furniture	177,100
Reconstruction of fence	992,642

	2,073,742
Purchase of refrigerator, tape recorder, paint, zinc sheets, musical instruments	1,732,720
Carpentry work at Archives	414,545
Painting of Dance School	1,697,943

	3,845,208

TOTAL	5,918,950
	=====

618. However, the purchase refrigerators, tape recorders, paint, etc. carpentry works at the Archives and painting of the Dance School were not reflected in the Capital Profile of the Ministry and there was

no evidence that approval from the Chief Planning Officer was granted for a change in programme to accommodate the expenditure of \$3.845M.

619. Amounts totalling \$760,335 representing payments made for three(3) contracts for works at the Archives and the Dance School and which should have been charged under this subhead were instead misallocated to Subheads 25003 and 26001. Had the correct charge been made, there would have been excess expenditure totalling \$679,305 under this subhead. It is evident that the misallocation was done to avoid overrunning the voted provision under this subhead.

620. Three(3) contracts which fell within the limits of \$450,000 to \$900,00 were awarded for carpentry and plumbing at the Dance School and painting of the Archives. However, there was no evidence that the works were publicly advertised. It was explained that these contracts were awarded on a selected basis.

Subhead 25003 - Museum Development

621. The sum of \$3M was voted for the rehabilitation of the Museum building of which amounts totalling \$1.190M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of the Museum	597,549
Treatment against termites	286,000
Repairs & painting of Archives	306,900

TOTAL	1,190,449
	=====

The amount of \$306,900 expended on the repairs and painting of the Archives is subject the comment at Paragraph 610. Notwithstanding this, these rehabilitation works were physically verified.

Subhead 26001 - Secondary School Reform Project

622. The sum of \$25M was voted for (a) school quality improvement (b) regional and national institutional strengthening and (c) emergency repairs of multilateral, secondary and community high schools. According to the Appropriation Account, only \$5.020M was expended on curriculum development guides, schools surveys and teacher training.

623. The Project is subject to separate financial reporting and audit.

According to audited statements for 1996, amounts totalling \$16.8M were expended, giving a difference of \$11.780M. This difference was due to the following:-

- (a) The failure by the Ministry to process in 1996 the IDA disbursements totalling \$11.1M. These were eventually processed in 1997; and
- (b) The failure to refund to the Consolidated Fund the unspent portion of counterpart funding totalling \$680,000.

Subhead 26003 - New Amsterdam Technical Institute

624. The sum of \$3.5M was voted for the purchase of one(1) tractor and associated implements and the rehabilitation of building at the New Amsterdam Technical Institute. The full amount was expended in the purchase of one(1) tractor and slasher. However, approval was not seen from the Central Tender Board for this purchase. The equipment was, however, physically verified.

Subhead 26004 - Other Equipment

625. The sum of \$1.5M was voted for the purchase of equipment and furniture, of which amounts totalling \$1.498M were expended, as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Purchase of air conditioner	103,476
One(1) Honda motor cycle	290,000
Office Furniture	999,692
Repairs to furniture	104,756

TOTAL	1,497,924
	=====

However, of the thirty eight(38) office chairs purchased only two(2) could be accounted for. The other items purchased were verified as having been received. They were, however, not inventorised.

Subhead 26005 - Government Technical Institute

626. The sum of \$2M was allocated for the purchase of equipment for the Georgetown Technical Institute, of which amounts totalling \$1.998M were expended. However, no equipment was purchased and the amount was expended as follows:-

DESCRIPTION -----	AMOUNT -----
----------------------	-----------------

	\$
Carpentry and sheet metal	967,200
Electrical work	441,240
Purchase of 225 gallons paint	561,375
Treatment against termites	28,000

TOTAL	1,997,815
	=====

627. There was, however, no evidence that approval from the Chief Planning Officer was granted for a change of programme to accommodate the above works/purchases. In addition, up to the end of September 1997, the paint had not been purchased, and the related cheque was found lying in the Ministry's safe. At the time of reporting, however, the Accounting Officer has advised that the paint had since been purchased. Further, tender documents were not seen for the carpentry work to the value of \$679,980.

Subhead 26007 - Guyana Industrial Training Centre

628. The sum of \$1.5M was voted for the purchase of equipment. However, no equipment was purchased and the sum of \$1,499,498 was expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Carpentry	571,703
Electrical installation	226,595
Works in the machine shop	35,000
Security services	60,800
Purchase of paint & Cement	605,400

TOTAL	1,499,498
	=====

629. However, there was no evidence that approval was granted for a change in programme to accommodate the expenditure of \$1.499M. In addition, the contract for carpentry works was awarded in the sum of \$856,350 and full payment was made to the contractor. However, as can be noted from the above, only \$571,703 was charged to this subhead. The difference of \$284,647 was charged to Subhead 26001 - Secondary School Reform Programme. Had the correct charge been made, the voted provision under this subhead would have been exceeded by this amount. It is evident that the misallocation was done to avoid overrunning the voted provisions under this subhead.

Subhead 26008 - Carnegie School of Home Economics

630. The sum of \$2M was voted for the rehabilitation of buildings of which amounts totalling \$1,923,025 were expended. One(1) contract was awarded by the Central Tender Board in the sum of \$1.099M. However, the minutes of the Tender Board at which the adjudication of the award was done, was not presented for audit examination. The other contract valued at \$533,460 was awarded by the Ministry but there was no evidence of public invitation to tender. It was explained that the contract was awarded on a selective basis. Notwithstanding this, the rehabilitation works were physically verified.

Subhead 26009 - School Furniture and Equipment

631. The sum of \$20M was voted for the purchase of furniture and equipment for schools of which amounts totalling \$11,558,374 were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Fabrication and delivery of school furniture	9,171,516
Purchase of sewing machines, gas stoves, refrigerators and 3 piece suite	2,322,645
Miscellaneous	64,213

TOTAL	11,558,374
	=====

632. Two(2) contracts for the supply of school furniture were awarded by the Central Tender Board. However, the minutes of the meeting of the Board at which the adjudication was done as well as the related tender documents, were not presented for audit examination. In addition, there was no evidence of receipt of the furniture at Head Office. The Accounting Officer explained that the furniture was distributed to various schools. However, no distribution lists were presented to enable an independent verification of the receipt of the furniture. It is recommended that an investigation be carried out in relation to this discrepancy.

Subhead 26010 - Resource Development Centre

633. The sum of \$300,000 was voted for the purchase of equipment. The full amount was expended. The items purchased were verified as having been received but were, however, not inventorised.

Subhead 26011 - Development of Text Books

634. The sum of \$4.180M was voted for the writing and printing of text books in order to provide improved educational materials. Amounts

totalling \$3.925M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Writing and printing of text books	2,858,000
Purchase of stationery, air conditioner etc.	741,231
Meals, Salaries and Allowances	325,989

TOTAL	3,925,220
	=====

Subhead 44002 - Burrowes School of Art

635. The sum of \$2M was voted for the rehabilitation of the buildings and the purchase of equipment, of which amounts totalling \$1.510M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of Museum of African Arts	296,947
" " Burrowes School of Arts	665,355
purchase of cabinets	139,500
Purchase of desk, sewing machine & A/c unit.	407,950

TOTAL	1,509,752
	=====

The rehabilitation works were physically verified and the items purchase were verified as having been received and properly brought to account.

Subhead 45001 - National Trust

636. The sum of \$500,000 was voted for the purchase of equipment. The full amount was expended. The items purchased were verified as having been received and properly brought to account.

HEAD 46 & DIVISIONS 503 & 504

**MINISTRY OF LABOUR, HUMAN SERVICES
AND SOCIAL SECURITY**

Current Expenditure

Employment Costs

637. The old Salaries bank account No. 942, which became

non-operational in June 1996, was not reconciled for the period under review and it could not be determined when last this was done. It should not be over-emphasised that the failure to reconcile bank accounts can lead to irregularities going undetected.

638. The new salaries bank account No. 3037 reflected a balance of \$3.188M as at 31 December 1996. It was, however, only reconciled up to November 1996 at the time of the audit in May 1997. In addition, the account was overdrawn by significant amounts at the end of June, August and September 1996. It would appear that the payments of salaries were made before the salaries cheques were deposited into the account. Every effort should therefore be made to ensure salaries cheques are deposited in time to enable the payment of salaries.

639. A register of cheques paid over to the National Insurance Scheme was not maintained, as required by financial instructions. Efforts should be made to introduce this record. In addition, acknowledgement receipts from the NIS were not seen in order to substantiate the remittances to that institution.

Other Charges

640. Amounts totalling \$788,000 were expended on telephone charges. However, a separate register was not kept for overseas telephone calls, as required by circular instructions. Instead, one register was kept to record both local and overseas calls made during the year. This separate record has since been introduced with effect from 1997.

641. Supporting documents, such as bills and invoices were not attached to seven(7) payment vouchers totalling \$342,187 to substantiate the expenditure incurred. It was explained that the vouchers were complete when they were submitted to the Ministry of Finance and that they might have been misplaced at that Ministry.

642. The sum of \$6.071M was expended on Rental & Maintenance of Buildings. There was, however, no evidence that the Ministry followed a system of quotations before the following contracts were awarded:-

DATE	CONTRACT NO.	PARTICULARS	AMOUNT
----	-----	-----	-----
			\$
01/02	10/96	Repairs to canteen	181,150
02/09	75/96	Rehab. of Coordinator's Office	246,920

TOTAL			428,070
			=====

Efforts should be made to ensure strict compliance with the Tender Board Regulations.

643. In relation to purchases for the Palms, reference to stock ledger folio numbers were not quoted on the related vouchers and supporting documents. As a result, much difficulty was experienced in the verification of the receipt of the items purchased. It is recommended that the stock ledger folio number and the date the items are received be quoted on the vouchers or bills/invoices. There was also no evidence of supervisory checks of the stores records. A senior member of staff should carry out such checks which should be evidenced by his/her signature.

644. The ordinary imprest account No. 943 ceased operations in May 1996. This account was, however, continuously overdrawn during the year and at 31 December 1996 the overdraft was \$395,645. In addition, it could not be determined when last the account was reconciled. Efforts should be made to investigate the reason(s) for the overdraft with a view to clearing it.

645. The Public Assistance imprest bank account No. 902 was overdrawn by \$381.746M as at 31 December 1996 due to the failure over the years to process the recoupment of payments made by the Guyana Post Office Corporation. The overdraft on this account at the end of 1995 was \$531M. This matter was drawn to attention in previous reports, and at the time of reporting, a team of officers was involved in examining payments made over the years with a view to seeking reimbursements from the Accountant General in order to clear the overdraft.

646. A new public assistance imprest bank account No. 3039 was established in May 1996 with an allocation of \$66M. This account was, however, overdrawn at the end of the months of May, July, August, September and November 1996. In addition, at the time of the audit, it was only reconciled to November 1996. The Accounting Officer has advised that the account had since been reconciled to April 1997. Efforts should nevertheless be made to bring the reconciliation of this account up-to-date.

DIVISION 503

Capital Expenditure

Subhead 19001 - SIMAP

647. The sum of \$1.250 billion was voted for (a) the rehabilitation and construction of physical and social infrastructure (b) the provision of technical and vocational training and (c) the provision of basic commodities under a food-for-work programme. Amounts

totalling \$1.195 billion were shown as having been expended.

648. The Social Impact Amelioration Programme (SIMAP) was established by Act No. 21 of 1988 and is subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1994. Financial statements for 1995 were received and at the time of reporting, the audit was in progress.

649. SIMAP is funded by the Inter American Development Bank, the World Bank, the World Food Programme and the Government of Guyana. An examination of the records of SIMAP, however, revealed an expenditure of \$1.067 billion, giving a difference of \$128M. As a result, the Appropriation Account has been overstated by this amount. A similar observation was made in 1995 where the Appropriation Account was understated by \$46.542M.

650. It is recommended that a reconciliation between the records of SIMAP and those of the Ministry be carried out to ascertain the reason(s) for the difference so that the necessary adjustments can be made. It would appear necessary also for there to be a greater coordination between the two(2) entities to ensure that at the end of the year both records are in agreement with each other.

651. The following is a breakdown of the expenditure by funding agency:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Inter American Development Bank	550,000
World Bank	364,997
World Food Programme	22,329
Government of Guyana	129,401

TOTAL	1,066,727
	=====

652. In relation to the IDB funded portion of the expenditure, the Programme is subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1996. An examination of these accounts revealed a total of 113 projects were undertaken during the period under review, as summarised below:-

NO. OF PROJECTS

UNDERTAKEN	DESCRIPTION	AMOUNT
		\$'000
5	Road Rehabilitation	31,760
66	Rehabilitation of School	419,175
9	Drainage and Irrigation	35,956
26	Medical Care	18,205
3	Bridges Rehabilitation	2,768
4	Market Rehabilitation	42,136

TOTAL		550,000
		=====

653. In terms of the World Bank financing, the sum of \$132.746M was expended mainly on pure water supply while the balance of \$232.251M represented expenditure on medical care and medical supplies. A private firm of auditors was contracted by the World Bank to audit its portion of expenditure, and from information received the audit of the 1996 accounts had been finalised.

654. The World Food Programme is also subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1994. Financial statements for the years 1995 and 1996 have not been submitted for audit, up to the time of reporting. The expenditure of \$22.329M was, however, verified from the records of SIMAP.

655. The Government of Guyana expenditure of \$129.401M represents matching counterpart funds in relation to the projects undertaken.

DIVISION 504

Capital Expenditure

Subhead 12001 - Buildings

656. The sum of \$20M was voted for the rehabilitation of (a) the roof, floor and external lighting facilities at Home Stretch Avenue and Annex Offices at Cornhill Street and (b) doctors' quarters and the laundry of Palms. Amounts totalling \$18.097M was expended as follows:-

DESCRIPTION	AMOUNT
	\$
Rehabilitation of Floor at Head Office	8,921,774
Construction of fence at Head Office	1,791,850
Consultancy Services	973,989

Repairs and renovation of the roof	1,235,040
Alteration of Secretary's office	855,959
Repairs to Annex Office - New Amsterdam	4,233,174
Other	85,000

TOTAL	18,096,786
	=====

657. Approval was granted for a change in programme for the construction of fence at Head Office. However, no such approval was seen for the repairs done at the Annex Office at New Amsterdam. In addition, no rehabilitation work was done to the Annex Office in Cornhill Street. Notwithstanding this, the works undertaken were physically verified.

Subhead 12003 - Youth

658. An amount of \$3.3M was provided for the rehabilitation of fence and lighting facilities and main hall at Camp Madewini. Expenditure totalling \$3.202M was incurred as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of Madewini Youth Camp	2,335,394
Consultancy services	333,000
Purchase of lamp and main breaker	114,560
Electricity charges	323,182
Other	95,864

TOTAL	3,202,000
	=====

659. In relation to the rehabilitation of the Madewini Youth Camp, the bills of quantities on the contract stipulated that the existing corrugated roof sheets and timber purlins were to be removed and replaced by new ones. In addition, 26 inches gauged galvanised sheets were to be used. Physical inspection, however, revealed that no work was done to the outer roof and only the inner roof to the Main Lecture Hall was ceiled. The value of work not done amounted to \$83,650, and it could not be determined whether the overpayment was recovered from the contractor. The Accounting Officer gave the assurance that this discrepancy would be investigated.

Subhead 24001 - Land Transport

660. The sum of \$6M was allocated for the purchase of two(2) vehicles for the Occupational Health and Safety Department and inmates of

Mahaica Hospital and the Palms. The full amount was expended in the purchase of a mini bus and a Toyota 4 X 4 vehicle.

Subhead 25001 - Office Equipment

661. An amount of \$3.458M was budgeted for purchase of office equipment. Expenditure totalling \$3.453M was incurred. The items purchased were verified as having been received and properly brought to account.

Subhead 25002 - Equipment

662. The sum of \$300,000 was voted for the purchases of scales and mattresses for the Palms and Children's Homes. Amounts totalling \$299,000 were expended. The items purchased were verified as having been received and properly brought to account.

HEADS 47 & DIVISION 526

MINISTRY OF FINANCE

Current Expenditure

Other Charges

663. Twelve(12) purchases totalling \$1.237M made between the period 6/3/96 to 20/5/96 were not brought to account in the stock records.

As a result, it could not be determined whether these items were actually received by the Ministry. A similar observation was made in respect of six(6) purchases of vehicle spare totalling \$83,085.

The Accounting Officer is advised to investigate this discrepancy with a view to ensuring that value was received in respect of these transactions.

664. Supporting documents were not attached to the following payment vouchers to substantiate the expenditure incurred:-

DATE	VOUCHER NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$
31/10	602	GUYOIL - Fuel Supplied	102,952
31/10	603	-do- -do- -do-	60,299
02/10	233	-do- -do- -do-	864,000

It was explained that the necessary bills were submitted to the Accountant General's Department which had the responsibility for attaching them to the related vouchers. In the absence of the bills, however, it could not be determined whether the fuel were supplied.

In addition, fuel was purchased on credit basis from GUYOIL but adequate records were not maintained to monitor the requisitioning and delivery of fuel and subsequent payment thereof.

665. Bills/receipts were not seen for four(4) payments for telephone charges. In addition, a separate register was not kept for overseas telephone calls made by the Ministry. Efforts should be made to introduce this record.

666. An amount of \$52,750 was paid to a contractor for repairs to two(2) air conditioning units. However, the locations of the two(2) units were not stated on the voucher nor on the account submitted by the contractor. As a result, the physical verification of the work done could not be carried out.

667. The sum of \$233.889M was expended on Subsidies and Contributions to Local and International Organisations. The following gives a breakdown of the expenditure incurred:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Privatisation Unit	30,846
State Planning Secretariat	30,898
BIDCO	125,338
Statistical Bureau	8,414
BASS, COMU, CANU	13,327
Others	25,066

TOTAL	233,889
	=====

668. In relation to the State Planning Commission, a decision was taken to dissolve this entity and to bring its functions as part of the operations of the Ministry of Finance. Accordingly, the Commission was removed from its South Road Building to the adjoining building of the Ministry of Finance. However, no action had yet been taken to formally dissolve the Commission, and it continued to function as a statutory body with subventions from the Ministry of Finance. In addition, the Commission's accounts were last audited in 1991 due to the failure to submit financial statements for audit. Financial statements for 1992 were, however, received and at the time of reporting, the audit was in progress.

669. Bauxite Industry Development Company(BIDCO) is subject to

separate financial reporting and audit. The last set of audited accounts was in respect of 1993. Financial statements for 1994 and 1995 were received and at the time of reporting, the audits were in progress. The amount of \$125.338M was verified as having been received by BIDCO.

Other Matters

670. At the time of the audit in April 1997, the cash book for imprest account No.1000 was only written up to 20th December 1996. This imprest was operated by the Principal Assistant Secretary and was not subject to supervisory checks. It is recommended that another officer be the imprest holder so as to allow for supervisory checks to be carried out by the Principal Assistant Secretary.

671. Eight(8) advances totalling \$54,725 issued from the imprest account were not authorised. Efforts should be made to ensure strict compliance with authorisation procedures. In addition, fifteen(15) advances totalling \$121,080, which were granted several months ago, had not been cleared at the time of the audit in April 1997.

672. The imprest bank account was not closed in May 1996, as required by Circular 6/96, and was not reconciled since it was established in June 1995. Urgent action should therefore be taken to reconcile this account.

673. In my 1995 Report, attention was drawn to the practice of transferring budgeted allocations for electricity charges in a deposit account. A recommendation had been made for the balance of \$124.757M which remained in the Deposits Fund as at 31 December 1995, to be transferred to the Consolidated Fund. However, no action was taken to implement this recommendation. In addition, in 1996 further sums totalling \$5.881M were placed on deposits and payments totalling \$75.833M were made to Guyana Electricity Corporation, leaving a balance of \$54.805 in the Deposit Fund account as at the 31 December 1996. It is again recommended that this latter amount be paid over to the Consolidated Fund.

674. In 1995, a review of the operations of the Central Tender Board was carried out, the results of which reflected serious shortcomings. Arising out of the review, the following recommendations had been made with a view to strengthening the operations of the Central Tender Board:-

- (a) There should be a Secretariat of the Central Tender Board which should be adequately staffed and charged with the responsibility of ensuring that there is an adequate system of record keeping and filing of all matters pertaining to the award of contracts. It may be desirable to have the records fully computerised.
- (b) There should be strict adherence of the Tender Board Regulations

as it relates to the maintenance and preservation of records for audit purposes. In particular, the logical sequence of events leading to the award of contracts should be together preserved for audit purposes.

- (c) The composition of the Central Tender Board should as a matter of urgency be reviewed to avoid any possible conflict of interest and to ensure that such a committee is endowed with the desired degree of competence and professionalism. In this regard, it is suggested that professionally competent and independent persons from say the Private Sector, the University of Guyana, Trade Unions and the Consumer Association, be included on the Board. As a pre-requisite to the effective functioning of this Board, there should be a system of periodic rotation of members. In other words, the life of the Board should expire say every two years, and new members re-appointed.
- (d) The Minister of Finance as well as Cabinet should not act merely on the recommendation of the Central Tender Board. Instead, the recommendation should be accompanied by a file showing the logical sequence of events leading up to the recommendation, particularly a copy of the minutes of the Tender Board Meeting.
- (d) The operations of the Central Tender Board should include a tender box, the keys of which should be held by a responsible official unconnected with the operations of the Tender Board. Preferably, two sets of keys should be kept by different officials so that no one person can access the tender box.
- (e) Variations in excess of 10% due to engineering necessity due to increases in wages and salaries or in the prices of materials should be approved by the Minister of Finance or Cabinet as the case may be; and
- (f) There should be free and unrestricted access by the Audit Office of all files to facilitate periodic evaluation of the operations of the Central Tender Board. Failure to do so constitutes a breach of the Financial Administration and Audit Act.

675. A follow-up review was carried out in 1996, and a significant improvement in the record keeping and filing was observed since the appointment of a manager around June 1996. However, the composition of the Board remained unaltered. It should also be noted that draft legislation on public procurement has been prepared with the assistance of a consultant, and at the time of reporting, it was still be considered by the Government.

Capital Expenditure

Subhead 12001 - Buildings

676. The sum of \$25M was voted for the rehabilitation of the Ministry of Finance, Customs and Excise Department, Inland Revenue Department buildings, of which amounts totalling \$15.352M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of cubicles	1,035,272
Painting and decorating of building	6,269,631
Rehabilitation work at Customs building	1,546,054
Renovation & construction of Revenue Authority Office	3,983,426
Repairs to Inland Revenue fence	445,705
Other	2,071,912

TOTAL	15,352,000
	=====

677. The rehabilitation works were physically verified. However, an amount of \$232,258 was paid for the installation of doors and windows to the canteen but a system of quotations was not followed in awarding the contract. Efforts should be made to ensure strict compliance with Tender Board Regulations.

Subhead 19001 - Basic Needs Trust Fund

678. The sum of \$301.186M was allocated for the rehabilitation of infrastructural facilities in the health, education, water and roads sectors. The full amount was shown as having been expended.

679. The Project is funded jointly by the Caribbean Development Bank and the Government of Guyana. According to the records of Basic Needs Trust Fund, twelve(12) contracts totalling \$211.232M were awarded for the period under review for various works while twenty-three(23) projects which commenced in 1994 and 1995 continued in 1996.

680. Included in the counterpart funding of \$34.396M was a supplementary provision of \$27.4M which was not utilised by the Fund. However, this amount was not refunded to the Consolidated Fund but was instead retained in the Fund's bank account. As a result, the Capital Appropriation Account was overstated by \$27.4M.

Subhead 24001 - Land Transport

681. An amount of \$5.5M was voted for the purchase of two(2) vehicles, the full amount of which was expended. One(1) vehicle was purchased at a cost of \$4.223M, was received by the Ministry and was subsequently transferred to the Ministry of Labour, Human Services and Social Security while an advance payment of \$1.277M was made in December 1996 for the other vehicle which was received early in 1997 and was transferred to the Ministry of Trade.

Subhead 25001 - Equipment

682. The sum of \$18M was provided for the purchase of office equipment for the Ministry of Finance, Customs & Excise Department, Inland Revenue Department, Valuation Division and the Planning Department. Amounts totalling \$19.221M were expended, resulting in an excess expenditure of \$1.221M.

683. Included in the above amount, were thirteen(13) payments totalling \$2.503M for which supporting documents, such as bills and receipts, to substantiate the expenditure. In addition, it could not be determined whether the items were received and taken on inventory in view of the poor record keeping by the Ministry. The Accounting Officer is advised to investigate these purchases with a view to ensuring that value was received in respect of these transactions.

Subhead 25002 - Infrastructure Rehabilitation Programme

684. An amount of \$320M was budgeted for the improvement to the New Amsterdam Water Supply System, \$240M of which was provided by the European Union while \$80M was provided for under local financing. Amounts totalling \$181.771M were expended.

685. The Project is subject to separate financial reporting and the audit. The last set of audited accounts was in respect of 1990. Draft financial statements have been submitted for audit for the years 1991 to 1995, and the time of reporting the audit was in progress.

Subhead 26001 - Statistical Bureau

686. An amount of \$20M was provided for (a) the executing of National Labour Force Survey and (b) the completion of population census and rehabilitation of building. However, only \$4.863M was expended on repairs to building, population census and national labour force.

Subhead 27005 - Guyana/Suriname Ferry Project

687. The sum of \$82M was budgeted for the construction of a ferry terminal on the Corentyne river for the Guyana/Suriname Ferry. Amounts totalling \$81.447M was expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Construction of Terminal	45,939,878
Consultancy fees	34,060,122
Local expenses	1,447,000

TOTAL	81,447,000
	=====

The Project was funded by the European Union with local financing from the Government of Guyana in the sum of \$2M.

Subhead 33002 - Project Development & Assistance

688. The sum of \$195M was voted for development works in rural communities. Amounts totalling \$205.856M were paid over to the Ministry of Works for distribution to the various Regions and charged to the Appropriation Account. As a result, there was an excess expenditure of \$10.856M.

689. Financial returns were not submitted by the Regional Executive Officers to substantiate the expenditure incurred. As a result, the actual expenditure incurred by the respective Regions could not be determined. The Accounting Officer is urged as a matter of urgency to follow-up this matter with the Regional Administrations with a view to ensuring that value was received in respect of the disbursements made.

690. Two(2) warrants valued at \$15M were issued to the Regional Administration Region 2 to carry out various works. It was, however, observed that eight(8) contracts totalling \$8.222M were awarded by the Regional Tender Board and the Regional Finance Committee without evidence of a system of competitive biddings. Contractors were selected by the relevant Neighbourhood Democratic Councils and submitted to the RDC for approval.

Subhead 44002 - Technical Assistance

691. An amount of \$10M was allocated for the provision of consultancy services of which amounts totalling \$840,000 were expended.

Subhead 44003 - Student Loan Fund

692. The sum of \$400M was voted for the provision of loans to students attending the University of Guyana. According to the Appropriation Account, the full amount was expended. The funds released by the Ministry of Finance were deposited into the Student Loan Fund Account

No. 993 kept at the Bank of Guyana, and an examination of this account revealed that an amount of \$325.889M was transferred to the University of Guyana. As a result, the Appropriation Account was overstated by \$74.111M which should have been refunded to the Consolidated Fund.

693. At the 31 December 1996, the Student Loan Fund Account reflected a balance of \$264.178M. It was explained that the funds relating to this account were used for investment in Treasury Bills and the interest earned was used to finance the operations of the Student Loan Agency Unit.

Subhead 44004 - Development Plan

694. An amount of \$5M was allocated for the preparation of the Development Plan. However, only \$489,000 was expended in the payment of a fee for the preparation of the Development Plan.

Subhead 44006 - Poverty Programme

695. The sum of \$600M was voted for the provision of social support and services for the most vulnerable groups in the Country. According to the Appropriation Account amounts totalling \$559.746M were expended. However, records kept by State Planning Secretariat, which had responsibility of monitoring the programme, revealed an expenditure of \$553.569M, giving an unexplained difference of \$5.877M.

It is recommended that a reconciliation be carried out between the records kept at the Ministry of Finance and those kept by State Planning Secretariat. The following is a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Educational programmes	155,091
Programmes under Ministry of Labour	291,735
Health programmes	15,000
Flood relief	50,000
Other	41,743

TOTAL	553,569
	=====

Subhead 45001 - Caribbean Development Bank

696. The sum of \$50M was provided in the Capital Estimates for capital contribution to the Caribbean Development Bank, of which \$37.114M was expended.

Subhead 45004 - IADB

697. An amount of \$101.515M was provided in the Capital Estimates as well as by Supplementary Provision for capital contribution to the IDB. The full amount was paid over to IDB.

Subhead 45005 - NGO/Support Programme

698. The sum of \$150M was allocated for the establishment of and industrial estate at Eccles and institutional support for PL 480 CIDA and USAID programmes. Amounts totalling \$83.189M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Development of Industrial Estate at Eccles	54,174
Ministry of Works	25,000
PL 480 Monitoring Unit	2,286
Ministry of Agriculture	1,729

TOTAL	83,189
	=====

699. The contract for the development of the Industrial Site at Eccles was awarded in the sum of \$275.301M. The expenditure shown above represents the payment of mobilisation advance.

Subhead 45008 - Loans to Public Corporations

700. An amount of \$15M was originally allocated as a loan to the Guyana Broadcasting Corporation. However, by way of Supplementary Provision, a further sum of \$518.874M was provided as loan to LINMINE. Actual expenditure amounted to \$454.170M, of which LINMINE received \$439.170M while the GBC received \$15M.

Subhead 45010 - Guyana Electricity Corporation

701. An amount of \$195M was originally budgeted for the improvement of electricity supply. However, by way of Supplementary Estimates, a further sum of \$329.146M was approved to accommodate foreign expenditure by the GEC, giving a revised estimate of \$524.146M. Amounts totalling \$345,826M were shown as having been expended.

702. The Programme is funded jointly by the IDB and the Government of Guyana, and is subject to separate financial reporting and audit. A private firm of auditors is responsible for auditing the Programme. The last set of audited accounts was in respect of 1995.

Subhead 45033 - Public Corporations Secretariat

703. An amount of \$965,790 was approved by Supplementary Provision for the purchase of shares held by Guyana Stores Limited in Guyana Stock Feeds Limited to be transferred to NICIL. The full amount was expended.

Subhead 45040 - IFC

704. The sum of \$48M was allocated as capital contribution to IFC. The full amount was expended.

HEAD 48

ACCOUNTANT GENERAL'S DEPARTMENT

Current Expenditure

Employment Costs

705. The salaries bank account No. 506, which became non-operational in May 1996, was overdrawn on several occasions by significant amounts and at 31 December 1996, it was overdrawn by \$3.991M. It was explained that the overdraft was due to a misappropriation of funds of approximately \$2.8M and that a losses report was filed with the Secretary to the Treasury with a view to a write-off due to death of the officer concerned. In addition, this account was only reconciled to December 1995.

706. The new salaries bank account No. 3002, which became operational in June 1996, was not reconciled since it was established. It should be pointed out that the main purpose of the opening of new bank accounts is to avoid the problems associated with the previous bank accounts and to start from a clean position. It follows that unless action is taken to promptly reconcile this new account and to take appropriate action based on the results of the reconciliation, there is every danger that the problems associated with the previous bank accounts would be repeated thereby defeating the purpose of the exercise. Every

effort should therefore be made to bring the reconciliation of this account up-to-date and to take prompt action based on the results of such reconciliations.

Other Charges

707. Amounts totalling \$11.157M were expended on materials, Equipment & Supplies. Detailed examination of this expenditure revealed that twenty -eight(28) purchases valued at \$2.789M were made from various suppliers but there was no evidence that the items purchased were brought to account in the stock records. These transactions should be investigated with a view to ascertaining whether or not value was received.

708. Bills or receipts were not seen attached to the following payment vouchers. As a result, it could not be determined whether these items were actually received by the Department. Further, the items purchased vide payment vouchers nos. 407 and 2408 could not be traced in the stock records.

DATE	CASH BOOK REFERENCE	PARTICULARS	AMOUNT
03/10	407	Purchase of computer paper	175,000
18/10	2408	" " " "	45,000
24/06	2217	" " stationery	249,700
TOTAL			469,700

709. Monthly analysis of fuel and lubricants consumed by each vehicle and the mileage obtained were not prepared for the entire period under review. As a result, it could not be determined whether the performance of the vehicles was economical. The Accounting Officer gave the assurance that corrective action will be taken in 1997.

710. The main bank account No. 402 (Non-Sub-Accounting Bank Account), which became non-operational in May 1996, reflected a balance of \$8.893 billion as at 31 December 1996. It was, however, not reconciled since 1982. At the time it ceased to be operational, the cash book reflected a balance of \$5.169 billion, \$5 billion of which was transferred to the new main bank account. It should be noted that in accordance with Circular 6/96 all unspent releases for 1996 were to be transferred to the new main bank account and the remainder of the cash book balance was to be paid over to the Consolidated Fund. Apart from the arbitrary

transfer of \$5 billion to the new main bank account, no payment was made to the Consolidated Fund.

711. The new Main Bank Account No. 3001 was not reconciled since it was established June 1996 and reflected a balance of \$9.253 billion at the 31 December 1996 the account had a positive balance of \$9.253 billion. It should be pointed out that the main purpose of opening new bank accounts is to avoid the problems associated with the previous bank accounts and to start from a clean position. It follows that unless urgent action is taken to ensure the bank account promptly reconciled and action taken based on the results of such reconciliation, there is every danger that the problems associated with the old bank accounts would be repeated, thereby defeating the purpose of the exercise.

712. The exceptionally large balances on both the old and new main bank accounts resulted mainly from the failure over the years to pay over sums due to the Consolidated Fund. It is recommended that a special exercise be carried out as a matter of urgency to ascertain what amounts are due to the Consolidated Fund so that the necessary transfers can be made.

713. It should be noted also the Cash Book for Account No. 3001 was only closed in May 1997 in respect of 1996. It was explained that this account was kept opened to facilitate the processing of Old Age Pension vouchers. However, this practice violates Section 36 of the Financial Administration and Audit Act which specifically prohibits the use of a particular year's allocation in the next year. The cash book should have been closed on 2 January 1997 and all subsequent payments should have been made out of the 1997 allocation. In the circumstances, expenditure in 1996 would have been overstated by an undetermined amount.

Other Matters

714. The imprest bank account No. 910, which became non-operational in May 1996, was overdrawn by \$21,248 as at 31 December 1996. The overdraft should be investigated with a view to clearing it.

715. In several instances the Advances Register was not written up to indicate information, such as authority for advance, designation of officer and name of guarantor. The Register also bore no evidence of supervisory checks.

716. Four(4) instances were noted where personal advances in respect of leave were granted but no deductions were made from the salaries of the employees towards the repayment of these advances. However,

after discussion with the Accounting Officer, the necessary authority was issued to commence salary deductions.

HEAD 49

CUSTOMS AND EXCISE DEPARTMENT

Current Expenditure

Employment Costs

717. The salaries bank account No. 460, which became non-operational in May 1996, was continuously overdrawn by significant amounts over the years and as at 31 December 1996, the overdraft was \$11.893M. In addition, the cash book balance could not be determined since it was not cast and balanced. Further, the account was not reconciled since it was established in July 1991. Efforts should be made to investigate the reason(s) for the overdraft with a view to clearing it.

718. A new salaries bank account No. 3013 was opened with effect from June 1996 in accordance with the Ministry of Finance Circular No. 6/96. The balance on this account as at 31 December 1996 was \$14.866M. However, the cash book balance as at this date could not be determined since at the time of the audit in June 1997, the cash book was only written up to September 1996. In addition, the account was only reconciled for the first month that it became operational.

719. It should be pointed out that the main purpose of opening new bank accounts is to avoid the problems associated with the previous bank accounts and to start from a clean position. It follows that unless urgent action is taken to ensure that the cash book is properly maintained and the bank account promptly reconciled, there is every danger that the problems associated with the old bank accounts would be repeated, thereby defeating the purpose of the exercise.

720. For the period in which the cash book was written up, it reflected balances at the end of each month instead of 'nil' balances, except for the month of June, as shown below:-

MONTH	BALANCE
-----	-----
	\$
July	377,290
August	372,480
September	584,045

721. The main reason for this state of affairs was the failure to

pay over promptly deductions to the relevant agencies. It should be pointed out that it is an important control mechanism that the cash book reflects a 'nil' balance at the end of each month, and as such every effort should be made to comply with this requirement.

722. During the period January to August 1996, amounts totalling \$1,488,881 were refunded to the Ministry of Finance as unclaimed salaries. However, these amounts were not credited to the votes, resulting in the Appropriation Account being overstated by this amount.

723. It was observed that the Comptroller of Customs & Excise was paid commuted travelling allowances totalling \$427,032 for the period January 1993 to December 1996 even though he was on Special Leave. The authority for this arrangement was, however, not produced for audit examination.

Other Charges

724. The sum of \$3.366M was expended on fuel and lubricants for the period under review. Included in this figure, were amounts totalling \$1.868M, representing the purchase of fuel in 1995. There was, however, no evidence that approval from the Secretary to the Treasury was granted to discharge this liability out of the 1996 voted provision. In addition, according to the records of the Guyana Oil Company Ltd., as at 31 December 1996, the Department was indebted to the Company in the sum of \$1.920M. This amount would have had to be met out of the 1997 voted provision.

725. An examination of the payment vouchers for fuel and lubricants purchased revealed the following consumption patterns in respect of three(3) of the seven(7) vehicles which were operational during the period under review.

VEHICLE NO.	ASSIGNED TO	AVERAGE WEEKLY EXPENDITURE	AVERAGE WEEKLY CONSUMPTION
-----	-----	-----	-----
		\$	GLNS
PDD 6194	Enforcement	17,291	77.59
PDD 2894	-do-	12,461	52.91
PEE 1179	Comptroller	11,624	41.29

726. The average weekly consumption for these vehicles appeared to excessive and as such a review the use of the vehicles attached to the Department should be carried out with a view to economising on the use of fuel and lubricants. In addition, of the six(6) vehicles for which log books were required to be maintained, log books were presented for only two(2) vehicles. In the circumstances, it could

not be determined whether there was effective use over these vehicles and whether the journeys undertaken were properly authorised.

727. Even though the return of vehicles submitted stated that all the seven(7) vehicles assigned to the Customs Department were parked overnight at the Customs House, a check at the Guard Hut revealed that these vehicles are not always parked there. In particular, there was no evidence that PEE 3968 and PEE 2894 were parked overnight at Customs House while PEE 1179, which was used by the Comptroller, continued to be parked at Mahaica Police Station. These matters were drawn to attention in my 1995 Report, and it is disappointing that no significant improvement can be reported.

728. The sum of \$11.466M was expended on Transport, Travel & Postage. An examination of this expenditure revealed that amounts totalling \$1.980M were paid for the hire of two(2) vehicles to transport officers from Georgetown to Timehri return. It should be noted that during 1996, fourteen(14) vehicles were not operational and there was no evidence of any action taken to have them repaired. Had this been done, the Department would have had additional vehicles at its disposal, thereby obviating the need to hire vehicles.

729. The sum of \$19.536M was expended on refunds of Revenue. An examination of the application for the refunds revealed that two(2) payments totalling \$571,706 and \$198,447 were made to two(2) bakery companies. The ground of the refund was given as a result of Order No. 20 of 1996 made under Consumption Tax Act 80:02 and which took effective from April 1996. This Order exempts consumption tax on "packing materials (whether imported or manufactured in Guyana), as proof to the satisfaction of the Comptroller of Customs that such materials will be used solely for the packaging of goods manufactured or produced in Guyana". The grounds for the refund would not appear to be applicable since other bakery manufacturers were required to pay the appropriate tax on similar packaging materials.

730. Another payment for \$529,826 was made to a company. The ground for the refund was quoted as incorrect tariff heading 0806:20 which attracted 40% Import Duty and 30% Consumption Tax instead of tariff heading 0813:00 attracting 20% Duty and 30% Consumption Tax. The grounds for the refund would appear to be irregular since the tariff heading initially quoted was verified as correct and therefore the application should have been rejected.

Revenue Accounting and Control

731. The approved estimates for revenue collection for the Customs & Excise Department for the period under review was \$14.906 billion. Actual collections amounted to \$15.491 billion. The Department therefore exceeded its targeted performance by \$585M.

732. An amount of \$4.867M was not paid over to the Consolidated Fund and represented sums collected from outstations. Transfers were, however, made to the Consolidated Fund in April 1997.

733. The Revenue bank account No.489, which became non operational in May 1996, reflected a balance of \$165.480M as at 31 December 1996. It could not be determined, however, when last this account was reconciled.

734. A new revenue bank account No.3014 was established with effect from June 1996 in accordance with Ministry of Finance Circular No.6/96. The balance on this account as at 31 December 1996 was \$95.624M. However, the cash book was not written up for November and December 1996 and the bank account was not reconciled since the account was established.

735. The sum of \$8.9M was provided to be collected as Merchant Overtime of which amounts totalling \$6.726M were collected, giving a shortfall of \$2.174M. The following unsatisfactory features were, however, noted in relation to Merchant Overtime:-

- (a) Demand notices were not sent out for all overtime work at Merchant's Wharf;
- (b) The Merchant's Overtime Register (Demand Register) for the period January to December 1996 was not produced for audit examination;
- (c) Requests for overtime work to be done were not filed in any date or sequence order. In particular, requests were not filed as per merchants requesting overtime. As a result, amounts owing by merchants at the end of the year could not be properly determined; and
- (d) According to the Votes Ledger, amounts totalling \$9.154M were paid out to staff for work done by merchants. However, because of the unsatisfactory manner in which the requests and demands notices were filed, this figure could not be substantiated.

736. The Export Duty on Fish Register for the period 1 January to 17 June 1996 was not produced for audit examination. For the period in which it was produced, the register was not properly maintained as relevant information such as entry number, date and duty paid, was not always reflected in this records. In addition, invoices were not filed in any date order and were placed in cartoon boxes.

737. The Immediate Delivery Register was not properly written up as relevant information, such as date and entry number of PID's perfected, was not always stated. The Register also bore no evidence of supervisory checks. In addition, for the period 96/04/02 to 96/08/29, the Register was not written up to show the value of goods imported, bond number and value. This information is necessary in order to determine whether PID's were granted to authorised persons.

738. The system provides for PID's to be perfected within(7) seven working days of clearing of the goods. However, it was observed that entries totalling \$264.103M were perfected beyond the stipulated period, and in some cases as much as ninety(90) days later. The Comptroller explained that this was due in some cases to the delay by other Government Agencies in processing import documents. In addition, it was observed that demand notices were not sent to defaulters and in the majority of instances further PID's were granted without the previous ones being cleared.

739. Returns of all seizures made by Outstations and the Police were not produced for audit. As a result, it could not be determined whether all cases of seizures were reported and duly accounted for. In addition, since the closure of the State Warehouse several years ago, seizures are stored in borrowed containers on the wharves. This situation is unsatisfactory and action should be taken to have one central storage site.

740. The system provides that deposits made by way of Provisional Entries should be cleared and perfected within 3 months. If entries are not perfected within 3 months all the deposits are treated as Revenues and should be paid into the Consolidated Fund. The following observations were, however, made in relation to provision entries:-

(a) Out of 282 Deposits totalling \$50.935M made for the year only 15 deposits totalling \$5.907M were cleared during the year. Out of the 15 deposits that were cleared, six(6) applications totalling \$3.082M for refunds of deposit made were not presented for audit; and

(b) 267 Deposits totalling \$45.028M were not perfected. In addition, only nine(9) deposits totalling \$1.622M were paid into Revenue. Another 98 deposits totalling \$19.043M for period 1st March 1996 to 3rd June 1996 were not paid into Revenue. 160 deposits for period June to December 1996 totalling \$24.363M were submitted to the Ministry of Finance for processing in 1997.

However, at the time of the audit, this amount was also not paid over to revenue.

741. In view of the above, the following conclusions have been arrived at:-

- (a) Revenue for the year 1996 would be understated by \$43.405M;
- (b) Declarations of importation of goods by the various manufacturers would not be recorded in the ASYCUDA System and therefore information submitted for the Inland Revenue for income tax purposes would be understated. It was also noted that a number of importers on a number of occasions did not perfect entries;
- (c) Reasons why provisional entries were not perfected could not be ascertained. It would appear that duties and taxes would be far greater if entries were perfected.
- (d) There appeared to be a complete breakdown in the system of operation of the Deposits Accounts and apparent lack of control on the part of the Department.

742. The Old Deposit Bank Account No. 839, which became non-operational in May 1996, reflected an overdraft of balance \$715,490 as at that date, and it could not be determined when last it was reconciled. In addition, the new deposit account No. 3016 was not reconciled since it was established in June 1996. The cash book was also not written up for the period August to December 1996.

743. The Bills of Sight Register was not properly maintained for the period under review. For example, details of daily totals, ships rotation No., time to which perfected entry was extended, date of refund of deposit etc. were not recorded in the Register.

744. On 1995-10-18 a deposit of \$431,290 was made by an importer for mining equipments. The entry was assessed and the relevant duties were paid. On the 16th January, 1996, an application for a refund of \$431,290 was made by the Company. However a cheque was drawn for the sum \$863.580 which was twice the amount deposited. There was an apparent irregularity by the finance Officer to encash the cheque but was unsuccessful. At the time of reporting the Police was investigating the matter.

745. Statement of sales vouchers, consumption tax returns and related documents were not filed sequentially and cross-referenced in manufacturers files to facilitate audit checks. In addition, an examination of three (3) of these files revealed that consumption

tax totalling \$30.624M remained outstanding at year ended December 1996. Legal action is being taken to have the amounts recovered. Further one hundred and fourteen (114) manufacturers did not submit statement of sales and consumption tax returns for various periods during the year and no action was taken to have them to comply with the law or to have their bonds forfeited. Bonds totalling \$7.791M lodged by one hundred and thirty-four (134) manufacturers between the year 1982 and 1993 were not produced for audit checks nor was there any indication that they were cancelled.

746. Remission of duties totalling \$4.889 billion were granted to various sectors as listed below:-

ITEM	DUTY	C/TAX	TOTAL
	\$'000		\$'000
Computer	26,946	38,511	65,457
Petrol	1,330,034	965,988	2,296,021
Forestry	119,277	201,141	320,417
Agriculture	124,734	39,018	163,752
Remigrant	36,999	33,015	70,014
Charity	63,744	62,664	126,408
Mining	82,527	163,219	245,746
Other	862,596	739,022	1,601,618
Total	2,646,855	2,257,579	4,889,447

This represents 31.56% of actual collections by the Department.

747. An examination was carried to determine the number of vessels that arrived in the Country for the period under review. In this regard, the following observations were made:-

(a) Examination of record kept at the Transport and Harbour Department revealed that 985 vessels came into Port Georgetown from various overseas ports. A comparison with Customs and Excise rotation book revealed that 46 of these vessels were not entered in the rotation book;

(b) An examination of the rotation book kept at Customs and Excise Department revealed that 1183 vessels came into Port Georgetown. However, 198 of these vessels were not recorded in the Transport and Harbour record kept at the Lighthouse;

(c) Out of the total of 1183 incoming ship files only 67 were examined by the Internal Audit Division. Also out of the total of 3113

incoming aircraft files, only 2159 were examined by Internal Audit Division; and

(d)The system in operation at the Customs Head Office provides for a rotation number to be given in sequential order starting from one each year. However, it was observed that forty-five (45) numbers could not be traced to ship files;

748. An examination was carried on the Rotation Book kept at Customs Head Office to determine the accuracy of the information entered. A comparison was carried with the information provided with five(5) wharves where Customs Officers were stationed full time. The following discrepancies were observed:-

(a)Thirty(30) vessels were recorded as going to these five(5) transit sheds but were not cleared through these sheds; and

(b)172 vessels were shown as having being cleared by these transit sheds but were not shown as entered in the Customs Rotation Book.

Other Matters

749. The imprest bank account No. 663, which became non-operational in May 1996, reflected an overdraft of \$166,756 as at 31 December 1996. The overdraft at the time it became non-operational was \$139,855. In addition, it could not be determined when last this account was reconciled. Efforts should be made to investigate the reason(s) for the overdraft with a view to clearing it.

750. A new imprest bank account No. 3015 was opened with effect from June 1996 in accordance with the Ministry of Finance Circular No. 6/96. As at 31 December 1996, this account was also overdrawn by \$453,502. Effort should be made to investigate the reason(s) for the overdraft with a view to clearing it.

751. A list of fixed assets was prepared in 1996 for the Department. However, these assets were not marked to identify them as Government property, and serial numbers were not quoted in the Master Inventory. Sectional inventories were also not maintained. Efforts should be made to introduce this record.

752. The Revenue Protection Bank Account No. 840, which became non-operational in May 1996, reflected an overdraft of \$1.264M as at 31 December 1996. In addition, no cash book was maintained for this account and therefore the account could not have been reconciled.

753. A new revenue protection bank account No. 3017 was opened with effect from June 1996 in accordance with the Ministry of Finance

Circular No. 6/96. A cash book was also not kept for this account and obviously it could not have been reconciled. The Accounting Officer is therefore advised to ensure that a cash book is maintained for this account so that the balance can be monitored. This will also facilitate reconciliation.

754. A remittances register was not maintained for the entire period under review although there was evidence of the receipt of cheques through the post. Efforts should be made to introduce this record at the earliest opportunity.

755. Seventy-two(72) payment vouchers totalling \$11.422M were not presented for audit examination. As a result, a proper examination of the related expenditure could not have been carried out.

HEAD 50

INLAND REVENUE DEPARTMENT

Current Expenditure

Employment Costs

756. An examination of the Unclaimed Wages and Salaries Register revealed that for the period under review amounts totalling \$2,495,558 were reflected as unclaimed wages/salaries. Further examination revealed that when officers left employment, their names were not removed from the payroll until several months later and in three(3) instances, salaries for persons whose services were terminated in 1995 remained on the payroll throughout 1996 and part of 1997. The Accounting Officer explained that this was due to delays in obtaining the necessary authority to have the names removed from the payroll.

757. NIS deductions are required to be paid over to the Scheme not later than the 10th day of the following month. However, several instances were noted where payments were not made within the stipulated period. The following are examples:-

MONTH	AMOUNT PAID	DATE PAID	NO. OF DAYS DELAY
-----	-----	-----	-----
	\$		
January	366,350	28/02/96	18
April	409,946	29/05/96	19
July	405,173	20/08/96	10
September	402,461	29/10/96	19
October	396,000	09/12/96	29
November	393,138	31/12/96	21

758. Sixteen(16) officers were in receipt of commuted travelling

allowances and mileage. However, half-yearly statements of travelling were not prepared and submitted to the Public Service Management, as required by circular instructions.

759. The Salaries Bank Account No. 454, which became non-operational in April 1996, was not reconciled for the period under review, and as at 31 December 1996 the account reflected a balance of \$3.335M.

A new account - Account No. 3024 - was opened in May 1996 but was not reconciled since it was established. In addition, the new account was overdrawn by \$442,354 as at 31 December 1996.

Other Charges

760. Amounts totalling \$21.411M were expended on materials, equipment and supplies. However, the Department did not maintain a goods received book to evidence the receipt of the goods purchased, as required by the Stores Regulations. As a result, purchases had to be traced directly to the stock ledgers, and in the process of doing so, forty-three(43) purchases totalling \$1.124M could not be traced to such records.

761. Sums totalling \$509,175 representing payments of subscriptions to the Commonwealth Association of Tax Administrators and the Chartered Association of Certified Accountants was charged to Subhead 302 - Materials, Equipment & Supplies. This represents a misallocation of expenditure since the appropriate subhead for such a charge is Subhead 312 - Subsidies and Contributions to Local and International Organisations. Had the charge been made to the correct subhead there would have been an excess expenditure corresponding to the same amount on that. It is evident that the misallocation was done to avoid overrunning the vote and it would have been more appropriate to seek a virement of funds.

762. Amounts totalling \$3.668M were expended on Rental & Maintenance of Buildings. An examination of this expenditure revealed that the following sets of contracts were awarded to the same individuals without adherence to a system of quotations:-

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
16/03	13/96	Tiling of Accounts Area	\$416,810
17/04	15/96	" " " "	165,550

TOTAL			582,360
			=====
30/12	31/96	Rehab. to toilet area - Smyth St.	247,555
30/12	32/96	" " " " " "	223,840

TOTAL			471,395

=====

Had one(1) contract in each of the two(2) cases been awarded, this would have required adjudication by the Departmental Tender Board. However, the contracts were awarded on the sole authority of the Accounting Officer.

763. Amounts totalling \$2.467M were expended on electricity charges. However, a electricity charges register to monitor the charges against each meter, was not maintained.

764. The sum of \$474,000 was expended on telephone charges. However, a separate register was not maintained to monitor all overseas calls. Efforts should be made to introduce this record.

765. According to the Appropriation Account, amounts totalling \$133.817M were refunded to the various categories of taxpayers based on assessments done by the IRD. The following gives a breakdown of the refunds made:-

CATEGORY OF TAXES	AMOUNT
-----	-----
	\$
Corporation Taxes	122,123,162
Income Tax - Individuals	6,148,547
Withholding Taxes	3,342,123
Property Taxes	1,343,889
Purchase Tax	663,180
Income Tax - Companies	115,408
Travel Voucher Tax	43,063
Capital Gains Tax	23,122
Estate Duty	8,034
NDS	6,150

TOTAL	133,816,678
	=====

766. In relation to the refund of Corporation taxes, it should be noted that companies pay advanced corporation tax quarterly based on their audited accounts for the previous year. When subsequent assessments are made, any overpayments are refunded. In this regard, a total of 47 companies received refunds to the value of \$122.123M.

767. Although a bank account (Account No. 112) was maintained to effect refunds to taxpayers, the cash book was not properly maintained in that only payments were reflected. As a result, the balance on this account at any one point in time could not be determined.

768. An examination of the bank statements relating to this account revealed that the balance as at 31 December 1996 was \$61.613M. However,

this account was not reconciled for the period under review.

769. Refund cheques not delivered to taxpayers were kept for six months after which they became stale-dated. However, the dates were changed to current dates and the cheques were redeposited into Account No. 112. The practice of reopening cheques after they become stale-dated can lead to irregularities, and it would have been more appropriate to cancel the cheques and to make the adjusting entries in the cash book and in Votes Ledger. This matter was drawn to attention in my 1995 Report, and despite this, there was no evidence of any action taken to remedy this deficiency. It should be noted that at the time of reporting 359 cheques valued at \$259,196 were on hand pending processing.

770. The practice of the Department has been to cross all refund cheques payable to taxpayers. This is an important safeguard since the cheques are sent to the taxpayers through the post and the possibility exists for someone other than the taxpayer to receive the cheque, sign the payee's name and encash it. However, although there was a noticeable improvement over 1995, there was still evidence that all refund cheques were not being crossed in cases which were not considered exceptional e.g. where the taxpayer might not have a bank account. It is again recommended that the practice of crossing refund cheques be strictly enforced.

Revenue Accounting and Control

771. Amounts totalling \$6.277 billion were collected as corporation tax for the period under review. However, a revenue register was not kept to record all advanced corporation taxes due and payable. Instead, an advanced tax instalment register was maintained to record payments only. In addition, of the 4,176 companies which were registered, only 404 had submitted returns for the year of assessment 1996.

772. The sum of \$61.721M was collected as hotel accommodation tax. However, there was no evidence that period inspections were carried out at the various hotels to ascertain the accuracy of the returns submitted to the IRD.

773. The revenue bank account No. 490, which became non-operational in May 1996, reflected a balance of \$358.126M as at 31 December 1996. However, no cash book was maintained for this account as result of which the account was not reconciled for the period under review. An examination of the composition of this balance, revealed that amounts of \$6.146M and \$260.489M collected on 21 April and 4 May 1994 respectively were not paid over to the Consolidated Fund.

774. The new revenue bank account No. 3025 reflected a balance of \$24.770M as at 31 December 1996. However, a cash book was also not kept in respect of this account as a result of which the account was not reconciled.

775. The Licence Revenue Office revenue bank account No. 491 reflected a balance of \$44.369M as at 31 December 1996. This account was, however, not reconciled for the period under review.

HEAD 51 & DIVISION 528

MINISTRY OF TRADE, TOURISM AND INDUSTRY

Current Expenditure

776. Amounts totalling \$75.531M were expended on subsidies and contribution to local and international organisations, as shown below:-

NAME OF ORGANISATION -----	AMOUNT -----
	\$'000
Export Promotion Council	13,100
Guyana Office for Investment	20,025
Guyana National Bureau of Standards	25,000
Guyana Consumers' Association	500
Consumer Advisory Bureau	900
Tourism Advisory Board	1,800
World Trade Organisation	4,171
UNIDO	1,317
CTO Regional Marketing	2,448
CTO	6,270

TOTAL	75,531
	=====

777. The Export Promotion Council was established by Act No.5 of 1983. The last set of audited accounts was in respect of 1994. Financial statements for 1995 and 1996 have not been received up to the time of reporting. The amount of \$13.1M was verified as having been received by the Export Promotion Council.

778. Guyana Office for Investment was established by Order No.38 of 1994 made under the Public Corporations Act 1988. Since its inception, no financial statements have been produced for audit. Notwithstanding this, the amount of \$20.025M was verified as having been received by GO INVEST. It should be noted that as a public corporation, GO INVEST is required to have its audited accounts laid in the National Assembly within six(6) months of the close of the financial year.

779. The Guyana National Bureau of Standards was established by Act No. 11 of 1984. The last set of audited financial statements was

in respect of 1995 and at the time of reporting the audit of the 1996 accounts was in progress. The amount of \$25M was verified as having been received by GNBS.

Capital Expenditure

Subhead 25001 - Office Equipment

780. The sum of \$1M was voted for the purchase of equipment for the Ministry, of which amounts totalling \$988,000 were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 41001 - Tourism Development

781. The sum of \$10M was voted for eco-tourism management capability and promotion of eco-tourism, of which amounts totalling \$5.968M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
TEE'96	1,752,680
Printing of brochures, calendars, booklets	1,580,000
Tourism legislation/seminar	591,758
Contribution to ITD	285,000
Tourism workshops	307,550
Subscriptions	755,250
Other	695,635

TOTAL	5,967,873 =====

Subhead 47002 - Guyana Office for Investment

782. The sum of \$800,000 was voted for the purchase of equipment for the Guyana Office for Investment, the full amount of which was expended in the purchase of a photocopier. As mentioned above, since its establishment in 1994, financial statements were not prepared and submitted for audit.

Subhead 47003 - Guyana National Bureau of Standards

783. The sum of \$5.5M was allocated for the rehabilitation of buildings and the purchase of equipment. The full amount was shown as having been expended.

HEAD 52 AND DIVISIONS 519, 520 & 521

MINISTRY OF PUBLIC WORKS, COMMUNICATIONS
AND REGIONAL DEVELOPMENT

Current Expenditure

Employment Costs

784. Of the forty-one(41) employees' personal files requested for audit examination, twenty-five(25) were not submitted. The paysheets for January 1996 were also not presented for audit examination. It was explained that all employees' personal files as well as the January 1996 paysheets were destroyed by fire in February 1996 and that the reconstruction of personal files had not been completed.

785. Duties relating to the payment of salaries and wages were not adequately segregated in that the officer responsible for the preparation of the paysheets also functioned as the paymaster and wrote up the salaries cash book. It was explained that this arrangement resulted from the shortage of staff. Urgent action should therefore be taken to ensure that there is adequate segregation of these duties since failure to do so can lead to irregularities.

786. The staffing situation in all areas of the Ministry as reflected in the payrolls for December 1996 is shown below:-.

SUBHEAD	DESCRIPTION	AUTHORISED	ACTUAL	VACANT
101	Administration	48	14	34
102	Senior Technical	33	6	27
103	Other Tech & Craft	99	46	53
104	Clerical & Support	113	50	63
105	Semi Skilled	62	30	32
		---	---	---
	TOTAL	355	146	209
		===	===	===

787. The actual staffing was therefore 41% of the authorised staff strength. It is obvious that such an acute shortage of staff would have had an adverse impact on the operations of the Ministry and in particular on the level of internal control necessary to ensure adequate checks and balances. Indeed, such a situation would have

resulted in the Ministry contracting out at considerable cost to the State many of the areas of responsibility which in the past it normally undertook. For example, under maintenance of buildings, amounts totalling \$1.426M was paid out in 1996 as consultancy services. In the past, such work was carried out by technical staff of the Ministry.

788. The problem of the staffing should therefore be urgently addressed, especially in view of the fact that the Ministry is the largest in terms of expenditure and where enormous amounts of capital works are undertaken.

789. For the period under review, amounts totalling \$2.727M were paid for overtime work done by certain members of staff. However, records of the hours worked, such as vehicle log books in the case of vehicle drivers, and overtime registers in the case of office workers, were not produced for audit examination. It was explained that the log books were misplaced and that the registers which were maintained were destroyed in by fire. The latter explanation does not appear to be satisfactory since the fire occurred in February 1996 and steps should have been taken to open new registers. In the circumstances, the payment of overtime to employees could not be properly verified. Assurance has been given that adequate records would be maintained in future for all overtime work done.

790. The operation of the Salaries Bank account No. 931 ceased in February 1996 as a result of the destruction of the relevant records by fire, and the bank statement balance as at 1 March 1996 transferred to the new bank account No. 1011. However, as at 31 December 1996, the former account was overdrawn by \$309,492 and it could not be determined when last it was reconciled. The overdraft resulted from the encashing of cheques between the period 1 March -22 March 1996 since the transfer was effected on the latter date. It is therefore recommended that a corresponding amount be re-transferred to Account No. 931 in order to liquidate the overdraft and steps be taken to effect a closure of this account.

791. In addition, there is an old salaries bank account No. 824 which reflected a balance of \$460,860 as at 31 December 1996. It is recommended that the balance on this account be transferred to the Consolidated Fund and steps be taken to close it.

792. An examination of the cash book for Account No. 1011 revealed negative balances at the end of each month instead of 'nil' balances, except December 1996, as shown below:-

MONTH	BALANCE	MONTH	BALANCE
-----	-----	-----	-----
	\$		\$
March 1996	(38,880)	August 1996	(6,473)

April 1996	(39,769)	September 1996	(6,473)
May 1996	(14,474)	October 1996	(6,473)
June 1996	(14,474)	November 1996	(6,473)
July 1996	(6,473)		

In addition, at the time of inspection on 28th February 1997, this account was not reconciled for the month of December 1996. However, at the time of reporting, the reconciliation was brought up-to-date to April 1997.

793. An examination of the reconciliation statement for December 1996 in respect of Account No. 1011 revealed the following unsatisfactory features:-

- (a) An amount of \$5,167,963 was shown as "receipts omitted from the cash book". This amount had been coming forward since March 1996 and represented the transfer of funds from the old salaries account No. 931. It is recommended that an adjusting entry be made in the cash book to bring to account this amount;
- (b) An amount of \$936,999 was shown as "payments understated in cash book". This amount was also coming forward since March 1996 and represented replacement cheques on Account No. 931. It is recommended that the relevant entries be made in the cash book to bring to account these payments;
- (c) Fourteen (14) cheques valued at \$324,176 were stale-dated. These transactions should be cancelled and an equivalent amount transferred to the Main Bank Account; and
- (d) There was no evidence of checking and certification of the reconciliation statement. This is a very important internal control measure to ensure accuracy and reliability of the statement. Additionally, it is necessary for a senior officer to examine the statement with a view to investigating all unusual items appearing on the statement and taking the necessary corrective action.

Other Charges

794. The operation of the Main Bank account No. 929 ceased in 5 March 1996 for reasons already mentioned, and the bank statement balance as at 6 March 1996 of \$692.667M was transferred to the new bank account No. 1010. However, as at 31 December 1996, the former account was overdrawn by \$8.264M and it could not be determined when last it was reconciled. The overdraft resulted from the encashing of cheques between the period 6 March - 22 March 1996 since the transfer was effected on the latter date, as well as certain correcting entries made by the Bank. It is therefore recommended that a corresponding amount be re-transferred to Account No. 929 in order to liquidate

the overdraft and steps be taken to effect a closure of this account.

795. The new Main Bank Account No. 1010 reflected a large balance of \$1,230.404M as at 31 December 1996 resulting from the failure of the Ministry over the years to pay over to the Consolidated Fund all unspent balances at the end of each year. An amount of \$909.630M representing the adjusted cash book balance at the end of 1996 was, however, paid over to the Consolidated Fund in June 1997. Notwithstanding this, it is a breach of Section 36 of the Financial Administration and Audit Act not to surrender promptly to the Consolidated Fund all unspent balances at the each of each financial year.

796. An examination of the reconciliation statement for Account No. 1010 for December 1996 revealed the following unsatisfactory features:-

- (a) An amount of \$23.049M was shown as "receipts omitted in cash book". This amount represents revenue collected by the Civil Aviation Department and the Demerara Harbour Bridge and deposited into the bank account without the relevant entries being made in the cash book. Efforts should be made to ensure that the cash book is at all times written up-to-date;
- (b) An amount of \$20.736M was shown as "payments omitted from cash book". This represents thirty-one(31) replacement cheques which were initially drawn on the old Main Bank Account and for which the corresponding entries had not been made in the cash book. It is recommended that the relevant entries be made in the cash book to bring to account these transactions;
- (c) An amount of \$24.220M was shown as "receipts overstated in the cash book". This resulted from the duplication of entries in the cash book in March 1996 arising out of the transfer of the balance from the old Main Bank Account to this account. An adjusting entry should therefore be made in the cash book, thereby eliminating this item from the reconciliation statement;
- (d) Included in the list of 675 unrepresented cheques totalling \$427.983M, were 364 cheques with a total value of \$320.823M shown as having been drawn on 31 December 1996 i.e. the last day of the fiscal year; and

(e) There was no evidence of checking and certification of the reconciliation statement.

797. The system provides for cheque orders to be cleared within sixteen(16) days of their issue through the submission of bills, receipts and other supporting documents. However, for the period under review, such orders were cleared on average thirty-three(33) days. In addition, as at 31 December 1996, 289 cheque orders valued \$28.966M were outstanding, of which eighty-six(86) valued \$11.339M had not been cleared up to the time of reporting. These relate mainly to purchases, and attempts to verify whether the items were received, proved futile.

798. Amounts totalling \$6.651M were expended on fuel and lubricants. However, of the forty-three(43) vehicles and equipment for which log books were required to be maintained, log books were not presented in respect of thirty-two(32) vehicles. As a result, it could not be determined whether effective control was exercised over the use of these vehicles.

799. The sum of \$54M was allocated for Rates & Taxes and Subventions to Local Authorities, the full amount was expended as follows:-

	\$
Georgetown Sewerage & Water Commissioners -	
water tariffs for Government Buildings	14,438,000
Mayor & City Council - rates & taxes for	
Government properties	39,562,000

TOTAL	54,000,000
	=====

However, the Ministry did not maintain a register of properties owned by the Government, and notices of assessment indicating the Government properties involved as well as the rates of assessment, were not presented to the Ministry before payments were made.

800. In the case of the GS & WC, a letter from the Chief Engineer was seen which indicated that of the amount of \$14.438M paid to the GS & WC, \$10M relate to 1995. In the said letter, it was also mentioned that the Ministry was indebted to the GS & WC in the sum of \$18.356M as at the end of 1996 in respect of housing scheme properties administered by the Central Housing and Planning Authority.

801. It is recommended that the Ministry takes urgent steps to inventorise on a country-wide basis all properties owned by the Government and to introduce a register to record these assets. In this way, all payments for rates and taxes and water tariffs could be traced to the Register. In addition, the two(2) agencies mentioned above should in future be requested to provide a detailed list of Government properties and the respective rates/tariffs in support of their demand for payment.

802. Amounts totalling \$548.568M were expended on Subsidies & Contributions to Local and International Organisations. The following is a break-down of the expenditure:-

DESCRIPTION	AMOUNT	
-----	\$ '000	\$ '000
LOCAL ORGANISATIONS:		
Guyana Water Authority		335,000
Georgetown Sewerage & Water Commissioners		150,000
New Amsterdam Water Enterprise		50,000

		535,000
INTERNATIONAL ORGANISATIONS:		
Commonwealth Telecommunications Bureau	10,448	
International Maritime Organisation	2,160	
Caribbean Telecommunications Union	960	
	-----	13,568

TOTAL		548,568
		=====

803. The Guyana Water Authority was established by Act No.3 of 1972. and is subject to separate financial reporting and audit. A private firm of auditors was engaged by GUYWA to audit its accounts in contravention of the Financial Administration & Audit Amendment Act. This matter had been brought to the attention of the Management of GUYWA on several occasions, and it was finally agreed that the auditing arrangements would vest my Office with effect from 1996. The last set of audited accounts was in respect of 1995 and at the time of reporting, the audit for 1996 was in progress.

804. The Georgetown Sewerage & Water Commissioners was established by Chapter 30:01 of the Laws of Guyana and is subject to separate financial reporting and audit. The audit for 1996 had been finalised and the related report issued on 30 April 1997. These accounts are required to be laid in the National Assembly in keeping of Section 33 of the Financial Administration & Audit Act.

Capital Expenditure

Division 519 - Guyana Sea Defences Project Executing Unit

Subhead 15001 - Essequibo and West Demerara

805. The sum of \$1.072 billion was voted for the rehabilitation of 7,295 metres of sea defence on the Essequibo Coast and on the West Coast of Demerara. Amount totalling \$815.765M were expended. The Project was funded by an European Union grant.

806. According to the 1996 Annual Report of the Project Executing Unit, a total of 6,135 metres were rehabilitated. It was explained that there were difficulties in recruiting a contractor to undertake the works. In addition, a number of difficulties were experienced in the execution of the Project which necessitated a significant amount of remedial work.

Subhead 15002 - Corentyne and Essequibo

807. The sum of \$467M was allocated for the rehabilitation of 6,020 metres of sea defence at Nos. 76-83 Villages, Corentyne and Three Friends to La Belle Alliance, Essequibo Coast. Amounts totalling \$305.438M were expended.

808. The Project is financed by the Inter American Development Bank and USAID and is subject to separate financial reporting and audit. The last set of audited accounts in respect of the IDB funding was in respect of 1996. According to the audited accounts, amounts totalling \$269.066M were expended under this subhead. At the time of reporting, the auditing of the USAID portion of the expenditure was in progress.

Subhead 15003 - East Coast Demerara

809. The sum of \$145M was voted for the rehabilitation of 2,205 metres of sea defence at Lusignan, Mon Repos, Hope and Enmore. However, no physical works were undertaken and the amount of \$22.658M was expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Project Director's fees	10,782
Design fees for sea defence	6,387
Purchase of computer equipment	5,489

TOTAL	22,658

=====

810. The Project is funded by the International Development Association and USAID and is subject to separate financial reporting and audit. The last set of audited accounts in respect of IDA funding was in respect of 1996 while at the time of reporting, the auditing of the USAID portion of expenditure was in progress.

Subhead 15004 - West Coast Berbice

811. The sum of \$130M was voted for the rehabilitation of 4,570 metres of sea defence on the west Coast Berbice. However, no physical works were done, and the amount of \$19.268M was expended on consultancy fees.

Subhead 15005 - Emergency Works

812. The sum of \$550M was allocated for the rehabilitation of sea and river defences, including the construction of the Mahaicony Creek Embankment. Amounts totalling \$319.850M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Rehabilitation of sea and river defences	179,202
Wages and salaries	66,599
Hire of equipment	26,285
Purchase of construction materials	14,670
Purchase of spares	21,670
Fuel & lubricants	8,652
Office supplies	2,772

TOTAL	319,850
	=====

The items purchased were verified as having been received and properly brought to account. The rehabilitation works were also physically verified.

Subhead 15006 - Shorezone Management

813. The sum of \$6M was voted for the incorporation of all environmental concerns, including mangrove management, sea defence, date collection and monitoring and land use planning. Amounts totalling \$1M were expended on surveying work on soil.

Subhead 47001 - Administration & Management

814. An amount of \$20M was allocated for the provision of administrative and supervision costs for sea defence projects. The

full amount was shown as having been expended, as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Salaries of 38 staff members	11,263
Vehicle expenses	2,091
Stationery & office supplies	2,101
Security	933
Other	3,611

TOTAL	20,000
	=====

Division 520 - Ministry of Public Works

Subhead 11001 - Demerara Harbour Bridge

815. The sum of \$1.1 billion was voted for (a) replacement of 103 pontoons and (b) rehabilitation of 16 pontoons and mechanical and electrical system. According to the Appropriation Account, amounts totalling \$921.564M were expended, as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Technical Assistance by Sociedad Limitada De Consultores Espanoles	48,278
Supply of Spares by Damen Shipyard	581,020
Bridge Rehabilitation and other Infrastructure Improvement Works	264,361
Counterpart salaries and other administrative costs	27,905

TOTAL	921,564
	=====

816. This Project is subject to separate financial reporting and audit. At the time of reporting, the audit of the 1996 accounts was in progress.

Subhead 12001 - Government Buildings

817. The sum of \$70M was voted for the rehabilitation of selected Government buildings including Ministry's Head Office, Amerindian Hostel, Merle House, Immigration Building CWC, Roof of 52/53 Main Street and Living Quarters at Timehri. Amounts totalling \$46.813M were shown as having been expended. The works were physically verified.

Subhead 12002 - Buildings (Health)

818. The sum of \$20M was voted to meet capital expenditures on the completion of Plaisance, Wakenaam and Industry Health Centres. Expenditure totalling \$6.530M was shown as having been incurred in the rehabilitation of the Industry Health Centre and Leguan Cottage Hospital. The works were physically verified.

Subhead 12007 - Timehri Airport

819. The sum of \$120M was originally budgeted for the extension of the Airline Check-in Office at the Timehri Airport, repair of runway and installation of equipment. An additional \$30M was approved as supplementary provision increasing the available funds to \$150M for the Project. Amounts totalling \$161.012M was shown as having been expended, resulting in an excess expenditure of \$11.012M. The excess expenditure was, however, covered by an advance from the Contingencies Fund.

Subhead 14001 - Mabura/Lethem Road

820. The sum of \$40M was voted for the maintenance of the Mabura Hill/Lethem Road, of which amounts totalling \$33.909M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Purchase of one(1) road roller	9,855
" " one(1) dump trailer	928
" " one(1) generating set	455
" " spares	15,000
" " fuel	7,671

TOTAL	33,909
	=====

The items purchased were verified as having been as having been received and properly brought to account.

Subhead 14004 - Black Bush Polder Road

821. The sum of \$75M was allocated for the rehabilitation of Black Bush Polder Road, of which amounts totalling \$60.649M.

Subhead 14005 - Bartica/Issano/Madhia Road

822. An amount of \$25M was allocated for the rehabilitation of the Bartica/Issano and Bartica/Madhia roads. Amounts totalling \$4.489M were expended.

Subhead 14006 - Bridges

823. The sum of \$60M was voted for the rehabilitation of bridges along the Linden/Soesdyke Highway and other areas, of which amounts totalling \$31.576M were expended on twenty-one(21) bridges. The bridges were physically verified.

Subhead 14007 - Miscellaneous Roads

824. An amount of \$550M was allocated for the continuation of works at Parika/Morashi, Wakenaam, Leguan, Mara and Mon Repos and the rehabilitation of other roads. Amounts totalling \$268.572M were expended on forty-one(41) roads as summarised below:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Wakenaam	13,424
Leguan	47,481
Mara	18,005
Mon Repos	8,537
Others	162,025

TOTAL	268,572
	=====

Subhead 14008 - Urban Roads/Drainage

825. The sum of \$80M was voted for the rehabilitation of selected roads and drains in the six (6) municipalities of which amounts totalling \$28.102M were expended on the rehabilitation of ten(10) roads and the desilting of two(2) canals in Georgetown. The works were physically verified.

Subhead 14009 - Hinterland Airstrip

826. The sum of \$30M was provided for the rehabilitation of Mahdia

and Aishalton airstrips and Ogle Aerodrome, of which expenditure totalling \$25.105M was incurred as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Rehabilitation of Ogle Aerodrome	15,799
" of Paramakatoy Airstrip	4,165
" of Mahdia Airstrip	3,090
" of Aishalton Airstrip	200
Other	1,851

TOTAL	25,105
	=====

Subhead 14015 - Amerindian Development

827. The sum of \$30M was provided for the purchase of equipment, outboard engines (15 HP), chain saws, ambulances and tractors and trailers. Amounts totalling \$27.045M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Purchase of 2 tractors & 2 trailers	7,530
" of 20 outboard engines & motor cycle	7,143
" of 20 chain saws	3,357
" of 1 4x4 pickup double cab	2,860
Other	6,155

TOTAL	20,890
	=====

Subhead 16002 - Equipment - Civil Aviation

828. The sum of \$190.900M was provided for the purchase of one fire engine for Timehri Airport and installation of safety equipment of which expenditure totalling \$186.783M was incurred as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Purchase of fire engine	170,110
" and installation of safety equipment	12,637
" " " " cables	4,036

TOTAL	186,783
	=====

Subhead 16003 - Stellings

829. The sum of \$40M was voted for the completion of the Parika Stelling and rehabilitation of Supermaan, New Amsterdam and Charity Stellings. According to the Appropriation Account the entire amount was expended for these works.

Subhead 17001 - Minor Works

830. An amount of \$5M was provided for the implementation of minor programmes and projects of which amounts totalling \$4.489M were expended. The works were physically verified.

Division 521

Ministry of Public Works

Road Construction, Rehabilitation and Studies

831. Amounts totalling \$2.251 billion was voted for the Road Rehabilitation Project executed by the Ministry of Public Works through the Project Execution Unit. Amounts totalling \$2.283 billion were expended, resulting in an excess expenditure of \$289.756M.

832. The Project is financed by the Inter American Development Bank, the International Development Association and the Government of Guyana, and is subject to three(3) separate sets of financial reporting and audit. The last sets of audited financial statements were in respect of 1996 and related reports and opinions issued in June and August 1997.

HEADS 55 - 58 & DIVISION 531

REGION 1 - BARIMA/WAINI

Current Expenditure

Employment Costs

1052. An examination of the Register of Contributors to the National Insurance Scheme revealed that twenty-five(25) employees were not registered with the Scheme. The Accounting Officer explained that these were casual employees who were stationed in remote areas and that steps had since been taken to have them registered.

1053. The Salaries Bank Account Nos 674, 675 and 860, which became non-operational in July 1996, were not reconciled for the period under review, and it could not be determined when last this was done. The failure to reconcile bank accounts can lead to irregularities being perpetrated without detection. In addition, Account Nos. 674 and 860 were continuously overdrawn during 1996 and as at 31 December 1996 the overdrafts were \$18,469 and \$896,060 respectively. These overdrafts should be investigated with a view to clearing them.

1054. A new salaries account No. 3084 was opened in July 1996 in accordance with Circular No. 6/96 from the Ministry of Finance. However, this account was not reconciled since its establishment and was overdrawn by \$8.091M. It should be pointed out that the main reason for opening new bank accounts was to avoid the problems associated with the old bank accounts and to start from a clean position. It is evident that the objective of this exercise was not being fulfilled. Urgent action is therefore recommended to reconcile this account and to take corrective action based on the results of such reconciliation. In this way the balance can be carefully monitored, thereby avoiding the overdraft situations mentioned above.

1055. During the period under review, amounts totalling \$2.556M representing the net salaries of officers were refunded to the Sub-Treasury as unclaimed salaries. However, there was no evidence that action was taken to recover the related deductions which were paid over to the relevant agencies. Apart from the failure to recover the amounts involved, the Appropriation Account would have been overstated by the said amounts. Efforts should be made to recover the amounts involved.

Other Charges

1056. Sums totalling \$17.305M were expended on the purchase of fuel and lubricants. However, log books were not maintained for two(2) vehicles and seven(7) outboard engines which in total consumed 12,722 gallons fuel valued at \$4.456M. In the absence of log books, it could not be determined whether effective control was exercised over the use of these vehicles and equipment.

1057. Amounts totalling \$15.643M were expended on the rental and maintenance of buildings. Included in this expenditure was the construction of a new building to house Mabaruma Primary School at a total cost of \$2.249M. Since the works were of a capital nature, the expenditure should have been charged to the Capital Appropriation Account. However, there was no provision in the Capital Estimates and therefore the expenditure on the construction of the building appeared to have been unauthorised. The Accounting Officer explained that there was overcrowding at the old Mabaruma Primary School, as a result of which Regional Democratic Council took the decision to construct an annex building. Notwithstanding the explanation given, a supplementary estimate should have been sought under the Region's capital programme to accommodate the expenditure on the School.

1060. The sum of \$1.1M was paid to the Mabaruma/Kumaka/Hosororo Neighbourhood Democratic Council (formerly a village council) as subvention. However, financial statements for this entity have not been submitted for audit since 1984 and therefore there was an absence of financial reporting for thirteen(13) years. The amount of \$1.1M was, however, verified as having been received by the Council but in the absence of audited accounts for 1996, it could not be determined whether the subvention was properly utilised.

Stores and Other Public Property

1061. At the time of inspection in July 1997, the stock records at the Mabaruma Hospital Store had not been updated since December 1996. As a result, a physical verification of a sample of items from the Store could not have been carried out. Efforts should be made to ensure that the stock records are always kept up-to-date.

Other Matters

1062. The Imprest Bank Account No. 992, which became non-operational in August 1996, was not reconciled since its establishment in 1994. At the time of inspection, the new account No. 3099 was also not reconciled since its establishment. The Accounting Officer has since advised that the reconciliation of the new account had been brought up-to-date.

1063. There is an old imprest account No. 676 which has a balance of \$5,196. The Accounting Officer had explained that the Accountant General's Department was written to with a view to closing this account but was advised that it had to be reconciled first.

1064. A physical count of controlled forms revealed a total of nineteen (19) unused and one(1) partly used cheque books were on hand in respect of the non-operational accounts. These books should be returned to the Bank of Guyana for cancellation.

Capital Expenditure

Subhead 12002 - Buildings (Administration)

1065. The sum of \$1.101M was voted for the rehabilitation of one(1) wooden building for survey technicians at Mabaruma, of which amounts totalling \$899,000 were expended. The building was physically inspected and conformed generally to the specifications and bill of quantities as contained in the contract document.

Subhead 12003 - Buildings (Education)

1066. The sum of \$5.320M was allocated for the construction of Headmaster's Quarters at Kanwatta and Mathews' Ridge and two(2) schools, the full amount of which was expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$'000
Headmaster's quarters at Kamwatta	884
" " " Mathew's Ridge	1,137
Primary School at Lower Aruka	3,149
Painting of Mabaruma Primary School	150

TOTAL	5,320
	=====

Because of the inaccessibility of the area, physical verification of the Headmaster's Quarters at Mathew's Ridge could not have been carried out. The other works were, however, physically verified.

Subhead 14001 - Roads

1067. The sum of \$6.5M was voted for the rehabilitation of one and one quarter miles (equivalent to 6,600 ft) of the main road at Mabaruma, of which amounts totalling \$6.214M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Rehabilitation of Mabaruma Main Road	4,457
" " Wainaina Road	407
Purchase of fuel and lubricants	1,350

TOTAL	6,214
	=====

1068. Physical inspection of the Mabaruma Main Road revealed that only 1,680 feet of road was rehabilitated. The Accounting Officer explained that funds were inadequate to rehabilitate the said road as programmed. He explained further that work had to be done on the Wainaina Road in order to transport laterite and sand for the Mabaruma Road.

1069. In addition, as can be noted from the above breakdown of expenditure, the purchase of approximately 5,075 gallons of fuel and lubricants was charged to this Subhead. While it is accepted that some amount of fuel and lubricants would be consumed by equipment used to rehabilitate the Road, the quantity of fuel shown to have been used it does not appear realistic. In fact, an analysis of fuel consumption for the Region's vehicles and equipment for 1996 revealed that the equipment normally used to rehabilitate roads together consumed a total of 2,914 gallons for the year. It is evident that part of the cost of fuel and lubricants was charged to this subhead instead of the relevant subhead (Subhead 303) in order to avoid over-expenditure on the latter since the full amount of \$17.305M budgeted was shown as having been expended.

Subhead 19001 - Agricultural Development

1070. The sum of \$4.130M was allocated for the construction of revetment at Barima Road and for the upgrading of the Kumaka/Kwebana Road, of which amounts totalling \$3.981M. However, no work was done on the road. The Accounting Officer explained that this was due to the prevailing weather conditions and that the funds were used to purchase material for the 1997 road programme.

Subhead 24002 - Water Transport

1071. The sum of \$740,000 was voted for the purchase of one(1) wooden boat and engine, the full amount of which was expended. The items purchased were physically verified.

Subhead 25001 - Office Equipment & Furniture

1072. The sum of \$345,000 was allocated for the purchase of equipment and furniture for the Administration Office, the full amount of which were expended. The items purchased were physically verified.

Subhead 25003 - Furniture (Schools)

1073. The sum of \$1.950M was voted for the construction of desks, benches and cupboards for schools in the Region, the full amount of which was expended. However, at the time of inspection, the Region did not provide details of the distribution of the furniture. The Accounting Officer gave the assurance that a list showing the distribution would be submitted but up to the time of reporting no such list was received.

Subhead 25004 - Furniture (Staff Quarters)

1074. The sum of \$200,000 was allocated and expended on the purchase of furniture for residential staff members. The items purchased were verified as having been received and properly brought to account.

Subhead 25005 - Equipment (Health)

1075. The sum of \$650,000 was voted for the purchase of two(2) generators for the Moruca and Mathew's Ridge hospitals, the full amount of which was expended. The generator purchased for the Moruca Hospital was physically verified. However, as mentioned above, because of the inaccessibility of the area, no physical verification could have been carried out in respect of the generator purchased for the Mathew's Ridge Hospital.

HEADS 58- 61 & DIVISION 532

REGION 2 - POMEROON/SUPENAAM

Current Expenditure

Employment Costs

1074. The wages and salaries bank account Nos. 677 and 678, which became non-operational in July 1996, were overdrawn by \$297,127 and \$410,744 respectively as at 31 December 1996. In addition, at the time these accounts ceased to be operational, they were overdrawn by \$2.139M and \$158,423 respectively and were not reconciled for the period under review. The Accounting Officer explained that these overdrafts had been coming forward for sometime and that the Bank was written to on several occasions on the matter. However, up to the time of reporting, there was no response from the Bank. Renewed efforts should therefore be made to investigate the overdrafts with a view to clearing them.

1075. An examination of the payment of wages in respect of fortnights ending 10/10/96 and 24/10/96 revealed six(6) and five(5) instances respectively where persons other than the employees uplifted wages without authorisations. This practice can lead to irregularities and as such every effort should be made to obtain written authorisations before such payments are made. The Accounting Officer explained that there were authorisations which might have been misplaced during the processing of the transactions.

1076. An examination of the Appointments Register for Head 59 - Administration revealed six(6) instances of overpayment of salaries totalling \$61,992. Efforts should be made to recover the amounts from the persons concerned.

Other Charges

1092. Cheque orders are required to be cleared within sixteen (16) days of their issue through the submission of bills, receipts and other supporting documents. However, thirty seven(37) instances were noted where such orders were cleared on average forty-one(41) days later. In addition, at the time of the audit in June 1997, eight(8) cheque orders relating to purchases totalling \$1.227M had not been cleared. At the time of reporting, however, these orders had since been cleared. Notwithstanding this, every effort should

be made to ensure that cheque orders are cleared promptly since failure to do so can lead to irregularities.

1094. In my 1995 Report, it was mentioned that a physical survey of the Hardware Store at Anna Regina on 13 June 1996 revealed, among other discrepancies, an apparent shortage of 2,018 gallons gasolene valued at \$522,662. The Stock Ledger showed a balance of 2,693 gallons while the stock on hand was 675 gallons. The Accounting Officer had acknowledged the shortage which he explained was due to spillage over the years from a defective pump. As a result, a new pump was installed in January 1997. However, up to the time of reporting, a losses report had not been filed with the Secretary to the Treasury.

1095. A similar survey was carried out on 18 June 1997, the results of which reflected an apparent shortage of 4,069 gallons of gasolene valued at \$1.221M. The Stock Ledger as at this date reflected a balance of 5,894 gallons while the physical count showed 1,825 gallons. This meant that between the period 13 June 1996 and 18 June 1997, there was an additional apparent shortage of 2,051 gallons of gasolene valued at \$605,045.

1096. In order to corroborate the above results, another survey was carried out on 27 August 1997 using the actual receipt and issue documents since the Stock Ledger was only updated to 14 August 1997. The results reflected an accumulated apparent shortage of 5,811 gallons of gasolene valued at \$1.714M, as shown below:-

	Glns

Stock Ledger balance as at 13 June 1996	2,693
Add receipts from 14/06/96 to 27/08/97	22,058

	24,751
Less issues from 13/06/96 to 27/08/97	(16,570)

Computed Ledger balance as at 27/08/97	8,181
Physical balance as at 27/08/97	(2,370)

Apparent shortage	5,811
	=====

Between the period 13 June 1996 and 27 August 1997, there was therefore an apparent shortage of 3,793 gallons of gasolene valued at \$1.119M, of which 1,742 gallons valued at \$513,890 relate to the period 18 June 1997 to 27 August 1997. From the foregoing, it

is evident that the entire shortage could not have been attributable to spillage from a defective pump. It is therefore recommended that the Police be invited to investigate the apparent shortage of 5,811 gallons of gasolene valued at \$1.714M.

1097. A similar survey was carried out in respect of dieselene, the results of which reflected an apparent shortage of 967 gallons valued \$265,925. The computed Stock Ledger balance as at 27 August 1997 (The Ledger was only written up to 14 July 1997.) was 7,847 gallons while the physical balance was 6,880 gallons. The Accounting Officer explained that the shortage was due to spillage resulting from an accident involving a tanker in October 1996. However, up to the time of reporting, a losses report had not been filed with the Secretary to the Treasury.

1096. According to the Appropriation Accounts, amounts totalling \$12.476M were expended on the purchase of fuel and lubricants. However, fuel purchased for immediate use as well as fuel issued from stock was not always recorded in the log books of vehicles. In addition, of the seventeen(17) vehicles and equipment for which log books were required to be maintained, log books were not presented for the following:-

VEHICLE NO.	ASSIGNED TO	VEHICLE NO.	ASSIGNED TO
-----	-----	-----	-----
PEE 9172	Operation & Maintenance	PDD 7926	Education
PCC 8956	Suddie Hospital	PDD 7318	Suddie Hosp.
TR 13766	Operation & Maintenance	PFF 6704	Oper. &
18847	Operation & Maintenance	19264	Oper. &
PEE 4001	Operation & Maintenance	Lighting Plant	Suddie Hosp.
Ltng Plant	Mechanical Workshop		

There were, however, partial submissions in respect of the remaining five(5) vehicles, as shown below:-

VEHICLE NO.	ASSIGNED TO	PERIOD
-----	-----	-----
PFF 2887	Regional Accounting Unit	May - October 1996
PDD 6728	Suddie Hospital	June - July 1996
PDD 6713	Vice Chairman	April - Dec. 1996
PDD 6025	Deputy REO	March - April & July - December

1996

1097. In addition, an examination of log books presented revealed that they were not properly written up. For example, the journeys undertaken were not authorised, the driver's signature was not shown and there was no evidence of supervisory checks on this record. In the circumstances, it could not be determined whether effective control was exercised over the use of the Region's

vehicles and equipment.

1098. Amounts totalling \$10.176M were expended on Rental & Maintenance of Buildings. However, of the fifteen(15) contracts which were awarded and falling within the limits of \$180,000 and \$450,000, the following six(6) contracts were awarded without a system of quotations being followed, as required by Tender Board Regulations:-

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$
01/04	29/96	Repairs to X-ray Technician qtrs	274,579
06/12	332/96	Electrical work at Taymouth Manor Primary School	230,000
13/12	343/96	Electrical work at DEO Office	284,600
13/12	347/96	Electrical work at Good Hope Nursery School	300,000
15/12	345/96	Electrical work at DEO quarters	291,000
16/12	300/96	Constructing sanitary facility at St. Deny's Primary School	196,860

TOTAL			1,577,039
			=====

1099. In addition, the Aurora Nursery School was repaired at a cost of \$477,786. However, there was no evidence that the proposed work was publicly advertised, as required by Tender Board Regulations. The Accounting Officer explained that a notice was placed in the Regional Administration's Compound inviting tenders. A similar observation was made in the construction of a bridge to the Suddie Hospital Mortuary at a cost of \$502,174. Notwithstanding the explanation given, every effort should be made to ensure full compliance with the Regulations.

1100. According to the Appropriation Accounts, amounts totalling \$11.539M were expended on electricity charges. However, the Electricity Charges Register which is used to record the charges against each meter, was not totalled. When totalled by the Audit Office, it reflected a balance \$7.741M, indicating significant omissions in the Register. In addition, it was observed that the Region paid electricity charges totalling \$80,669 for two(2) officers who occupied Government quarters. This matter was drawn to the attention of the Accounting Officer who has written the officers with a view to recovery of the above amount.

1101. Included in the amount of \$11.503M expended on Transport, Travel & Postage were sums totalling \$166,600 representing the

cost of garbage disposal. This represents a misallocation of expenditure in that the appropriate subhead of charge was Subhead 309 - Other Services Purchased. It should be noted that an amount of \$101,170 representing garbage disposal was charged to the latter subhead which reflected a saving of \$84,000. Had the correct charge been made there would have been excess expenditure of \$82,600. It is evident that the charging of garbage disposal to Transport, Travel & Postage was done to avoid overrunning the voted provision, and it would have been more appropriate for a virement of funds to have been sought to accommodate the additional expenditure.

1102. Amounts totalling \$10.891M were expended on Other Services Purchased of which sums totalling \$9.820M relate to the payment of wages for casual employees. However, under Subhead 304 - Rental & Maintenance of Buildings and Subhead 305 - Maintenance of Infrastructure, amounts totalling \$309,082 were charged as wages for casual employees. It should be noted that there were savings of only \$84,000 under Other Services Purchased, and it is again evident that the charging of the cost of casual labour among three(3) subheads was done to avoid overrunning the voted provision under Other Services Purchased.

1103. Amounts totalling \$730,000 were paid to the Operations and Maintenance Section of the Region and charged to Subhead 312 - Subsidies & Contributions etc. This section maintained two(2) separate bank accounts, and revenues derived from its operations were deposited into these accounts, instead of the Consolidated Fund. In addition, payments relating to the operations of this section were made out of these bank accounts, instead of the appropriation accounts. This matter was drawn to attention in my 1995 Report and in September 1996 the cash book balance of \$1,377,671 on one of the accounts was transferred to the Deposits Fund Bank Account. Up to the time of reporting, however, no transfer was made to the Consolidated Fund, and payments relating to the operations of this section continued to be made out of the other bank account.

Stores and Other Public Property

1109. A review of the operations of the Regional Hardware Store revealed the following main deficiencies:-

- (a) RTP's were not always raised when purchases were made, and LPO's were not used. GRN's were also not prepared. Entries were, however, made in a goods received book;
- (b) There was evidence that credit purchases were being made, contrary to the Financial Regulations;

- (c) The Storekeeper acknowledged that items purchased were not always seen, but entries were made in the Goods Received Book. These relate mainly to stationery and materials delivered to site;
- (d) The vast majority of items purchased were not physically placed in the Store and requisitioned on a daily basis as and when needed. Instead, as they were received in bulk, they were simultaneously issued out to the various departments. This practice defeats the purpose of storekeeping and stores accounting and renders them ineffective;
- (e) The Storekeeper did not have in his possession the specimen signatures of persons authorised to approve issues of stores items;
- (f) The stock records were not properly secured in that they were kept in a room in the lower flat of a building where several louvre blades for the windows were missing, thus rendering the records easily accessible to anyone who may wish to tamper with them;
- (g) The storekeeping staff also maintained the Stock Ledger. This record should have been kept by the Central Accounting Unit to provide for an independent check on the bin cards maintained by the storekeeper;
- (h) The actual store was kept in a very untidy state, was congested and items were strewn all over the floor, thus rendering a physical count of items very difficult; and
- (i) A new store was built in 1994, but was not put into operation. However, it was not until June 1997 that stocks were transferred to this new store.

1110. The following observations were made in relation to a visit to the Mechanical Store:-

- (a) The greater part of the Store contained obsolete spares neatly packed in racks;
- (b) Record keeping was virtually non-existent. No bin cards were maintained and the Stock Ledger was used as a daily journal of receipts and issues of stores items. There were no continuous records of receipts and issues of each item; and
- (c) The Storekeeper was not in possession of the specimen signatures of persons who were authorised to approve of

issues.

1111. Despite the disposal of a number of unserviceable items in early 1997, several unserviceable machinery and equipment such as landrovers, hymacs and buses, were still in the Mechanical Workshop at the time of inspection. The Accounting Officer explained that a list of unserviceable items was being compiled and approval from the Secretary to the Treasury would be sought to dispose of them by way of public auction.

1112. According to the stock records, 7,747 gallons of diesel valued at approximately \$1.975M were on hand at the time of inspection on 3 June 1997 but there was no calibrated dip stick which could be used to verify the quantity on hand. At the time of reporting, however, a calibrated dip stick had been introduced.

1113. The following unsatisfactory features were observed based on an inspection of the records of the Suddie Hospital:-

- (a) There was no cross-referencing between RTP's, Goods Received Book and the Stock Ledger. This made verification tedious and very time-consuming; and
- (b) A physical verification of a sample of thirty three(33) items in the Ration Stores on 28 May 1997 revealed discrepancies in respect of seven(7) items, as shown below:-

DESCRIPTION	STOCK LEDGER BALANCE	PHYSICAL COUNT	SHORTAGE	EXCESS
Chicken	138 lbs.	6 lbs.	132 lbs	-
Butter	19 lbs	17 lbs	2 lbs	-
Split peas	125 pts.	73 pts.	52 pts.	-
Flat File	6	10	-	4
Marvex	170 pts.	168 pts.	2 pts.	-
Enamel	8 pts.	10 pts.	-	2 pts.
13 Amp. plug	27	22	5	-

1114. An examination of the Loans Register revealed that during the period under review, seven(7) pieces of equipment were loaned to various agencies. However, up to the time of reporting, the items were not returned. There was also evidence that several other items which had been loaned prior to 1996 had not been returned to the Regional Administration.

1114. A master inventory was not kept to record all fixed assets held by the Region, and sectional inventories were not maintained in respect of Administration, Agriculture and Education. In the circumstances, it could not be satisfactorily determined whether all fixed assets under the control of the Region were duly

accounted for and properly safeguarded.

1115. An examination of the Gifts Register kept at Suddie Hospital revealed that numerous gifts of drugs and other medical supplies were received from various donor agencies and private individuals. However, certified lists of such items from these agencies and individuals were not presented for audit examination. In the circumstances, it could not be determined whether all gifts were properly accounted for.

Other Matters

1116. The Imprest Bank Account No. 679, which became non-operational in July 1996, was overdrawn by \$395,209 as at 31 December 1996 and was last reconciled to December 1995. However, draft reconciliations were seen up to August 1996. Efforts should be made to investigate the overdraft with a view to clearing it.

1117. Ten(10) instances were observed where advances granted from the Imprest were cleared by instalments. Several advances were also not cleared within the stipulated periods. In addition, seven (7) instances were noted where advances on salaries were granted from the Imprest, contrary to the Financial Regulations. Efforts should be made to avoid a recurrence of these lapses.

Capital Expenditure

Subhead 12001 - Buildings (Health)

1115. The sum of \$7M was provided for the rehabilitation of the ration store, two(2) doctors' quarters and male nurses' quarters at Suddie Hospital and medical personnel quarters at Charity. Amounts totalling \$6.999M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Extension of ration store	600,710
Repairs to three(3) doctors' quarters	3,351,706
Repairs to male nurse's quarters	2,534,638
Repairs to medical personnel quarters	424,270
Rewinding of water pump for Suddie Hospital	40,000
Miscellaneous	47,635

TOTAL	6,998,959
	=====

The works were physically verified.

Subhead 12002 - Buildings (Education)

1118. The sum of \$12.5M was voted for the construction of a nursery school at Aurora and primary schools at De Hoop and Supernaam as well as the rehabilitation of Jacklow Primary and Charity Secondary Schools and sanitary facilities. The full amount was expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Construction of Aurora Nursery School	2,057,950
Rehabilitation of Jacklow Primary School	2,329,990
Construction of sanitary facilities at three(3) schools	1,177,955

	5,565,895
Construction of Pavilion at Anna Regina Community Centre Ground	3,545,684
Repairs to Education Office Building at Cotton Field	3,076,695
Repairs to Johanna Cecilia Community High School	311,578

	6,933,957

TOTAL	12,699,452
	=====

1119. As can be noted, only \$5.566M of the \$12.5M expended represented programmed work. In particular, no primary schools were constructed at De Hoop and Supernaam nor was any rehabilitation work done to Charity Secondary School. The Accounting Officer explained that on a review by the Ministry of Education, it was agreed to delay the construction of the new school earmarked for De Hoop. However, no reasons were stated for this course of action. In relation to the Charity Secondary School, he explained that the works were shelved because a new primary school was built at Charity and the the old building would be used to house the secondary school. Notwithstanding the explanations given, approval from the Chief Planning Officer should have been sought to forgo the proposed works.

1120. The amount of \$3.546M expended on the construction of a pavilion at the Anna Regina Community Centre Ground represented payment for work done in 1995 and which was subject to adverse comments in my 1995 Report. Approval was, however, obtained for the discharge of the liability using the 1996 voted provision.

1121. In relation to the repairs to the Education Office Building at Cotton Field, approval was granted for a change in programme to accommodate the expenditure of \$3.077M in the light of a decision to open a branch of the Cyril Potter College on the Essequibo. However, no such approval was seen for the repairs to the Johanna Cecilia Community High School.

Subhead 12003 - Buildings (Administration)

1121. The sum of \$5M was voted for the rehabilitation of the

Regional Accounting Unit, Ameriandian Rest Shelter and the completion of Store at Anna Regina. The full amount was expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Extension of Regional Accounting Unit	4,015,750
Repairs to Amerindian Shelter - Anna Regina	851,115
Extension to Sub-Treasury Office	133,075

TOTAL	4,999,940 =====

1122. As can be noted, no work was done on the Store at Anna Regina which was constructed since 1994 and which only became operational in June 1997. In addition, there was no evidence that approval was granted for a change in programme to accommodate the expenditure of \$133,075 on the Sub-Treasury Office.

Subhead 13004 - Miscellaneous D & I Works

1122. The sum of \$85M was voted for various D & I works in the coastal and riverain areas, of which amounts totalling \$72.556M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Construction of 12 bridges	22,034,241
Construction of 23 revetments	22,127,473
Purchase of two(2) Massey Ferguson Tractors	9,035,000
Purchase of one(1) Toyota Pick-Up	1,728,000
Purchase of one(1) Canter Truck	1,300,000
Purchase of six(6) sluice winches	5,379,360
Construction of four(4) sluice doors and irrigation checks	4,073,000
Driving and anchoring piles	1,734,254
Excavation works	1,661,100
Construction of five(5) sluice huts	1,249,365
Transportion of earth	885,000
Construction of trailor	825,000
Purchase of greenheart piles	463,470
Miscellaneous	60,545

TOTAL	72,555,808 =====

1123. Twelve(12) contracts were awarded on the same date i.e. 11

March 1996 to nine(9) individuals for the construction of the twelve(12) bridges. Had one(1) contract been awarded, this would have required adjudication by the Central Tender Board. However, the contracts were awarded by the Regional Tender Board. A satisfactory explanation was not given why the works were undertaken in a piecemeal manner. A similar observation was made in relation to the construction of twenty-three(23) revetments at a total cost of \$22.127M. Twelve(12) contracts were awarded during the period 9 March to 11 March 1996 to eight(8) individuals for the revetment works, all of which were awarded by the Regional Tender Board.

1124. Two(2) Massey Ferguson tractors and one(1) Rome plough were purchased on 19 July 1996 at a total cost of \$9.035M. In view of the fact that the transaction exceeded \$9M, the Central Tender Board should have been involved in the adjudication of the award of the contract instead of the Regional Tender Board.

1125. The six(6) sluice winches were purchased on 10 February 1997 as evidenced by the related internal stores requisition and the supplier's receipt. However, the cheque for the transaction was shown as having been dated 31 December 1996. At the time of reporting the winches were not put into use.

Subhead 14001 - Roads

1126. The sum of \$5M was voted for the resurfacing of the street from the Main Road to the Anna Regina Multilateral School and the road from Bush Lot to CARICOM Bridge. The full amount was expended. However, no work was done by the Region on the road from Bush Lot to CARICOM Bridge on the ground that the main contractor of the Essequibo Road had undertaken such work. Approval was granted to utilise the savings to upgrade the road from GNCB to CARICOM Bridge.

Subhead 19001 - Land Development

1125. The sum of \$4M was voted for infrastructural works in housing schemes at Charity, Henrietta and Anna Regina and development of new housing areas. The full amount was expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Infrastructure works at Henrietta	615,020
" " " Anna Regina	873,040
" " " Suddie	690,708
" " " La Belle Alliance	341,000
Purchase of lumber	753,675
Miscellaneous	726,238

TOTAL

3,999,681

=====

Subhead 24002 - Land & Water Transport

1126. The sum of \$5M was voted for the purchase of one(1) tractor and one(1) truck. The full amount was expended on the purchase of two(2) trucks. It was explained that two(2) tractors were already bought under the D & I Programme. At the time of inspection the two trucks

Subhead 25001 - Furniture & Equipment (Education)

1127. The sum of \$3.5M was voted for the purchase of furniture for school, the full amount of which was expended.

Subhead 25002 - Office Equipment & Furniture

1128. The sum of \$1.5M was voted for the purchase of filing cabinets, airconditioning unit, photocopier and computer. The full amount was expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Purchase of five(5) steel cabinets	645,980
" " five(5) typewriters & file hangers	436,500
" " two(2) A/C units	264,000
" " eight(8) writing desks & 25 chairs	153,500

TOTAL	1,499,980
	=====

Subhead 26002 - Furniture & Equipment (Health)

1129. The sum of \$2M was voted for the purchase of freezers, refrigerators, mattresses, beds, typewriter and furniture to provide improved facilities for health officers and patients. The full amount was expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Purchase of waterpump,hose,long boots etc	605,097
Purchase of electrical items	1,001,890
Purchase of furniture	341,300
Purchase of PVC pipes	51,565

TOTAL

1,999,852
=====

1130. As noted above no freezers were purchased. However, items of a current nature such as long boots, rubber gloves, raincoats, garden hose and spray cans were purchased. There was no evidence to indicate that a change in programme was obtained for these purchases. The accounting officer explained that these items form part of the budget proposals put up to the Ministry of Finance. Notwithstanding, these items were brought to account and physically verified.

1131. The following items purchased in 1995 via payment voucher no. 40073 dated 29.12.95 and cheque no. 145739 dated 29.12.95 have not been supplied to date.

HEAD 63 - 66 & DIVISION 533

REGION 3 - ESSEQUIBO ISLANDS/WEST DEMERARA

Current Expenditure

Employment Costs

1132. The Salaries Control Register was not presented for audit examination for the period under review. As a result, verification of the monthly movement of the payrolls as well as individual pay changes had to be done through the tedious examination of individual payrolls.

1134. Eight(8) instances were noted where paychange directives were forwarded to the Regional Accounting Unit (RAU) on average three(3) months later. This has resulted in the payrolls not being adjusted until several months later. This state of affairs is considered very unsatisfactory and can lead to irregularities. It is therefore recommended that urgent steps be taken to ensure that pay changes are promptly processed so that the necessary adjustments can be made to the payrolls in a timely manner.

1138. As a result of the late notification of pay changes, 651

instances were noted where only the net salaries were refunded. Action should be taken to recover this amount from these agencies.

1139. Amounts totalling \$12.322M were refunded as unclaimed wages and salaries for 1996, of which sums totalling \$8.019M relate to the Education Department. However, an unclaimed wages register for that Department was not maintained at the Regional Accounting Unit to monitor all unpaid salaries. In addition, of the amount unclaimed, \$153,794 was not credited back to the votes. It was explained that the Votes Ledger Section did not receive all the receipts from the Revenue Section, hence the omission. This explanation is not considered satisfactory since the two(2) sections were in close proximity of each other and within the same building.

1140. The Travelling Register was not always written up to show information such as mileage ceiling, details of insurance coverage and reasons for the cessation of payment of travelling. Half-yearly returns of travelling were also not prepared and submitted to the Public Service Management.

1141. The salaries bank account No. 854 (Education), which became non-operational in July 1996, was overdrawn by \$9.257M as at 31 December 1996. The Accounting Officer explained that the overdraft partly from an irregularity of approximately \$4M some years ago and the matter had been concluded by the courts without any conviction. He further explained that the secretary to the Treasury was written to with a view to seeking a write-off. However, the matter was still outstanding. The remainder of the overdraft should be investigated with a view to clearing it.

1142. In accordance with the Ministry of Finance Circular No. 6/96, three(3) new bank accounts were opened in July 1996 for wages and salaries. The cash books for these accounts are required to show 'nil' balances at the end of each month as a control measure. However, an examination of these records revealed significant balances at the end of each month, resulting from the failure to pay over deductions to the relevant agencies. In addition, several instances were noted where the cash books showed large negative balances, resulting from the payment of salaries before the receipt of the salaries cheques from the Sub-Treasury. This has resulted in the bank accounts being periodically overdrawn, especially the Education bank account No. 3088 which reflected significant overdrafts on several occasions.

1146. An examination of the Register of Contributors to the National Insurance Scheme revealed 109 instances where the employees' NIS numbers were not quoted in the Register. It was explained that these employees were not registered with the Scheme due to an oversight by the Personnel Department;

Other Charges

1147. Amounts totalling \$6.902M were expended on fuel and lubricants for the period under review. However, of the twenty-nine(29) vehicles and equipment for which log books were required to be maintained, log books were presented in respect of only four(4) vehicles and for varying periods in the year. In the circumstances, it could not be determined whether effective control was exercised over the use of vehicles and equipment and whether the consumption patterns were realistic.

1148. An examination of the Telephone Register revealed that \$86,010 was incurred in private telephone charges, of which only \$65,136 was recovered. The Accounting Officer explained that the culpable officer had been dismissed and the above amount was recovered from the salaries due to the officer. It is recommended that the Secretary to the treasury be written to with a view to writing off the outstanding amount of \$20,874.

1148. Excess expenditure Totalling \$2.721M was incurred were incurred under seven(7) subheads. Since there were savings under other subheads, it would have been more appropriate for a virement of funds to be sought to accommodate the excess expenditure. The Accounting Officer explained that approval was granted verbally at the monthly releases meeting for a virement of funds. However, follow-up action should have been taken to ensure that a virement warrant was issued.

Stores and Other Public Property

1164. The following unsatisfactory features were observed based on the operations of the Vreed-en-Hoop Store:-

- (a) A number of items were on loan since 1996 had not been returned to the Store;
- (b) Instances were noted where issues were not recorded in the Stock Ledger; and
- (c) A large quantity of unserviceable items were seen at the stores compound without evidence of action taken to dispose of them;

1165. In respect of the West Demerara regional Store, the following unsatisfactory features were observed:-

- (a) The Gifts Register was not updated for the period under review although there was evidence of numerous gifts being received;

- (b) Several internal stores requisitions were not produced for audit examination and instances were noted where the quantities shown on the ISR's differed from those reflected in the stock records;
- (c) A loans register was not produced for the period January to August 1996;
- (d) A physical count of a sample of thirty(30) stores items revealed discrepancies in respect of nineteen(19) items; and
- (e) A large quantity of unserviceable items were seen in the stores compound without evidence of any action taken to dispose of them.

Capital Expenditure

Subhead 11001 - Bridges

1167. The sum of \$5M was voted for the construction of bridges at Parika/Maripa, Leguan and Wakenaam of which amounts totalling \$2.812M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Construction of bridge at Wakenaam	527,840
" " " at Canal No. 2 Polder	2,283,262

TOTAL	2,811,102
	=====

1167. The bridges at Parika/Maripa and Leguan were, however, constructed at a total cost of \$3.035M but the expenditure was improperly charged to Maintenance of Infrastructure under the Region's current expenditure programme. Had the correct charge been made, the voted provision under this subhead would have been exceeded by \$846,000. It is evident that the charging of the cost of these two(2) bridges to Current Expenditure was done to avoid overrunning the voted provision under this subhead.

1168. As can be noted, a bridge was constructed at Canal No. 2 Polder at a cost of \$2.283M but there was no evidence that approval from the Chief Planning Officer was granted for a change in programme to accommodate this expenditure. In addition, there was a misallocation of expenditure in that payment of an advance of \$239,718 to the contractor was charged to Subhead 13001 - Agricultural Development, instead of this subhead.

Subhead 11001 - Buildings (Education)

1171. The sum of \$20M was voted for the construction of nursery

schools at New Annlegt, Vreed-en-Hoop, Uitvlugt and Hydronie, of which amounts totalling \$18.635M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Constr. of nursery school at New Annlegt	4,865,758
" " " " at Vreed-en-Hoop	6,021,639
" " " " at Meten-Meer-Zorg	1,960,170
" " " " at Philadelphia	5,786,708

TOTAL	18,634,275 =====

1172. As can be noted, no schools were constructed at Uitvlugt and Hydronie. In this regard, approval was seen from the Chief Planning Officer for a change in programme to accommodate the expenditure on the nursery school at Meten-Meer-Zorg instead of Hydronie. However, no such approval was seen in relation to the construction of the nursery school at Philadelphia.

1173. In relation to the construction of the nursery school at New Annlegt, the contract was awarded in the sum of \$4.999M to the third lowest bidder without any reasons being stated in the minutes of the Tender Board why the two(2) lower bids were not considered. The lowest bid was \$4.686M. A similar observation was made in relation to construction of the nursery schools at Vreed-en-Hoop and Meten-Meer-Zorg where the same contractor was also awarded the contracts. In the latter case, the contractor was the fourth lowest bidder, and although reasons were stated why the two(2) lowest bids were not considered, no mention was made why the other bid was not considered. It should also be mentioned that at the time of reporting, the work was still in progress.

1174. The contract for the construction of the nursery school at Philadelphia was awarded to the seventh lowest bidder. However, no reasons were stated why five(5) of the lower bids were not considered.

Subhead 12002 - Buildings (Health)

1176. The sum of \$18.5M was voted for (a) the construction of dispensary, mortuary and furnace at West Demerara Regional Hospital (b) the rehabilitation of the Tuberculosis Ward of West Demerara Regional Hospital and (c) construction of mortuaries at Leguan and Wakenaam. Amounts totalling \$6.068M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Construction of mortuary at West Demerara Hospital	5,923,743
Purchase of two(2) compressors for kitchen	144,000

TOTAL	6,067,743 =====

1177. As can be noted, the dispensary and the furnace at the West Demerara Regional Hospital were not constructed and no rehabilitation work was undertaken at the Tuberculosis Ward and for which a satisfactory explanation was not obtained. Similarly, no mortuaries were constructed at Leguan and Wakenaam, although there were savings totalling \$12.433M under this subhead. The Accounting Officer explained that at the time the estimates were constructed, it was anticipated that there would have been electricity supply at Leguan and Wakenaam. However, this did not materialise during the period under review as a result of which plans for the construction of the mortuaries had to be shelved.

Subhead 12003 - Buildings (Administration)

1180. The sum of \$2M was voted for the extension of the Regional Administration Office, of which amounts totalling \$1.964M were expended. The contract for the work was, however, awarded in the sum of \$2.607M and because the funds had been exhausted under subhead, the work could not have been completed. As a result, the contract was mutually terminated. The work was physically verified.

Subhead 13001 - Agricultural Development (D & I)

1181. The sum of \$40M was voted for the construction of sluices at Enterprise (Leguan) and Kamuni Potosi, check panels at Pouderoyen and Windsor Forest, and the rehabilitation of drains at Lanaballi, Palmyra and construction of Hubu road culvert. Amounts totalling \$38.004M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Cleaning drains, facades, channels, embankments	17,847,402
Purchase of ten(10) winches	5,880,000
Construction of launch stelling at Leguan	4,533,738
Purchase of one(1) reconditioned Hymac	3,870,000
Surveying works	2,689,485
Construction of two(2) bridges	2,121,074
Construction of revetments	771,600
Construction of Hubu road culvert	215,200
Miscellaneous	75,000

TOTAL	38,003,499
	=====

1182. The cleaning of drains, facades, channels and embankments were executed by sixteen(16) contracts. However, two(2) contracts were awarded to the same individual who was the third and fourth lowest tenderer respectively. However, according to the minutes of the Tender Board, although the award was made on the basis of the contractor's experience and availability of equipment, no reasons were stated why the other bids were not considered.

1185. In 1995, physical inspection of the bridges against the bills of quantities as contained in the contract documents, revealed overpayments totalling \$237,890 in respect of five(5) bridges. This matter was brought to the attention of the Regional Administration, and recoveries totalling \$63,960 were made, leaving an amount of \$173,930 still to be recovered. Up to the time of reporting, this latter amount had not been recovered. Assurance has been given that attempts would be made to recover the outstanding amount.

Subhead 13002 - East Bank Essequibo Development Project

1187. The sum of \$132.604M was voted for the institutional strengthening and evaluation of the East bank Essequibo Development Project and for the rehabilitation of drains and irrigation works. Amounts totalling \$132.154M were expended.

1187. The Project is funded jointly by the Government of Guyana and International Fund for Agricultural Development (IFAD) and is subject to separate financial reporting and audit. The last set of audited statements was in respect of 1996. According to these statements, however, the sum of \$141.038M were shown as having been expended on the Project, giving a difference of \$8.884M. This difference resulted from foreign disbursements which were not

brought to account in the Appropriation Account of the Region. As a result, both capital revenue and expenditure under this Project, have been understated by \$8.884M.

Subhead 19001 - Land Development

1188. The sum of \$2M was voted for the development of infrastructure for housing. Amounts totalling \$855,000 were expended on the construction of an access bridge at Bell West, Canal No. 2 Polder. The work was physically verified.

Subhead 24001 - Land and Water Transport

1189. The sum of \$8M was voted for the purchase of one(1) medical launch for the Essequibo Islands and riverain areas. However, no expenditure was incurred. The Accounting Officer explained that it was difficult to acquire such a launch and it was decided to buy a fibre glass boat. Funds were budgeted in 1997 for the purchase of such a boat. At the time of reporting, the boat had since been acquired.

Subhead 25001 - Equipment (Health)

1188. The sum of \$4M was voted for the purchase of mortuary freezers, post mortem tools and other equipment. Amounts totalling \$3.996M was expended. However, no freezers were acquired. The Accounting Officer explained that rather than purchasing chamber freezers, two(2) compressors were acquired for freezing the mortuary. Physical checks revealed that the mortuary was fully operational.

Subhead 25002 - Furniture & Equipment (Administration)

1190. The sum of \$2M was voted for the purchase of furniture and equipment for the Regional Administration. Amounts totalling \$1.967M were expended. The items were verified as having been received and properly brought to account.

Subhead 25003 - Furniture & Equipment (Education)

1191. The sum of \$4M was voted for the purchase of furniture for nursery, primary and secondary schools, of which amounts totalling \$2.999M were expended. The items were verified as having been received and properly accounted for.

HEADS 66 - 69 & DIVISION 534

REGION 4 - DEMERARA/MAHAICA

Current Expenditure

Employment Costs

1192. Test-checks of the payrolls revealed that supervisory checks were not evident. A diary of pay changes was also not kept to record details of pay changes in respect of individual employees,

and verification of changes had to be done through the tedious examination of paysheets and personal files. The Accounting Officer explained that corrective action was taken with effect from 1996.

1193. An unclaimed salaries/wages register was not maintained for the period January to August 1995, although there was evidence of significant refunds of salaries totalling \$9,292,511 for the year as follows:-

HEAD OF ESTIMATE -----	AMOUNT -----
	\$
66-Administrative	306,554
67-Agriculture	198,549
68-Education	8,339,039
69-Health	448,369

TOTAL	9,292,511
	=====

1194. The above observation indicates apparent delays in notifying the Regional Accounting Unit when officers leave employment, especially in the case of the Education Department. This state of affairs can lead to irregularities. It is therefore recommended that steps be taken to reduce the period of time between officers leaving employment and the necessary adjustments to the payrolls.

1195. The three(3) salaries bank accounts operated by the Region were not reconciled since 1986. The failure to reconcile bank accounts can lead to irregularities being perpetrated without detection. The Accounting Officer is therefore urged to take urgent steps to ensure that the reconciliation of these accounts is brought up-to-date.

1196. The cash books for two(2) of these accounts reflected negative balances of \$14,936 and \$990,791 as at 31 December 1995 instead of 'nil' balances while the balance on the other account was \$98,662. These accounts were also overdrawn by large amounts on some occasions during the year. These observations indicate an apparent lack of effective monitoring of the balances on these accounts. It is therefore recommended that an adequate system be put in place to avoid a recurrence of the deficiencies mentioned.

1197. During the period under review, the Regional Executive Officer was paid travelling allowances totalling \$244,760 from the Region's vote instead of from the Ministry of Regional Development. The authority for this change in arrangement was, however, not produced for audit examination. At the time of reporting, however, corrective action was taken with effect from 1996.

1198. The National Insurance Scheme Register was not maintained for the period under review. This record is necessary to monitor contributions by employees to the Scheme. The Register of cheques paid over to the Scheme was also not written up to show particulars of cheques remitted.

Other Charges

1199. Eleven(11) purchases totalling \$293,837 for cleaning materials and torchlight batteries were made from a shop at Lusignan. Investigations revealed that the business was licensed in the name of a close relative of one of the expeditors. In addition, in all cases three(3) quotations were obtained but those from the supplier were dated on or after the dates of the others, indicating an apparent manipulation of the system of quotations.

1200. One (1) vehicle assigned to a senior Regional official was issued with an average of 34 gallons of gasoline per week. Although there was a marked reduction from 65 gallons per week in 1994, this consumption, which in dollar value amounts to \$36,805 per month, appears high. Steps should therefore be taken to closely monitor and control the use of the vehicle with a view to reducing the current level of fuel consumption.

1201. The following table gives a breakdown of the consumption of fuel in respect seven(7) vehicles operated by the Region:-

VEHICLE NO.	NO. OF GALLONS ISSUED	NO. OF WEEKS IN USE	AVERAGE WEEKLY CONSUMPTION IN GALLONS
PBB 7403	644	39	16.51
PBB 8890	843	39	21.62

PCC 1138	882	35	25.20
PCC 1347	975	43	22.67
PDD 1962	366	52	7.04
PDD 4894	693	26	26.65
PDD 6089	1768	52	34.00

However, log books were only presented in respect of two(2) vehicles - PBB 7403 and PDD 4894. In the circumstances, it could not be determined whether all journeys undertaken were authorised and whether there was effective control over the use of the Region's vehicles.

1202. During the period under review, the Region provided transportation twice daily for security guards from Ann's Grove to a senior Regional official's residence in Georgetown, a distance of approximately 76 miles. It would appear more economical to recruit guards from Georgetown, thus effecting savings to the Region.

1203. According to the Appropriation Account, amounts totalling \$28.010M were expended on electricity. However, the Electricity Charges Register was only written up to March 1995 and reflected a balance of \$8.551M. It should be noted that the balance on the voted provision at the end of March 1995 was paid over to the Accountant General and charged to final expenditure instead of being treated initially as a liability. Adjustments should have been made to the Appropriation Account to reflect actual charges for the year, and any excess should have been refunded to the Consolidated Fund.

1204. In December 1995 one(1) Yamaha outboard engine model E48 CL No. 670-369609 was repaired at a cost of \$314,954. The Region had earlier purchased a similar engine in October 1995 from the same supplier for \$495,000. It would therefore have been more economical if a new engine was purchased rather than effecting repairs the old one. The nature of the repairs was also not stated on the payment documents.

1205. During the year the Region incurred expenditure totalling \$245,005 for the hire of four(4) vehicles for the purpose of conveying the paymaster on pay tours. Since the Region possessed suitable vehicles which could have been utilised for this activity, it is obvious the cost of hiring vehicles could have been avoided. One of the vehicles was also registered for private purposes and therefore the hiring of this vehicle was in breach of its insurance contract.

1206. The sum of \$5.2M was paid to the Regional Drainage and Irrigation Board as a subsidy/contribution to maintain the drainage systems in the Region. In the absence of adequate records and financial statements of the Board, it could not be determined whether the amount was properly spent.

Stores And Other Public Property

1207. Although there was a field auditor attached to the Region, there was no evidence of periodical physical verification of stocks and other assets. Copies of the field auditor's annual programme and inspection reports were also not submitted to the Audit Office.

1208. Despite comments in previous reports, the Region continued to operate with Government vehicles which were unmarked. This, as well as the fact that log books were not maintained, can contribute significantly to an abuse/misuse of such vehicles. At the time of reporting, however, action was taken to mark the vehicles.

1209. At the time of the inspection of the Triumph Store, nineteen(19) unused internal stores requisitions books (each containing 100 forms) were in the possession of the Storekeeper. The matter was drawn to the attention of accounting officer who subsequently took action to have these kept by the Regional Accounting Unit for control purposes.

1210. At the time of inspection in April 1996, many obsolete and slow moving items were lying in the Triumph Store, and several unserviceable items, including vehicles, were seen in the compound exposed to the elements of the weather. These matters were previously reported on and, despite this, there was no evidence that appropriate action was taken to have the items boarded and disposed of accordingly.

Other Matters

1211. Several instances were noted where advances were not cleared within the specified periods and where further advances were issued without the previous ones being cleared. Action should be taken to clear advances promptly and to minimise the extent to which more than one advances are given.

Capital Expenditure

Subhead 11001 - Bridges

1212. The sum of \$4M was voted for the construction of a heavy duty bridge at Victoria No. 1 Pump Station of which amounts totalling \$3.911M. The contract was awarded to the highest of four(4) bidders on the ground that the other bids were below the Engineer's Estimate of \$4.402M and that it was not possible to execute the work for less than \$3M. The lowest bid was \$2.339M.

Subhead 12001 - Buildings (Education)

1216. The sum of \$17M was voted for the construction of New Friendship Nursery School, the rehabilitation of Covent Garden and Cove and John Primary Schools and construction of sanitary facilities. Amounts totalling \$16.899M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
New Friendship Nursery School	6,441
Covent Garden Primary School	4,080
Soesdyke Nursery School	6,378

TOTAL	16,899
	=====

1217. The contract for the rehabilitation of the Covent Garden Primary School was awarded to the tender which was closest to the Engineer's Estimate of \$3.835M from among sixteen(16) bidders. The lowest bid was \$3.029M.

1217. As can be noted, no work was done on the Cove and John Primary School. The Accounting Officer explained that a decision was taken for the works to be carried out under the Primary Education Improvement Programme (PEIP). However, no work was done by the PEIP, as a result of which amounts totalling \$..... were expended under current expenditure for the rehabilitation of the school. The savings were used to construct of the Soesdyke Nursery School. However, there was no evidence that approval from the Chief Planning Officer was granted for a change in programme to accommodate the expenditure on the school.

Subhead 12002 - Buildings (Administration)

1219. An amount of \$3.5M was voted for the rehabilitation of Timehri Sub-Office, of which sums totalling \$2.757M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Rehabilitation of Timehri Sub-Office.	1,797
Carpentry works at Building No. 94 - Mahaica	960

TOTAL	2,757
	=====

1220. The contract for the rehabilitation of Timehri Sub-Office was awarded to the tender which was the closest to the Engineer's Estimate of \$1.673M from among ten(10) bidders. The lowest bid was \$725,866.

Subhead 12003 - Buildings (Health)

1220. The sum of \$4M was provided for the rehabilitation of the Medex Quarters at Kuru Kururu and Grove. Expenditure totalling \$2.557M was incurred as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Medex Quarters at Kuru Kururu	1,056
Medex Quarters at Grove	1,501

TOTAL	2,557
	=====

1221. The contract for the rehabilitation of the Grove Medex Quarters was awarded to the eighth lowest bidder from among seventeen(17) bids, the lowest bid being \$836,470. According to the minuted of the Tender Board, five(5) bids were considered too low. However, no reasons were stated why the other two(2) lower bids were not considered.

Subhead 17001 - Agricultural Development

1223. An allocation of \$33M was made to provide for the rehabilitation of (a) drainage and irrigation canals at Cane Grove, Enmore, Bachelor's Adventure, Craig and Alliance (b) relief structure/regulator at Craig Millne and La Bonne Mere (c) heavy duty bridges at Helena and Golden Grove. Expenditure incurred totalled \$29.761M as summarised below:-

DESCRIPTION -----	AMOUNT -----
	\$'000
Drainage and irrigation canals at Cane Grove	4,340
" " " " " Craig	605
Relief structure/regulator at Craig Millne	4,138
Heavy duty bridge at Helena	979
" " " at Golden Grove	4.191

	14,253
Sluice doors & revetment at Golden Grove	3,061
Repairs to Two92) pump stations	5,047
Purchase of transformers	4,874
Purchase of wire rope & falls doors	1,335
Reconditioning of truck & dragline	1,191

	15,508

TOTAL	29,761
	=====

1224.

Subhead 24001 - Land and Water Transport

1227. An amount of \$3M was voted for the purchase of a vehicle to transport officers on field work. The full amount was expended on the purchase of a double cab pick-up.

Subhead 25001 - Furniture and Equipment (Education)

1228. An amount of \$4M was voted under this subhead to provide for furniture and equipment for schools in the Region of which expenditure totalling \$3.685M was incurred as follows:-

DESCRIPTION -----	AMOUNT -----
Construction of 300 'A' type benches	\$ benches
Construction of 300 'A' type benches	

TOTAL	=====

According to the Stock Book and related records, the furniture was issued to various schools in the Region.

Subhead 25002 - Office Furniture and Equipment

1229. The sum of \$500,000 was voted under this subhead to purchase office furniture and equipment. The full amount was expended. The items were verified as having been received and properly brought to account.

Subhead 26001 - Equipment

1230. The sum of \$2.6M was voted for the purchase of one(1) tractor, trailer and brush cutters, of which amounts totalling \$2.525M were expended on the purchase of one(1) reconditioned truck and one brush cutter.

HEADS 70 - 73 & DIVISION 535

REGION 5 - MAHAICA/BERBICE

Current Expenditure

Employment Costs

1235. The Salaries Cash Book was not reconciled with the Votes Ledger for the period under review. This reconciliation is necessary to ensure that the total payments are in agreement with the amounts shown in the Votes Ledger. It should be noted that expenditure credits totalling \$4.177M were reflected in the Votes Ledger, indicating refunds of unpaid salaries to the Sub-Treasury. This reinforces the need for a reconciliation of the two(2) records.

1236. It could not be determined when last the salaries bank account Nos. 686 and 862 were reconciled while Account No. 687 - Wages - was last reconciled to March 1983. The failure to reconcile bank accounts can lead to irregularities being perpetrated without detection. The Accounting Officer is again advised to take urgent measures to have the reconciliation of these accounts brought up-to-date.

1237. In my 1995 report, it was mentioned that Account No. 686 was overdrawn on several occasions during the year and as at 31 December 1995 the overdraft balance was \$2,486,289. This trend continued until the account became non-operational in September 1996, and as at 31 December 1996, it was overdrawn by \$1.664M. The following gives the overdraft position at the end of each month in 1996:-

MONTH	OVERDRAFT	MONTH	OVERDRAFT
-----	-----	-----	-----
	\$		\$
January	1,239,344	July	1,349,106
February	264,113	August	1,245,097
March	1,159,768	September	1,495,777
April	1,385,954	October	1,663,381
May	2,614,138	November	1,664,481
June	1,426,307	December	1,664,481

1238. A similar comment was made in 1995 in respect of Account No. 687 which was also overdrawn by \$1.042M as at 31 December 1996. The following gives the overdraft position at the end of each

month in 1996:-

MONTH	OVERDRAFT	MONTH	OVERDRAFT
-----	-----	-----	-----
	\$		\$
January	1,299,970	July	1,486,606
February	1,672,642	August	725,711
March	1,131,267	September	982,788
April	1,189,655	October	1,041,656
May	2,004,904	November	1,041,656
June	1,445,163	December	1,041,656

1239. It is evident from the above that the balances on the salaries and wages bank accounts were not being properly monitored, resulting in the overdraft positions mentioned. These overdrafts should therefore be investigated with a view to ascertaining their nature so that action can be taken to liquidate them.

1240. In respect of A/c No. 862, this account was also overdrawn by \$852,925 and \$2,055,992 at the end of January and May 1996 respectively, and although the account became non-operational in August 1996, it reflected a large balance of \$8.951M as at 31 December 1996. The cash book reflected a 'nil' balance as at this date.

1241. A new salaries account No. 3096 was opened in September 1996. However, up to the time of the audit in August 1997, this account was only reconciled to November 1996. However, at the time of reporting, the reconciliation was brought up-to-date to December 1996. It should also be noted that the account was overdrawn by \$3.771M at the end of October 1996.

Other Charges

1241. The sum of \$16.233M was expended on the rental and maintenance of buildings as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rental of building	18,000
Maintenance of buildings:	
REO's living quarters	3,732,392
Public Health Inspector's quarters	1,344,400
Nurses' Hostel	1,198,571
Regional Admin. Main Office	1,068,536
Fort Wellington Hospital	975,650
Cottage Nursery School	629,080
De Hoop Nursery School	611,300
Airy Hall Nursery School	541,550
Yoeville Nursery School	458,608
Auditor's quarters	449,000
Temporary facility for Mashramani	448,875
Education Computer Room	424,639
Others	2,875,989

	14,758,590
Janitorial services	1,456,844

TOTAL	16,233,434
	=====

1241. In relation to the maintenance of the Regional Executive Officer's quarters, the following contracts were awarded for various works:-

DATE ----	CONTRACT NUMBER -----	DESCRIPTION -----	CONTRACT AMOUNT -----	AMOUNT PAID -----
			\$	\$
11/03	62/96	Rehab. of living quarters	2,025,668	2,401,876
11/03	75/96	Electrical works	445,000	441,525
15/03	87/96	" "	130,000	136,900
16/04	125/96	Plumbing works	135,000	134,565

09/04	155/96	Construction of guard hut	180,000	168,026
09/04	154/96	" " fence	445,000	449,500
			-----	-----
TOTAL			3,360,668	3,732,392
			=====	=====

1242. Contract No. 62/96 was awarded to the third lowest bidder without any reasons being stated in the minutes of the Regional Tender Board. The lowest bid was \$1,882,395 while the Engineer's Estimate was \$2,269,862. As can be noted, payments exceeded the contract sum by \$376,208, resulting from additional works undertaken for which no variation order was issued.

1243. In relation to Contract No. 75/96 for electrical works, the Tender Board Regulations require adherence to a system of quotations before the award was made. However, there was no evidence that this procedure was followed. A similar observation was made in relation to the contract for the construction of the fence. In addition, both contracts for electrical works were awarded to the same individual. Had one(1) contract been entered into, this would have required public advertisement and adjudication by the Regional Tender Board.

1244. Included in the amount of \$1,344,400 shown as expenditure on Public Health Inspectors' quarters was the sum of \$449,500 paid on contract No. 113/96 for the rehabilitation of Building B-216. However, there was no evidence that a system of quotations was followed before the contract was awarded. In addition, Building B-164 was rehabilitated at a cost of \$824,120 but the related contract was awarded to the third lowest bid without any reasons being stated in the minutes of the Tender Board.

1245. The following three(3) contracts were awarded to the same individual for the repairs to the Nurses' Hostel without adherence to a system of quotations:-

DATE	CONTRACT NUMBER	DESCRIPTION	CONTRACT AMOUNT	AMOUNT PAID
----	-----	-----	-----	-----
			\$	\$
12/01	36/96	Painting and electrical works	301,000	300,692
23/01	37/96	Repairs to roof & walls	449,100	448,859
01/02	40/96	Repairs to bath area	449,000	449,020
			-----	-----
TOTAL			1,199,100	1,198,571
			=====	=====

Had one(1) contract been awarded, this would have required public advertisement and adjudication by the Regional Tender Board. It is evident that the works were subdivided to avoid application of the Tender Board Regulations.

1246. In relation to the maintenance works carried out at Regional Administration Office, the following two(2) contracts were also awarded without quotations:-

DATE	CONTRACT NUMBER	DESCRIPTION	CONTRACT AMOUNT	AMOUNT PAID
10/01	69/96	Rehab. of lower flat	300,000	296,042
05/01	6/96	Repairs to Vice Chairman's Office	190,000	186,464

1247. A similar observation was made in relation to maintenance works carried out at the Fort Wellington Hospital. Two(2) of these contracts were awarded to the same individual and it is again evident that this was done to circumvent the application of tender Board Regulations:-

DATE	CONTRACT NUMBER	DESCRIPTION	CONTRACT AMOUNT	AMOUNT PAID
06/03	97/96	Electrical work in X-ray Dept.	330,000	329,750
06/12	397/96	Electrical work at Fort Wellington	437,996	396,660
28/03	107/96	Carpentry work	221,000	219,920

1248. The contract for the Cottage Nursery School was awarded to fourth lowest tenderer for \$669,592 without any reasons being stated in the minutes of the Tender Board, the lowest bid being \$604,858. The Engineer's Estimate was \$711,382.

1249. The expenditure of \$611,300 incurred on the De Hoop Nursery School represented the transportation of reef sand used in the construction of the school. This cost should have been charged to Division 535, Subhead 12003 - Buildings (Education) and therefore represented a misallocation of funds. In addition, there was no evidence that a system of quotations was followed before the two(2) contracts for this sum were awarded.

1242. Amounts totalling \$71.386M were expended on the maintenance of infrastructure as follows:-

DESCRIPTION -----	AMOUNT ----- \$'000
Maintenance of Roads:	
Rosignol/Blairmont	7,910
De Hoop Branch Road	6,613
Mahaicony Branch Road	2,040
Mahaica/Rosignol	12,789

	29,352
Maintenance of bridges	8,066
Drainage and Irrigation	21,007
Other infrastructure	12,961

TOTAL	71,386 =====

1243. The contract for the maintenance of the Rosignol/Blairmont Road was awarded to the highest of the five(5) tenderers on the ground that three(3) of them, inclusive of the lowest, lacked the relevant experience. However, no reason was stated why the third lowest bid was not considered. The lowest bid was \$6.732M while the Engineer's Estimate was \$8.998M.

1244. The contract for the De Hoop Branch Road was awarded in the sum of \$5.029M. However, work to the value of only \$3.393M was completed because of flooding in the area, as a result of which the contract was mutually terminated. The difference of \$3.220M represented the cost of quarry material supplied.

1245. The following contracts were awarded to the same contractor for repairs to the Mahaicony Branch Road without adherence to a system of quotations:-

DATE	CONTRACT	DESCRIPTION	CONTRACT	AMOUNT
------	----------	-------------	----------	--------

---	NUMBER	-----	AMOUNT	PAID
----	-----	-----	-----	-----
			\$	\$
08/01	1/96	Scarify, grade, shape, spread & compact road surface	340,000	330,000
15/01	3/96	-do- -do-	180,000	171,776
03/01	5/96	-do- -do-	420,000	418,088
TOTAL			940,000	919,864
			=====	=====

It is evident that the contracts were awarded in a piecemeal manner to avoid a system of tendering and adjudication by the Regional Tender Board. In addition, no works committee certificate were seen to substantiate the payments made on these contracts.

1247. The following five(5) contracts were awarded to the same individual for the maintenance of the Mahaica-Rosignol Main Public Road without adherence to a system of quotations:-

DATE	CONTRACT NUMBER	DESCRIPTION	CONTRACT AMOUNT	AMOUNT PAID
----	-----	-----	-----	-----
			\$	\$
15/03	96/96	Patch potholes at Bygeval	440,000	419,250
12/04	99/96	Grade, shape road shoulders between Mahaica & Mahaicony	440,000	440,000
27/03	101/96	Transport hot mix & patch potholes at Strangroon	330,000	325,000
01/04	102/96	Transport hot mix & apply bitumen at Fairfield	340,000	325,000
12/04	103/96	-do- -do-	332,000	331,500
TOTAL			1,872,000	1,840,750
			=====	=====

Had one(1) contract been awarded, this would have required a system of competitive bidding and adjudication by the Regional Tender Board. However, these contracts were awarded on the sole authority of the Accounting Officer and it is evident that the contracts were awarded in a piecemeal to avoid the involvement of the Regional Tender Board.

1248. The following four(4) contracts were awarded to the same individual for the rehabilitation of the Handsome Tree Canal without adherence to a system of quotations:-

DATE	CONTRACT	DESCRIPTION	CONTRACT	AMOUNT
------	----------	-------------	----------	--------

NUMBER	AMOUNT	PAID
30/01 26/96 Excavation of canal	\$ 223,000	\$ 222,185
11/01 27/96 -do- -do-	449,000	449,960
22/01 28/96 -do- -do-	449,800	449,777
02/01 30/96 -do- -do-	446,000	445,737
TOTAL	1,567,800	1,567,659

In this regard, the comments in the preceding paragraph are also applicable.

1249. The following four(4) contracts were also awarded to the same individual for the construction of box kokers without adherence to a system of quotations:-

DATE	CONTRACT NUMBER	DESCRIPTION	CONTRACT AMOUNT	AMOUNT PAID
13/03	76/96	Box koker at Bath	\$ 445,000	\$ 412,182
01/04	85/96	-do- -do-	435,000	427,600
09/04	86/96	-do- -do-	417,000	412,182
21/03	93/96	-do- -do-	415,000	412,182
TOTAL			1,712,000	1,664,146

1250. The following two(2) contracts were awarded to the same individual for the compaction of western approach to Fort Wellington Public Road Bridge:-

DATE	CONTRACT NUMBER	DESCRIPTION	CONTRACT AMOUNT	AMOUNT PAID
05/01	38/96	Infill & compact	\$ 400,000	\$ 360,400
02/01	39/96	-do- -do-	400,000	410,000
TOTAL			800,000	770,400

Had one(1) contract been awarded, this would have required a system of competitive bidding and adjudication by the Regional Tender Board. However, these contracts were awarded on the sole authority of the Accounting Officer and it is evident that the contracts were awarded in a piecemeal to avoid the involvement of

the Regional Tender Board.

Stores and Other Public Property

1251. The following unsatisfactory features were observed based on a survey of the operations of the Regional Store at Fort Wellington:-

- (a) The stock ledgers were not subject to supervisory checks and several instances were noted where receipts and issues were not brought to account therein. A similar observation was made in respect of bin cards;
- (c) Requisitions were not always approved, and the purposes and departments to which issues were made were sometimes not stated;
- (d) Several differences were noted in the quantities issued as per requisitions and the amounts recorded in the stock ledgers;
- (e) Goods Received Notes were not prepared to record the receipt of goods. Entries were, however, made in the Goods Received Book;
- (f) A physical verification of sample of sixty(60) items revealed discrepancies in respect of 22.

1252. Similar lapses were observed in relation to the operations of the stores at Fort Wellington and Mahaicony Hospitals. In addition, large quantities of expired drugs were found on hand at both hospitals. These should have been disposed of in the approved manner.

1253. It is recommended that a special effort be made to improve the storekeeping and stores accounting in the Region since failure to do so can lead to irregularities. In particular, there should be strict compliance with the Stores Regulations.

Other Matters

1254. The Votes Ledger was not maintained in a satisfactory and supervisory checks were not always evident. In particular, several instances were noted of alterations without being initialled, and during the course of the audit several omissions were brought to the attention of the accounting staff. These omissions were subsequently brought to account in the Votes Ledger. It is recommended that greater emphasis be placed on the maintenance of the Votes Ledger and the related supervisory checks.

Capital Expenditure

Subhead 11001 - Bridges

1267. The sum of \$6M was voted for the rehabilitation of the Rosignol/Shieldstown Bridge. According to the Appropriation Account, amounts totalling \$5.865M were expended. However, there was a variation of sum of \$2.462M. It was explained that this resulted from the need to reinforce the existing piles encased in concrete. The additional funds were provided by the Ministry of Works under its capital programme. Therefore, the total cost for the rehabilitation of this bridge was \$8.327M. In relation to the additional work undertaken by the contractor, there was, however, no evidence that a variation order was issued.

1269. The contract was awarded to the second lowest bidder without any reasons being stated in the minutes of the Tender Board meeting. The lowest bid was \$4.488M while the second lowest bid was \$5.889M, giving a difference of \$1.401M.

1270. Physical inspection of the bridge in the presence of the Regional Engineer, revealed a number of defects. The Regional Engineer promised to have the contractor rectify these defects. He also indicated that the bridge would soon be covered with bitumen to prevent exposure from the weather. In addition, physical measurements of the bridge revealed that 267 BM of liners were not installed. As a result, the contractor was paid for work not done in the sum of \$42,700.

Subhead 12001 - Buildings (Administration)

1268. The sum of \$2M was voted for the construction of a fuel depot and installation of fuel pump to improve storage facilities. Amounts totalling \$1.851M were expended on the extension of the main office building of the Regional Democratic Council. Approval was granted for a change in programme to accommodate the expenditure of the building.

1269. There were six(6) bids submitted in respect of the above works of which the lowest was \$1.646M. The contract was, however, awarded to the highest bidder in the sum of \$1.999M without any reasons being stated in the minutes of the Tender Board.

Sub-

Head 12003 - Buildings (Education)

1269. The sum of \$15M was voted for the construction of three(3) nursery schools at De Hoop, Mahaicony and Lichfield. Amounts totalling \$14.723M were expended as follows:-

DESCRIPTION

AMOUNT

\$

Mahaicony Nursery School	6,259,184
Lichfield Nursery School	4,282,646
De Hoop Nursery School	4,180,856

TOTAL	14,722,686
	=====

1270. Ten(10) bids were received in respect of the Mahaicony Nursery School. The contract was awarded to the fourth lowest bid of \$6.514M, the lowest being \$5.477M, giving a difference of \$1.037M. According to the minutes of the Tender Board, the decision was taken on account of the experience and performance of the contractor. However, no reason was stated why the other bids were not considered.

1271. The schools were inspected and the constructions were generally in accordance with the specifications and bills of quantities contained in the respective contracts.

Subhead 12004 - Buildings (Health)

1270. The sum of \$4M was voted for the extension and rehabilitation of the Dundee Health Centre of which amounts totalling \$3.990M were expended. The contract was awarded to the third lowest bid of \$3.628M, the lowest being \$3.341M, on account of performance and the need to ensure the timely completion of the works. However, no reasons were stated in the minutes of the tender Board meeting why the other bids were not considered. In addition, additional works were undertaken in the sum of \$361,334. However, there was no evidence that a variation order was issued. Notwithstanding this, the works were physically verified and were generally in conformity with the specification and bill of quantities contained in the contract.

Subhead 13001 - Drainage and Irrigation

1271. The sum of \$25M was voted for the rehabilitation of Bellamy/Handsome Tree Drainage Canal, Abary Sluice and drainage and irrigation systems in Park/Abary, MARDS and Abary/Berbice areas. Amounts totalling \$12.036M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of Bellamy Canal	1,200,135
Revetment at Wash Clothes, Mahaicony	5,677,125
Construction of culvert at Wash Clothes	1,989,978
Concrete structure at Wash Clothes/Perth/ Biaboo	3,045,147

Consultancy for D. & I Works	124,000

TOTAL	12,036,385
	=====

1272. The contract for the of Bellamy Canal was awarded in the sum of \$4.320M. However, only part of the rehabilitation works was done at a cost of \$1.2M. It was explained that the works could not have been completed because the canal had risen due irrigation water being brought in by the MMA/ADA in September 1996. It was further explained that the contract could not have been awarded earlier because capital works had commenced in May and June 1996 and at that time there was severe flooding in the Mahaica/Mahaicony area. This made the areas inaccessible to commence work on the Bellamy Canal. The contract was mutually terminated in October 1996 and no further expenditure was incurred.

1273. In relation to the revetment works at Wash Clothes, the contract was awarded to the second lowest tender in the sum of \$5.306M, the lowest tender being \$4.3M. No reason was stated for not recommending the award of the contract to the lowest tender.

1276. As can be noted, no work was done on the rehabilitation of the Abary Sluice, and it was explained this was due to the flooding of the area.

Subhead 14001 - Roads

1277. The sum of \$20M was voted for two(2) miles of extension to the De Hoop and Mahaicony Branch roads, of which amounts totalling \$18.506M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Mahaicony Branch Road	6,403,700
De Hoop Branch Road	10,935,875
Transportation of quarry products to Ithaca	190,938
Cheque order payment for quarry products	882,000
Miscellaneous	4,980

TOTAL	18,417,493
	=====

1278. The amount expended on the Mahaicony Branch Road included payments totalling \$5,800,812 in relation to a contract awarded for the extension of the road. The award was made to the third lowest tender in the sum of \$7,580,000 . The lowest and the second lowest tenders were \$6,940,000 and \$7,465,000 respectively. No reason was, however, given by the Regional Tender Board for not

recommending the award of the contract to either lowest or the second lowest tender. In addition, the work was not completed and it was explained that this was due to heavy floods in the area. As a result, the contract was thus mutually terminated.

Subhead 16001 - Stellings

1288. The sum of \$3M was voted for the rehabilitation of the Mahaicony Stelling, the full amount of which was expended. The work was physically inspected.

Subhead 17001 - Land development

1292. The sum of \$2M was voted for the infrastructure development of Zorg-en-Hoop and Bath Housing Scheme, the full amount of which was expended in the purchase of 80 concrete pipes. Up to the time of reporting, however, 45 of these pipes had not been installed and were lying in the Stores Compound.

Subhead 24001 - Land Transport

1293. The sum of \$2.5M was voted for the purchase of one(1) mini bus to be converted into an ambulance for improved transportation for patients. Amounts totalling \$2.49M were expended.

Subhead 25001 - Furniture (Education)

1294. The sum of \$3M was voted for the purchase of school furniture for improved accommodation for staff and students. Amounts totalling \$2.895M were expended in the purchase of desks and benches and other furniture. The items were received and properly brought to account.

Subhead 25002 - Office Furniture & Equipment

1295. The sum of \$1M was voted for the purchase of office equipment and furniture for officers' quarters and the Regional Administration Office. The full amount was expended. The items were physically verified and were properly brought to account.

HEADS 75 - 78 & DIVISION 536

REGION 6 - EAST BERBICE/CORENTYNE

Current Expenditure

Employment Costs

1298. The following sets out the position as at 31 December 1996 with regard to the salaries bank accounts, two(2) of which became non-operational in May 1996:-

Account No.	Date last Reconciled	Cash Book Balance	Bank Statement Balance.
-----	-----	-----	-----
			\$
689	April 1987	nil	(468,697)
690	October 1984	nil	34,644,352
863	November 1991	nil	(663,626)
870	December 1994	nil	1,454,695

1299. As can be noted, Account Nos. 689 and 863 were overdrawn by \$468,697 and \$663,626 respectively as at 31 December 1996 while all four(4) accounts had not been reconciled for several years. It should not be over-emphasised that the failure to reconcile bank

accounts promptly can lead to irregularities being perpetrated without detection.

1300. It was explained that the Account No. 689 became inactive in September 1991 when it reflected an overdrawn balance \$315,816. However, the overdraft has increased to \$468,697 as at 31 December 1996. Efforts should be made to investigate these overdrafts with a view to clearing them.

1301. Account No. 690 became inactive in July 1995 when there was an overdrawn balance of \$875,523. However, a deposit of \$35,560,969 was made into the account on 26 October 1995 vide deposit slip number 010364, the source of which could not be established. It is recommended that the Bank be written to with a view to making the necessary adjustments.

1301. The following sets out the position as at 31 December 1996 with regard to the new salaries bank accounts which were opened in May 1996 in compliance with the Ministry of Finance Circular No. 6/96:-

ACCOUNT NO.	DATE LAST RECONCILED	CASH BOOK BALANCE	BANK STATEMENT BALANCE
-----	-----	-----	-----
			\$
3070	July 1996	nil	2,693,897
3071	October 1996	nil	(4,584,990)
3072	August 1996	nil	425,680

1302. It should be pointed out that the main purpose of opening new bank accounts was to avoid the problems associated with the previous bank accounts as highlighted above, and to start from a clean position. It is evident that there has been some laxity on the part of the Regional Administration in not promptly reconciling bank accounts. Unless action is taken to ensure the prompt reconciliation of these accounts, there is danger that the problems can be compounded through the opening of the new bank accounts.

1303. In relation to Account No. 3071, in addition to the overdraft mentioned, overdrawn balances were noted at the end of the following months:-

MONTH	OVERDRAFT BALANCE
-------	-------------------

-----	-----
	\$
June 1996	17,398,430
September 1996	971,952
October 1996	6,119,849

The Accounting Officer explained that the overdrafts resulted from delays in the banking system to bring deposits to account.

Other Charges

1304. According to the Appropriation Accounts, amounts totalling \$6.173M were expended on fuel and lubricants. This figure, however, does not include fuel and lubricants valued at \$26.306M purchased for use by the Black Bush and Manarabisi pump stations and other drainage and irrigation plant and equipment. These were charged to Subhead 305 - Maintenance of Infrastructure and Subhead 311 - Rates & Taxes & Subventions to Local Authorities. The total purchases of fuel and lubricants for the period under review therefore amounted to \$32.479M.

1305. However, of the thirty-five(35) vehicles, machinery and equipment under the control of the Region, log books were not presented in respect of nineteen(19) of them for varying periods in the year. The Accounting Officer has given the assurance that strenuous efforts would be made to ensure that log books are maintained for all vehicles and equipment and are properly secured for audit purposes.

1305. Amounts totalling \$21.768M were expended on the Rental & Maintenance of Buildings, as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Purchase of building materials	6,091,031
Repairs to doctors's quarters - N/A	909,410
" " New Amsterdam Hospital	869,975
" " All Saints Primary School	808,965
" " Land Development Officer's Qtr.	793,635
" " Orealla Health Centre	780,000
" " Williamsburg Health Quarters	762,060
" " Dep. REO Quarters	753,100
" " Living Quarters at Whim	752,652
" " No. 43 Primary School	622,556
" " Springlands Health Officer's Qtr.	584,913
" " Canje Stores Building	473,280
" " Living Quarters - Vryman's Erven	468,950
" " Port Mourant Primary School	465,095

	15,135,622

Janitorial Services	4,992,000
Rental & Maintenance of Other Buildings	1,640,378

TOTAL	21,768,000
	=====

These works were undertaken in compliance with the Tender Board Regulations, were physically inspected and were generally in conformity with the specifications and bills of quantities as contained in the related contract documents.

1306. Amounts totalling \$47.723M were expended on the maintenance of infrastructure. The following gives a breakdown :

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Seven(7) roads	19,679,222
Seven(7) bridges	6,359,547
Drainage and irrigation works	20,083,663
Other infrastructure	1,600,218

TOTAL	47,722,650
	=====

The works were physically verified and were generally in conformity with the specifications and bills of quantities as contained in the various contract documents.

1307. As at 31 December 1996, seventy-eight(78) cheque orders totalling \$25.506M were outstanding. At the time of reporting fifty-five(55) such orders relating to purchases and totalling \$8.475M were still outstanding. The Accounting Officer gave the assurance that these purchases would be investigated.

Capital Expenditure

Subhead 12001 - Buildings (Administration)

1331. The sum of \$4M was voted for the rehabilitation of the Administration Office at Orealla and the construction of a records room at New Amsterdam of which amounts totalling \$3.310M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of Orealla Admin. Office	1,122,031
Construction of Records Room	2,066,306

Consultancy fees	119,628
Miscellaneous	1,800

TOTAL	3,309,765
	=====

1332. An inspection of the rehabilitation of the Orealla Administration Office revealed apparent overpayments in the sum of \$137,095, as shown below:-

DESCRIPTION	PAID QUANTITY	ACTUAL QUANTITY	RATE	OVERPAYMENT
-----	-----	-----	----	-----
			\$	\$
2 coats oil paint	560 sq.yd.	447 sq.yd.	375	42,375
3 coats oil paint	300 " "	221 " "	480	37,920
Floor joist	100 lin. ft.	32 lin. ft.	140	9,520
Floor board	300 sq. ft.	144 sq. ft.	210	32,760
Treaders	196 lin. ft.	130 lin.ft.	220	14,520

TOTAL				137,095
				=====

The Accounting Officer agreed to investigate this discrepancy.

1332. The contract for the construction of the Records Room was awarded in the sum of \$2.469M. The work was completed at a cost of \$2.066M. However, a final payment of \$427,113 was withheld pending rectification of certain defects which were subsequently remedied and payment released to the contractor. The works were physically verified.

Subhead 12002 - Buildings (Education)

1332. The sum of \$22M was allocated for the rehabilitation of five(5) schools and the Education Office in New Amsterdam. Amounts totalling \$21.936M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Schepmoed Primary School	940,115*
Fort Ordinance Technical Block	1,288,392
Rose Hall Estate Primary	55,000
No. 59 Primary	3,086,112
Viola Nursery	6,633,750*
Williamsburg Primary	4,819,916*
Plegt Anker Primary	1,800,000
Education Office	2,700,000
Consultancy Fees	672,940
Miscellaneous	44,160

Less adjustments	(173,488)

TOTAL	21,935,850
	=====

1333. As can be noted, seven(7) schools were rehabilitated, three(3) of which (denoted by asterisks) were not reflected in the Capital Profile for this Region. However, approval was granted for a change in programme to accommodate the additional works in place of the rehabilitation works at the Reliance Nursery School and Sheet Anchor Primary School. The amount of \$55,000 expended on the Rose Hall Estate Primary School relates to an unpaid liability for 1995.

1334. Physical inspection of the works revealed apparent overpayments totaling \$459,590 in respect of the rehabilitation of three (3) schools. These discrepancies were brought to the attention of the Accounting Officer for

investigation.

Subhead 12003 - Buildings (Health)

1334. The sum of \$30M was voted for the rehabilitation of the Mibicuri and New Amsterdam hospitals and the refurnishing of the Doctors' Quarters, of which amounts totalling \$29.740M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Mibicuri Hospital	3,355,000
New Amsterdam Hospital:	
Casualty Department	11,952,007
Theatre No.1	4,512,999
Theatre No.2	4,640,999
Miscellaneous	99,832

	21,205,837
Revetment at Orealla Hosptial	4,258,320
Purchase of airconditioning unit	118,000
Miscellaneous	24,850

TOTAL	29,739,530
	=====

1335. In 1995, the rehabilitation of the Orealla Hospital was to have been undertaken, but no expenditure was incurred. The Accounting Officer had explained that there were delays in the awarding of the contracts because of the remoteness and inaccessibility of the area and that the works were rebudgeted in 1996. However, as can be noted from the above, this was not reflected in the Capital Profile for this Region in 1996. By letter dated 25 April 1996 approval was, however, granted for a change in programme to accommodate the expenditure of \$4,258,320.

1336. The rehabilitation works were physically verified and were generally in conformity with the specifications and bills of quantities as contained in the various contract documents.

Subhead 13002 - Drainage and Irrigation

1336. The sum of \$75M was allocated for (a) the rehabilitation of Manarabisi and Seaforth canals (b) excavation of canals and drains at Nos. 52-74 villages (c) reconditioning of branch canal at Black Bush Polder and dam at No. 66 Village (d) construction of heavy duty bridges and (e) rehabilitation of sluices. Amounts totalling \$65.643M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Manaribisi and Seaforth canals	797,840
Canals & drains at Nos 52-74 villages	3,009,350
Branch canal at Black Bush Polder	2,642,910
Seven(7) heavy duty bridges	18,095,049
Five(5) sluices	3,874,013
Purchase of two(2) hymacs	7,819,818

Sub-total	36,238,980
Purchase of 4 x 4 Nissan Pickup	2,782,000
Other excavation works at BBP	13,921,682
Excavation of Salton Canal	2,486,210
Rehabilitation works at Gibraltar	7,000,778
Excavation of Lancaster Canal	2,473,356
" of Letter Kenny Canal	733,440
Miscellaneous	6,300

	29,403,766

TOTAL	65,642,746
	=====

1337. In relation to the purchase of two(2) hymacs, approval was granted for a change in programme to accommodate the expenditure of \$7,819,818. However, no such approval was seen in respect of the purchase of the Nissan Pickup and in respect of the other works which in total value \$29.404M. The Accounting Officer

explained that these expenditures were initially approved by the State Planning Secretariat but were, however, not detailed in the Capital Profile of the Region. He gave the assurance that in future approval would be sought for a change in programme for any works not listed in the Capital Profile.

Subhead 19001 - Land Development

1338. The sum of \$2M was voted for the development of land to improve housing infrastructure within the Region. However, no expenditure was incurred. The Accounting Officer explained that the works to be undertaken were dependent on the allocation of house lots. However, not all the house lots were allocated, as a result of which it was decided not to proceed with the works.

Subhead 24001 - Land Transport

1339. The sum of \$3.6M was allocated for the purchase of two(2) reconditioned mini buses to be converted to ambulances, of which amounts totalling \$2.768M were expended. However, only one(1) new mini bus was purchased and converted. The Accounting Officer explained that the amount allocated was insufficient to purchase the two(2) buses.

Subhead 25001 - Furniture & Equipment (Education)

1340. The sum of \$5M was voted for the purchase of furniture for schools in the Region, of which amounts totalling \$4.998M were expended in the construction of the following:-

DESCRIPTION -----	AMOUNT -----
	\$
Teachers' chairs	309,000
C type desks & benches etc.	2,565,600
D type desks & benches	1,380,510
Nursery desks & benches etc.	743,000

TOTAL	4,998,110 =====

However, there was no evidence of receipt of furniture valued \$1.048M. The Accounting Officer promised to investigate this discrepancy.

Subhead 25002 - Office Equipment

1341. The sum of \$800,000 was allocated for the purchase of

airconditioning units and typewriters. Amounts totalling \$660,000 were expended in the purchase of computer and ancillary equipment. The items purchased were verified as having been received and properly brought to account.

HEADS 79 - 82 & DIVISION 537

REGION 7 - CUYUNI/MAZARUNI

Current Expenditure

Employment Costs

1344. Despite mention in my 1995 Report, the salaries bank account No. 692 (Administration) continued to be overdrawn on numerous occasions in 1996 and as at 31 December 1996, it was overdrawn by \$1.423M, compared with an overdraft of \$5.896M at the end of 1995. It is again recommended that a special effort be made to investigate the overdraft with a view to clearing it.

1345. This account was also last reconciled to November 1991. The failure to reconcile bank accounts can lead to irregularities being perpetrated with out detection. In addition, the cash book was not balanced for the month of December 1996 and reflected significant balances at the end of each month instead of 'nil' balances, as shown below:-

MONTH	AMOUNT	MONTH	AMOUNT
-------	--------	-------	--------

-----	-----	-----	-----
	\$		\$
January	223,498	July	863,107
February	182,715	August	343,667
March	251,673	September	452,506
April	349,617	October	454,855
May	489,103	November	429,542
June	928,600	December	Not known

1347. The Salaries Bank Account No. 859 (Education) was also overdrawn on numerous occasions during the year and was last reconciled to September 1995. The cash book reflected balances at the end of the following months, instead of 'nil' balances:-

MONTH	AMOUNT	MONTH	AMOUNT
-----	-----	-----	-----
	\$		\$
February	(33,426)	June	571,109
March	(41,798)	July	(680,975)

1349. The Wages Account No. 693 was last reconciled up June 1995, and the cash book reflected balances at the end of the following months, instead of 'nil' balances:-

MONTH	AMOUNT	MONTH	AMOUNT
-----	-----	-----	-----
	\$		\$
January	14,798	July	92,726
February	28,925	August	115,060
March	187	September	26,636
April	284,667	October	17,608
May	46,039	November	17,618
June	49,499	December	22,346

The Accounting Officer explained that these balances resulted from delays in the paying over of deductions to the relevant agencies and that corrective action had since been taken.

1350. Because of the problems associated with the general failure of Ministries/Departments/Regions to maintain proper cash books, to promptly reconcile bank accounts and to avoid the incurrence of overdrafts, a decision was taken to close all bank accounts in April 1996 and to open new accounts with effect from May 1996 in order to start from a clean position. To give effect to this decision, the Ministry of Finance issued Circular No. 6/96. However, it was not until February 1997 that the Region took action in relation to the Circular. This is very disappointing, especially in view of the problems associated with the bank accounts under the control of the Region, as highlighted above.

Other Charges

1351. Amounts totalling \$11.758M were expended on Materials, Equipment & Supplies. An examination of this expenditure revealed that purchases valued at \$..... and falling within the limits of \$90,000 and \$180,000, were made without evidence of adherence to a system of quotations, as required by the Tender Board Regulations. Efforts should be made to ensure strict compliance with these Regulations.

1352. The sum of \$8.562M were expended on fuel and lubricants, of which amounts totalling \$2.42M and \$1.042M represent purchases for Kamarang and Enachu respectively. Explanations obtained revealed that stock records at these locations to show the receipt and utilisation of fuel and lubricants. At the time of reporting, the Accounting Officer has advised that a stores accounting system had since been put in place.

1353. It was observed that gasolene and dieselene were stored in forty-five(45) gallons drums exposed to the elements of the weather. This arrangement could pose a serious fire hazard which could result in considerable loss because there was no fire fighting equipment readily available in the event of a fire. Further, it can also lead to abnormal loss due to possible spillage and evaporation. The Accounting Officer explained that plans were in place to relocate the stores with a view to storing fuel in underground tanks.

1354. A total of 1062 gallons of gasolene valued at \$240,000 was reimbursed to nine(9) councillors

of which sums totalling \$6.137M relate to the purchase of gasolene.

According to the stock records a total of three thousand seven hundred and seventy-nine (3779) gallons of gasoline was issued to transport children residing in the riverain areas by speed boat to and from school, issues being made in quantities ranging from eighteen (18) to twenty-five (25) gallons per day. Relevant information such as number of trips per day, and distance covered for each trip was not available as log books for the speed boat were not kept to enable verification of consumption. As a result, it could not be determined whether the total fuel issued was utilised for the purpose.

1353. Further, a total of one thousand and sixty-two (1062)

gallons of gasoline valued at \$0.24M was reimbursed to nine (9) Councillors travelling from remote areas to attend meetings of the Regional Democratic Council in Bartica of the average consumption per meeting was one hundred and eighty (180) per meeting. Relevant records to show the distance covered and dates of attendance of Councillors were not kept. As a result, it could not be determined whether the cost of fuel reimbursed was a proper charge to public funds.

1354. Fuel valued \$2.3M was issued to the Region's vehicles and equipment for the year of which \$1.6M worth in fuel could not be accounted for because log books

1351. Amounts totalling \$8.562M

1352. The sum of \$14.226M was expended on the rental and maintenance of buildings.

1553. The sum of \$50.304M was expended on the maintenance of infrastructure.

1554.

1351. An examination of contracts relating to the maintenance of roads revealed that the following two(2) contracts were awarded without the involvement of the Regional Tender Board:-

DATE	CONTRACT NO.	PARTICULARS	AMOUNT
----	-----	-----	-----
			\$
11/05/95	144/95	Rehabilitation of 4th Avenue	4,921,709
30/11/95	298/95	-do- 5th Avenue	2,749,682

The available evidence indicated that the contract documents were prepared by the Ministry of Public Works, Communications and Regional Development and were signed by the Regional Executive Officer. A letter dated 19 April 1996 from the Regional Chairman to the Audit Office complained about this breach in the Tender Board Regulations. The Accountant General had also alerted the Ministry of Works by letter dated 6 February 1996 to the Permanent Secretary.

1352.In relation to Contract No. 144/95, there was a provisional sum of \$700,000 in the bills of quantities, of which an amount of \$200,000 was paid as mobilisation. However, there was no evidence that the advance was recovered from the contractor.

1353. In respect of Contract No. 298/95, up to the time of inspection in August 1996, the contractor was not paid, as the transaction was queried by the Accountant General because of non-compliance with the Tender Board Regulations. This may result in funds allocated for 1996 being used to discharge the liability.

1354. At the time of audit 18-09-96, three(3) cheque order vouchers totalling \$255,595 for purchases and sixteen (16) totalling \$286,320 for salaries and wages still remained uncleared for the year 1995. It was explained that transactions relating to these vouchers were done at Kamarang and the supporting documents were not returned.

1355. The sum of \$10,764M was voted for the rental and maintenance of buildings of which expenditure totalling \$10,587M was incurred as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Repairs to schools	2,054,613
Repairs to office buildings	3,539,126
Repairs to Government Quarters	1,587,864
Repairs to Furniture	134,800
Construction of concrete pave - hostel	256,944
Items supplied	1,367,761
	1,096,757
Others	549,341

TOTAL	10,587,206
	=====

1356. Four(4) contracts awarded to two (2) contractors were apparently sub-divided to avoid the system of quotation since the combined value would exceed the \$180,000 limit as details below:

DATE ----	CONTRACT NO. -----	PARTICULAR -----	AMOUNT -----
			\$
10-08-95	204/95	Carpentry repairs building A - 39	
		Mongrippa Hill	178,690
24-08-95	233/95	- do -	79,559

TOTAL			258,249
			=====
21-02-95	12/95	Supply materials tools and labour to cut lay and fit carpet in REO	

21-02-95	14/95	Office	156,000
		- do - REO	
		Secretary Office	139,000

TOTAL			295,000
			=====

Stores And Other Public Property

1357. The following unsatisfactory features were observed in a survey of the stores:-

- (a) The last comprehensive inventory was done in 1991 and no adjustments were done to the stock records to bring them in line with the physical count after investigations of the discrepancies;
- (b) The storekeeper was maintaining both the bin cards and the stock ledgers. The latter were to be kept by the Accounting Department to provide for an independent check on the storekeeper's records;
- (c) The bin cards were last updated to July 1995 and were written up from the entries made in the stock ledgers instead of from the receiving and issuing documents;
- (d) The Storekeeper admitted that in several instances entries were made in the receiving records without seeing the items. Once she was presented with the bill or invoice and the Internal Stores Requisition (ISR) she would make the entry. This was done mainly for items purchased for Kamarang and the Middle Mazaruni. This practice can lead to serious irregularities in that goods purchased for the Region could be diverted to private use;
- (e) During the period under review, heads of department were preparing Requisitions To Purchase (RTP's) instead of the Storekeeper. Although this has been corrected in May 1996, some RTP's were still being prepared by heads of department;
- (f) Stocks for the Education, Agriculture, Health and Lands & Surveys Departments were not held by the Storekeeper but were drawn out in bulk at the time of purchase and were kept by the respective departments. This practice defeats the purpose of storekeeping and stores accounting;
- (g) Stores received notes were not used to record receipt of goods by the storekeeper. Instead, they were used as a dispatch document for the various locations;
- (h) The Storekeeper was not in possession of the specimen

signatures of persons authorised to approve of issues; and

- (i) A physical count of a sample of 20 items revealed discrepancies in respect 9 items.

1358. Inventory records were not presented for audit examination. As a result, it could not be determined what assets were under the control of the Regional Administration and whether there were properly accounted for and adequately safeguarded. At the time of discussing the draft report, however, the Accounting Officer has advised the inventory records had since been compiled.

Other Matters

1359. The Imprest Bank Account No. 694 was overdrawn by \$60,074 as at 31 December 1996. In addition, during the year it was overdrawn on several occasions.

1360. At the time of inspection in July 1997, the bank account was only reconciled to December 1996. An examination of the reconciliation statement revealed the following:-

Capital Expenditure

Subhead 12001 - Buildings (Education)

1363. The sum of \$19.7M was voted for the completion of dormitory facilities and the Resource Centre, the construction of one(1) two bedroom flat at Karao and the rehabilitation of the Bartica Community High School. The full amount was expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Dormitory facilities	8,683
Resource Centre	8,000
One(1) two bedroom flat	1,461
Teachers' quarters at Itabali	1,556

TOTAL	19,700

1364. As can be noted, no work was done at the Bartica Community High School. The Accounting Officer explained that the teachers's quarters at Itabali was in urgent need of rehabilitation and as such the region decided to forego the proposed works at the Bartica Community High School in order to accommodate the rehabilitation. However, there was no evidence that approval was granted by the Chief Planning Officer for a change in programme to accommodate this expenditure. Because of the inaccessibility of the area, the works could not have been physically verified.

1365. At the time of inspection in July 1997, the construction of the dormitory facilities was still in progress, and the expenditure shown above represented the cost of construction of the first phase of the works.

1366. The contract for the construction of the Resource Centre was awarded in the sum of \$8.479M and payments totalling \$8M were made based on valuation certificates prepared by the Consultant to the Project. Provision was made in the 1997 Estimates of Expenditure for the completion of the work, and at the time of inspection it was still in progress.

1367. The contract for the construction of the 2-bedroom flat was awarded to the second lowest tenderer for the sum of \$1.307M on the ground that of his experience in the construction of concrete structures. The lowest bid was \$1.258M. Because of the inaccessibility of the area, the works could not have been physically verified.

Subhead 12002 - Buildings (Health)

1365. The sum of \$10M was voted for the rehabilitation of health posts at Imbaimadai, No. 26 and No. 27 and the construction of mortuary at Kamarang Hospital. Amounts totalling \$9.990M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$'000
Imbaimadai Health Post	2,857
No. 26 Health Post	1,704
No. 27 Health Post	1,998
Mortuary at Kamarang	849
Rehab. of buildings at Nos 20, 21, 23 & 25	2,582

TOTAL	9,990
	=====

1366. The contract for the rehabilitation of the Imbaimadai Health post was awarded in the sum of \$1.227M. However, two(2) other small contracts totalling \$233,500 were awarded to the same individual on the 3 October 1996 for additional works undertaken. Had one(1) contract been awarded, this would have required adherence to a system of quotations and it is evident that the work was subdivided to avoid the application of a system of quotations. In addition, amounts totalling \$1.190M were expended on furniture and other items used to refurbish the Health Post. Because of the inaccessibility of the area, the works could not have been physically verified.

1367. The contract for the rehabilitation of the No. 26 Health

Post was awarded in the sum of \$743,166 to the fourth lowest bidder on the grounds of knowledge and competence. The lowest bid was \$536,878. In addition, amounts totalling \$906,760 were expended on the purchase of furniture and other items used to refurbish the Health Post. Because of the inaccessibility of the area, the works could not have been physically verified.

1368. The contract for the rehabilitation of the No. 27 Health Post was awarded in the sum of \$698,404 to the second lowest bidder on the grounds of his knowledge and capability. The lowest bid was \$695,195. In addition, amounts totalling \$1.3M were expended on the purchase of furniture and other items used to refurbish the Health Post. Because of the inaccessibility of the area, the works could not have been physically verified.

1369. The contract for the construction of the mortuary at Kamarang was awarded in the sum of \$263,102 to the third lowest bidder on the grounds of his knowledge and ability and providing he can complete the works base on the engineer's estimates of \$265,144. The lowest bid was \$215,883. In addition, amounts totalling \$586,449 was expended furniture and other items for the mortuary. Because of the inaccessibility of the area, the works could not have been physically verified.

1370. In addition, the sum of \$2.582M was expended on the rehabilitation of the Nos. 20, 21, 23 and 25 buildings. However, there was no evidence that approval was granted by the Chief Planning Officer for a change in programme to accommodate this expenditure. The actual rehabilitation works were executed at a cost of \$824,000 while sums totalling \$1.758M were expended on the purchase of furniture and the cost of transportation. Because of the inaccessibility of the area, the works could not have been physically verified.

Subhead 12003 - Buildings (Administration)

1367. The sum of \$6M was voted for the rehabilitation of the Vice Chairman's and Assistant Regional Executive Officer's quarters at Kamarang, Bartica Area 1 Building and No. 72 Miles Rest House. Amounts totalling \$5.995M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Vice Chairman's Quarters	1,110
Asst. REO's Quarters	999

Area 1 Building	1,932
Bartica Rest House	1,954

TOTAL	4,995
	=====

1368. The rehabilitation of Vice Chairman's Quarters was done at a cost of \$774,554 while the sum of \$335,445 was expended on the purchase of furnishings. In the case of the Asst. REO's Quarters, the sum of \$390,570 was expended on the rehabilitation works while amounts totalling \$608,493 were expended on the purchase and transportation of furniture. Because of the inaccessibility of the area, the works could not have been physically verified.

1369. The contract for the rehabilitation of Area 1 House was awarded to the third lowest tenderer on the ground that the contractor was capable of executing the works. The works were physically verified.

1370. No work was done at the 72 Miles Rest House. The Accounting Officer explained that there were activities in area as a result of which it was decided to rehabilitate the Bartica Rest House instead. However, there was no evidence that approval for a change in programme was granted by the Chief Planning Officer to accommodate the expenditure of \$1.954M on the Bartica Rest House. The works were nevertheless physically verified.

Subhead 25003 Furniture (Education)

1371. In 1995, the sum of \$385,000 was paid to one (1) contractor for the supply of school furniture for the school at Kamarang. However, the Education Officer had confirmed that at the time of the audit visit in September 1996 the furniture was not delivered to the school. In the audit of the 1996 accounts, this matter was raised with the Regional Education Officer who indicated that only partial delivery was made by the contractor. In the circumstances, that the amount involved be recovered from the contractor.

1372. For the period under review, the sum of \$2M was voted for the purchase of furniture for schools in the Region, of which amounts totalling \$1.996M were expended. Eight(8) contracts valued at \$1.508M were awarded for the construction of furniture while amounts totalling \$489,000 were expended in the purchase of material for constructing chalkboards. However, it could not be determined which schools in the Region were supplied with the furniture.

Subhead 26001 - Equipment

1373. The sum of \$300,000 was voted for the purchase of equipment

for the Region, the full amount of which was expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Transportation technicians to instal radio sets	194,259
Purchase of ten(10) steel chairs & pedestal fan	104,500

TOTAL	299,759
	=====

The items purchased were physically verified and were properly brought to account.

Subhead 26003 - Power Extension

1374. The sum of \$1.1M was voted for the purchase of three(3) generators, of which amounts totalling \$1.098M were expended in the purchase of two(2) generators and associated electrical items for Kamarang. It was explained that the funds were inadequate to purchase the third generator and that approval was granted for the utilisation of the unspent balance to purchase the electrical items.

HEADS 82-85 & DIVISION 538

REGION 8 - UPPER POTARO/SIPARUNI

Current Expenditure

Employment Costs

1372. The Salaries Register was not written up to show relevant information such as date of appointment, reference to Government Order and personal file reference. The Accounting Officer has given the assurance that every effort would be made to ensure that this record is properly maintained.

1373. A diary of paychanges to record appointments, promotions and dismissals was not maintained for the period under review. A salaries control register which shows the movement of the payrolls from one month to the next was also not kept. These records are

essential for control purposes and will facilitate the auditing of the payrolls. In their absence, therefore, the audit of employment costs was rendered time-consuming. The Accounting Officer explained that these records have since been introduced with effect from 1997.

1374. An unpaid salaries register to record and monitor all unpaid salaries was not maintained for the period under review, although twenty-five(25) instances were noted of unclaimed wages. In respect of ten(10) of these instances totalling \$61,241, there was no evidence of refunds to the Sub-Treasury or of subsequent payment to the officers. The Accounting Officer explained that an unpaid salaries register has since been introduced. The discrepancy has also been investigated and the amounts have since been refunded to the Sub-Treasury.

1375. The two(2) wages and salaries bank accounts Nos. 698 and 699 were not reconciled for the period under review and it could not be determined when last this was done. A similar situation existed in respect of the Imprest Bank Account No. 800. The cash book for A/c No. 698 was also not written up for the period April - December 1996 while no cash book was maintained for A/c No. 699. These are significant breakdowns in the accounting systems and controls which can lead to serious irregularities. The Accounting Officer explained that staff constraints resulted in the above situation and that these accounts ceased to be operational at the end of 1996 and new accounts were opened in 1997.

1376. An examination of the bank statements in respect of A/c No. 698 revealed that the account was continuously overdrawn during the months of November and December, and as at 31 December 1996 the overdraft was \$2.892M. A similar situation was observed in respect of A/c No. 699 which was overdrawn by \$449,975 as at 31 December 1996. The overdrafts were the result of a number of fraudulent transactions which are detailed below.

1377. In the absence of cash books, bank statements had to be used to verify all payments in respect of salaries and wages. In the process of doing so, it was observed that there were no supporting documents in respect of eight(8) payments totalling \$3.050M. The following are the details:-

DATE	CHEQUE NO.	ACCOUNT NO.	AMOUNT
----	-----	-----	-----
			\$

26/08/96	959768	698	140,000
20/09/96	959743	698	160,000
27/09/96	959798	698	360,000
27/09/96	959799	698	580,000
27/09/96	959800	698	580,000
25/10/96	825882	699	580,000
25/11/96	825893	699	680,000

TOTAL			3,050,000
			=====

1378. Further investigations revealed that these payments were fraudulent transactions perpetrated by an officer of the Accounting Unit of the Region, resulting from the practice of signing of blank cheques by authorised signatories when they anticipated that they would not be in the Region. It is understood that an officer of the Region was charged by the Police for misappropriation of funds.

1379. There were also four(4) other attempts to misappropriate funds using the same method, but through the alertness of the Bank of Guyana the encashment of the cheques was foiled. The following are the details:-

DATE	CHEQUE NO.	ACCOUNT NO.	AMOUNT
----	-----	-----	-----
			\$
25/11/96	825884	699	580,000
19/12/96	985124	698	120,000
19/12/96	985126	698	155,540
20/12/96	825894	699	650,000

TOTAL			1,505,540
			=====

It is also understood that the same officer and another official from the Region were charged by the Police with attempted misappropriation of funds.

1380. It should also be noted the Region was not updating the Register of Used and Unused Cheques and there were no supervisory checks over the preparation and processing of payments. Had such controls been in place, these fraudulent transactions may not have taken place. The Accounting Officer is therefore urged to take steps as are considered necessary to strengthen the monitoring and control over the financial operations of the Region. In particular, the signing of blank cheques should be strictly prohibited.

1381. An examination of the Register of Contributors to the

National Insurance Scheme revealed that sixty-four(64) employees, up to the time of the audit in February 1997, were not registered with the Scheme. The majority of these persons were in the employ of the Region for a considerable period of time. The failure to promptly register employees with the National Insurance Scheme can result in the denial of benefits, and as such every effort should be made to ensure the prompt registration of employees with the Scheme.

1382. Over-expenditure totalling \$59,000 was incurred in respect of the Subhead 103 - Other Technical & Craft Skilled. Since there were savings under the other subheads, it would have been more appropriate to seek a virement of funds to this subhead.

Other Charges

1384. There was no evidence of adherence to Tender Board procedures in respect of the following contract which was awarded for the maintenance of buildings:-

DATE	CONTRACT NO.	PARTICULARS	AMOUNT
----	-----	-----	-----
18/11/96	68/96	Repairs to Cottage Hospital	\$ 520,000

The Accounting Officer explained that the works were of an emergency nature. However, a waiver of the tender Board procedures should have been sought from the Secretary to the Treasury.

1385. There was a lack of proper segregation of duties to the preparation and certification of vouchers, the signing of cheques and the maintenance of the Votes Ledger, the Accountant having carried out these duties. This matter was raised in my 1995 Report and the Accounting Officer had explained that in 1995 there were only two(2) officers in the Accounting Unit but that the staffing had increased to four(4) in 1996. It is again recommended that that work be re-organised to provide for adequate checks and balances.

1386. Two hundred and five(205) payment vouchers totalling \$8.424M were not presented for examination. These relate mainly to the payment of wages and salaries. The Accounting Officer explained that the relevant paysheets from the various schools had not been returned to the Regional Accounting Unit. At the time of discussing this report, he indicated that the paysheets had since been returned to the Sub-Treasury.

Revenue Accounting and Control

1387. An examination of the revenue records revealed that amounts totalling \$72,500 representing licences fees were not recorded in

the Collectors' Cash Book/Statement nor were they paid over to the Sub-Treasury. The Accounting Officer explained that the amount was being recovered from the employee concerned.

Stores and Other Public Property

1388. A physical count of a sample of thirty(30) stores items on 10 February 1997 revealed discrepancies in respect of ten(10) items when comparison was made with the stock records. It was explained that these discrepancies had been coming forward for a considerable period. It is again recommended that a comprehensive survey of the store be carried out to determine the full extent of the discrepancies which should be investigated after which approval should be sought to bring the stock records in line with the physical survey.

1389. Eighteen(18) unserviceable items were found in the Store. These items were in the store for a long time and again it is recommended they be boarded with a view to disposing of them at the earliest opportunity.

Other Matters

1390. At the end of 1996 the Ordinary Imprest was short-retired by \$124,596. The Accounting Officer explained that of this amount, sums totalling \$77,560 were misappropriated. The Accounting Officer explained that the officer concerned has since been charged by the Police while attempts were being made to recover the remainder.

Capital Expenditure

Subhead 11001 - Bridges

1391. The sum of \$5.9M was voted for the construction of 120 ft. of revetment works at 98 Miles Bartica Potaro Road, of which amounts totalling \$5.888M were expended. According to the contract only 80 ft. of revetment were, however, constructed. The Regional Executive Officer explained that the funds could have

only accommodated the amount of work undertaken. Because of the inaccessibility of the area, a physical inspection of the works could not have been undertaken and reliance had to be placed on the certificate of the Senior Superintendent of Works.

1392. In 1995 the sum of \$12M was voted for the construction of 132 feet of revetment works at 103 miles and a bridge at 104 miles Bartica/Potaro Road, of which amounts totalling \$11.957M were expended. However, there was a variation to facilitate earth reinforcement as a result of which the sum of \$1.698M remained unpaid. A satisfactory explanation had not been given why a supplementary provision was not requested, and up to the time of reporting, the liability remained undischarged. The Accounting Officer explained that request was made for funds in the Region's 1997 budgetary proposals to liquidate this liability but no allocation was approved.

Subhead 12001 - Buildings (Education)

1393. The sum of \$6M was voted for the construction of school buildings at Waipa and Chinapau, the completion of Kopinang and Tusineng Primary Schools, construction of Paramakatoi nursery schools and rehabilitation of teachers' quarters at Itibac. Amounts totalling \$5.995M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$'000
Construction of Waipa School	2,976
Rehabilitation of teachers' quarters at Paramakatoi	583
Completion of Kopinang Primary School	645
Repairs to school, Headmaster's Quarters and construction of Headmaster's office at Monkey Mountain	904
Consultancy fees	544
Charter of aircraft, freight	343

TOTAL	5,995 =====

1394. As can be noted, some of the works undertaken were outside the approved programme. The Accounting Officer explained that the amount allocated was inadequate for the works contemplated and that the savings were used to undertake other minor works. However, approval should have been sought for a change in programme for the other works. Because of the inaccessibility of the area, a physical inspection of the works could not have been undertaken and reliance had to be placed on the certificate of the

Consultant.

Subhead 12002 - Buildings (Administration)

1396. The sum of \$1.5M was voted for the rehabilitation and extension of the Mahdia Rest House, the full amount of which was expended. However, the contract was awarded for \$1.628M, resulting in a liability of \$128,000. The Accounting Officer explained that a request would be made in the Region's 1998 estimates for funds to liquidate this liability. The works were physically inspected and conformed generally with the specifications and bills of quantities.

Subhead 12003 - Buildings (Health)

1397. The sum of \$550,000 was voted for the construction of Health Post at Kopinang, the full amount of which was expended. Because of the inaccessibility of the area, a physical inspection of the works could not have been undertaken and reliance had to be placed on the certificate of the Consultant.

Subhead 24001 - Land and Water Transport

1398. The sum of \$650,000 was voted for the purchase of outboard engine and motor cycle. The full amount was expended, and the items purchased were physically verified.

Subhead 25001 - Furniture and Equipment (Education)

1399. The sum of \$1.5M was voted for the purchase of furniture and equipment for schools of which amounts totalling \$1.490M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
One(1) generator	575
Five(5) refrigerators	652
Television set, VCR, radio, tape deck etc.	263

TOTAL	1,490
	=====

The items purchased were physically verified.

Subhead 25003 - Equipment and Furniture

1400. The sum of \$1M was voted for the purchase of equipment and furniture for the Region of which \$989,000 was expended in the purchase of the following:-

DESCRIPTION -----	AMOUNT -----
	\$ '000
Beds and mattresses	300
Desks and benches	585
Typewriter	104

TOTAL	989
	===

The items purchased were physically verified.

HEADS 87 - 90 & DIVISION 539

REGION 9 - UPPER TAKATU/UPPER ESSEQUIBO

Current Expenditure

Employment Costs

1390. The two(2) salaries bank account Nos. 695 and 696 were last reconciled to June 1985. The failure to reconcile bank accounts can lead to irregularities being perpetrated without detection. The Accounting Officer is therefore advised to ensure that the reconciliation of these accounts is brought up-to-date.

1391. The cash books for both accounts were not written up for the entire period under review. As a result, the exact balances on these accounts could not be determined, although according to confirmation from the Bank of Guyana the respective balances on these accounts as at 31 December 1996 were \$314,900 and \$158,004.

1391. The Region did not comply with the Ministry of Finance Circular No. 6/96 in relation to the operation of new bank accounts with effect from May 1996. However, it was not until February 1997 that the new accounts - Nos. 3125 and 3126 - became operational.

1392. Amounts totalling \$472,924 were refunded to the Sub-Treasury as unclaimed wages and salaries. This figure, however, represented the net salaries and wages. Efforts should therefore be made to recover the deductions from the relevant agencies.

Other Charges

1392. The Votes Ledger was not properly written up in that relevant information such as approved estimates, monthly releases and liabilities incurred was not stated. In addition, the Ledger was not always balanced on a transaction basis, and the "total expenditure and liabilities" and "balance available" columns were

not always written up. These matters were to attention in my 1995 Report, and despite this, there was no evidence of any action taken to remedy these deficiencies in record keeping.

1393. Amounts totalling \$5.232M were expended under Materials, Equipment & Supplies. However, not all purchases were subject to storekeeping procedures, and several items were charged to immediate use. Further analysis revealed that of the amount of \$16.989M shown as purchases under the various subheads, purchases valued at \$11.669M were not subject to storekeeping procedures but were instead charged to immediate use. The storekeeper admitted not seeing the items for which he made entries in the Immediate Use Book. In the circumstances, it could not be satisfactorily determined whether the items purchased were actually received and properly accounted for.

1393. Amounts totalling \$14.949M were expended on the purchase of fuel and lubricants. However, although the receipt and utilisation of the fuel were verified through an examination of the stock records, the balance of dieselene on hand at the time of inspection could not be verified because it was stored in large uncalibrated tanks. Efforts should therefore be made to ensure that the tanks are calibrated.

1404. Log books for vehicles were not presented for audit examination. As a result, it could not be determined whether effective control was exercised over the use of these vehicles.

1396. In my 1995 report, a number of irregularities were noted in relation to the award of contracts for the maintenance of buildings and other infrastructure. In the said report, mention was also made of six(6) payments totalling \$316,305 which were made in 1996 and which, at the time of reporting, were still the subject of an investigation by the Police. The following are the details:-

DATE	P.V. NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$
01/03	5007	Transportation of lumber	56,000
01/03	5008	Repairs to Aishalton Library	73,800
01/03	5009	" " " Hospital	66,400
01/03	5010	Purchase of lumber	34,705
?	5113	Repairs to Resource Bldg. - Aishalton	78,400
?	5048	Transporting stationery	7,000

TOTAL			316,305
			=====

1401. In relation to Subhead 311 - Subventions to Local Authorities, the sum of \$1M was paid to the Ireng-Sawaruwau Neighbourhood Democratic Council. This amount was deposited in a

current account held at the GNCB. The bank statement for this account showed a balance of \$403,250 as at 31 December 1996. However, the cash book was not presented for audit examination. In the circumstances, a proper examination of the expenditure of this Council could not be carried out. It should be noted that this entity is required to prepare annual financial statements and to submit them for audit. However, no such statements were submitted since its establishment in 1994.

Stores and Other Public Property

1403. In my 1995 report, mention was made of inventory records not being presented for audit examination. The Accounting Officer had explained that these records were destroyed by the fire. During the 1996 inspection, it is disappointing to note that no attempt was made to reconstruct and update the inventory records. In the circumstances, it could not be determined what assets were under the control of the Region and whether they had been properly accounted for and adequately safeguarded. It is recommended that a comprehensive survey be carried out of all assets under the control of Region with a view to inventorising such assets.

1405. A register of Government quarters was not maintained. As a result, the rent collectible from the occupants of these quarters could not be determined.

Other Matters

1406. The Imprest Bank Account No. 697 was last reconciled to June 1985 and therefore the comments at Paragraph are also applicable. In addition, the account was overdrawn by \$742,111 as at 31 December 1996, compared with an overdraft of \$165,668 as at 31 December 1995.

1407. As previously reported, the cash book for the Economic Venture was not balanced since January 1995 and it could not be determined when last the bank account was reconciled. In addition, it could not be ascertained when last there was financial reporting and audit of this venture.

Capital Expenditure

Subhead 11001 - Bridges

1408. The sum of \$5M was voted for the construction of a new bridge at Turner Creek and the completion of Araquai Bridge, of which amounts totalling \$3.904M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Construction of bridge at Araquai Creek	1,076,395
" " " at Macaw Creek	846,702
" " " at Sawarab Creek	1,981,378

TOTAL	3,904,475 =====

1409. The contract for the construction of the bridge at Araquai Creek was awarded in the sum of \$1,855,568 and payments totalling \$1,076,395 were made based on the value of work done to December 1996. At the time of inspection in September 1997, the bridge had been completed.

1410. As can be noted, no work was done on the construction of a new bridge at Turner Creek and for which a satisfactory explanation was not obtained. In relation to the two(2) other bridges which were constructed, there was no evidence that the approval from the Chief Planning Officer was granted for a change in programme to accommodate the expenditure of \$2,828,080.

Subhead 12001 - Buildings (Education)

1410. The sum of \$5M was voted for the rehabilitation of Rewa and Katoka primary schools, of which amounts totalling \$4.499M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of Rewa Primary School	423,800
" " Katoka Primary School	351,280
" " Kauraudarnau Primary School	75,000
" " Awarenau Primary School	270,970
Purchase of building materials	2,920,470
Transportation	345,272
Miscellaneous	112,700

TOTAL	4,499,492 =====

1411. In respect of the Awarewanau Primary School, according to the contract the works were to have been completed on or before 14 December 1995. However, a physical inspection of the building on 2 September 1996 revealed that the works were approximately 50% complete. The works on the Parishara Primary School were inspected and confirmed to the specifications as contained in the bills of quantities.

1412. In relation to the purchase of building materials, amounts totalling \$729,831 could not be verified as having been received. The Accounting Officer explained that the materials were delivered at site. In addition, materials valued at \$212,721 were put into immediate use and therefore did not follow storekeeping procedures.

Subhead 12003 - Buildings (Administration)

1412. The sum of \$3.5M was voted for the rehabilitation and extension of the RDC building to accommodate the Regional Accounting Unit, Sub-Treasury and reconstruction of the stores. Amounts totalling \$3.499M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation & extension of RDC Building	119,440
Rehabilitation of stores & fuel bond	2,149,164
Purchase of building materials	1,077,890
Transportation	152,478

TOTAL	3,498,932 =====

Subhead 14001 - Roads

1411. The sum of \$5M was voted for the rehabilitation of the road from White Rock to Macushi Village, of which amounts totalling \$3.903M were expended. Included in this expenditure was the purchase of one truck valued at \$2.6M. However, there was no evidence that approval was granted for a change in programme to accommodate the expenditure. In addition, at the time of inspection, the truck was not operational due to damage done to the engine which was being replaced at a cost of \$430,000. The rest of the expenditure relate to the purchase of concrete tubings which, at the time of inspection were lying in the stores compound.

Subhead 17001 - Agricultural Development

1412. The sum of \$1.8M was allocated for the purchase of one(1) tipper trailer, dish plough and harrow, the full amount of which was expended. At the time of inspection, the tipper trailer which was purchased at a cost of \$995,000, was lying in the trail at Burro, Rupununi Savannahs for want of tubes for the wheels. Investigations revealed this equipment was lying there for at least one month.

Subhead 24001 - Land Transport

1412. An amount of \$1.6M was voted for the purchase of a motor cycle and a tractor, of which \$1.585M was expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Purchase of one(1) motor cycle	390,000
" " one(1) Massey Ferguson Tractor	1,200,000

TOTAL	1,590,000
	=====

However, the supporting documents relating to the purchase of the motor cycle were not presented for audit examination. In addition, at the time of inspection, the items were not inventorised. There was also an outstanding liability of \$400,000 in relation to the purchase of the tractor.

Subhead 24002 - Water Transport

1413. The sum of \$500,000 was voted for the purchase of one boat and engine. The full amount was expended in the purchase of three wooden boats and one outboard engine. However, only one boat was physically verified. The Accounting Officer explained that one of the boats and engine were sent to Katoka, Rupununi savannahs and that the third boat was yet to be delivered.

Subhead 25001 - Furniture (Staff Quarters)

1413. The sum of \$1M was voted for the purchase of furniture and equipment for Government Quarters, of which amounts totalling \$995,000 were expended. The items were verified as having been received but were, however, not inventorised.

Subhead 25002 - Furniture & Equipment

1414. The sum of \$1M was voted for the purchase of furniture and equipment for Administration, Education and Health sectors, of which amounts totalling \$995,000. The items purchased were verified as having been received but were, however, not inventorised.

Subhead 26003 - Power Extension

1414. The sum of \$2.5M was voted for the purchase of transformers, and lamp poles for the improved distribution of electricity by the Lethem Power Station. However, only \$44,000 was expended on the purchase of a ladder. At the time of inspection the power plant remained non-operational, resulting in residents at Lethem being without electricity.

HEADS 91 - 94 AND DIVISION 540

REGION 10 - UPPER DEMERARA/BERBICE

Current Expenditure

Employment Costs

1415. A diary of pay changes was introduced in August 1996 following my 1995 Report. However, this record was not maintained for the period September to December 1996. The absence of this record for the greater part of the year resulted in much difficulty being experienced in the verification of the employment costs.

1417. Forty-nine(49) instances were noted where insurance numbers were not quoted in the Register of Contributors to the National Insurance Scheme. This was mainly due to the failure to promptly register employees with the Scheme. Because of this state of affairs, seven(7) cheques totalling \$149,590 could not have been paid over to the Scheme. These cheques relate to contributions

covering varying periods from May 1996 to July 1997 and were still on hand at the time of inspection in August 1997. The Register also bore no evidence of supervisory checks.

1418. The three(3) salaries bank accounts, which became non-operational in June 1996, were not reconciled for several years. The failure to reconcile bank accounts can lead to irregularities being perpetrated without detection.

1419. One(1) of these accounts - Account No. 861 - was overdrawn by \$5.052M as at 31 December 1996, compared with an overdraft of \$2,659,957. In my 1995 Report, mention was made of the continuous overdraft on this account, and despite this, there was no evidence of any action taken to investigate it with a view to liquidating it. It is again recommended that a special effort be made to ascertain the reason(s) for the overdraft so that corrective action can be taken.

1420. Two(2) new salaries bank accounts were opened in June 1996 in compliance with the Ministry of Finance Circular No. 6/96. However, it could be determined if these accounts were reconciled since they were established.

Other Charges

1421. Amounts totalling \$21.071M were expended on Materials, Equipment & Supplies.

1422. Amounts totalling \$3.451M were expended on fuel and lubricants.

1423. Amounts totalling \$15.369M were expended on the rental and maintenance of buildings.

1424. Amounts totalling \$4.655M were expended on the maintenance of infrastructure.

1421. Amounts totalling \$5,168,673 were expended on the purchase of fuel and lubricants. The following unsatisfactory features were, however, noted in relation to these purchases:-

- (a) Purchases were done on a credit basis, contrary to the set financial requirements. It was explained that this practice was due to the late releases from the Ministry of Finance;
- (d) Storekeeping procedures were not followed in that entries were not made in the Goods Received Book. Instead, a fuel account was maintained from copies of the authorisation slips which were returned by the supplier; and

- (e) An examination of the fuel account revealed that there were purchases totalling \$2,916,465 whereas the Appropriation Accounts showed amounts totalling \$5,168,673, giving a discrepancy of \$2,252,208; and
- (f) There were advance payments to the supplier totalling \$970,736 at the end of 1995.
- (g) This situation resulted in a failure to account for fuel and lubricants value at \$1,281,472.

1422. Log books for water transport were not presented for audit examination, despite repeated requests. In the circumstances, it could not be determined whether there was effective control over fuel issued for use in this regard.

1423. Amounts totalling \$412,000 were expended on the rental of buildings. However, copies of the rental agreements were not presented for audit examination. A rental register was also not kept.

1424. Two(2) contracts valued at \$847,520 and \$104,000 were awarded for the construction of a driveway at the Christianurg Court House. The estimates for current expenditure had provided for repairs to be done to the existing driveway but instead the Regional Administration had constructed a new driveway for the total cost of \$951,520. This expenditure was thus deemed to be capital in nature but was, however, noted to be charged to the Maintenance of Infrastructure subhead.

1425. In all cases where contracts were entered into for maintenance works falling within the limits of \$180,000 to \$450,000, such works would have required the application of a system of quotation. However, the use of this system was not seen for the award of the undermentioned contract.

DATE	CONTRACT NO.	DESCRIPTION OF WORKS	AMOUNT
----	-----	-----	-----
12/12/95	303/95	Construction of trestle & installation of reservoir & overhead tank	\$ 184,034

1426. The agreement between LINMINE and the Regional Administration as regards the supply of electricity by the former to the latter was not produced for audit. In the absence of this agreement proper verification of electricity charges could not be

carried out.

1427. An authorised list of locations and meters for which electricity charges were paid was not maintained and information on billings were not recorded to establish a proper basis for reconciliation. In addition, the supplier indicated that the unreconciled balance of \$74,048 remained unpaid at 31 December 1995.

1428. Historical records were not written up to include expenditure on vehicles totalling \$2,698,561 which was made during the year 1995. This was explained to have resulted from the institution of the record in the last quarter of the year.

1429. The telephone register was not written up to reflect actual monthly billings made. Entries were made in the record only when payments were processed. In addition the Regional Administration subscribed to seven residential telephones but an approved up-to-date list of residential telephones was not presented for audit scrutiny. It was therefore difficult to determine whether all telephones were recorded in the telephone register and whether payments for officers' residential telephones constituted a proper charge to public funds. Further according to a list of unreconciled balances provided by the Guyana Telephone and Telegraph Company the Region had a net indebtedness of \$85,573 at 31 December 1995.

1430. Security charges paid by the Region amounted to \$14,526,243 for the year 1995. However, only \$6,579,122 were subjected to Tender Board procedures. The difference to \$7,947,121 was explained to have been issued on monthly contracts because of the late passage of the budget, together with late access to budgetary funds which was initially obtained in May 1995.

1431. The expenditure of \$865,000 for education subventions, grants and scholarships was expended for the purchase of items for the various schools in the Region. However, the items purchased were not subjected to adequate stores accounting, since these were not brought on charge of the Regions stock registers before being issued to the schools. Instead these were passed through an immediate use book. The Regional Administration promised corrective action in this regards.

1432. During the year 1995 the Region transferred amounts totalling \$7.090M as subsidies to the Watooka Day School to meet the cost of salaries and other expenses associated with the running of the school. The payment of this amount was in keeping with the legend for this subhead which was included in the estimates of expenditure.

Revenue Control

1433. The Sub Regional Office at Kwakwani had not submitted collectors cash book/statements to support revenue collections for the period March 1995 to December 1995. This situation resulted in the omission from the appropriation account of revenues collected by that office during that period. In addition the Sub Regional Office had not accounted for balances on the stock of eleven (11) licence books received during the year.

Stores and Other Public Property

1434. An undesirable situation was observed where both the Bin Cards and Stock Ledgers were kept at the Regional Stores. The Regional Administration was advised that the stock ledgers should be maintained by the Regional Accounting Unit. The dual system of record keeping is intended to provide independent internal check on the accuracy of stores records. In addition a reconciliation between bin cards and stock ledgers was not carried out although differences were observed.

1435. An assessment of the status of the seven (7) vehicles which were out of operation could not be made in the absence of proper historical records. These vehicles were deemed to be unserviceable or in need of repairs. Proper records to show the date, cause and extent of repairs were not maintained. Where assets were deemed to be unserviceable they were not boarded with a view to being disposed.

Other Matters

1436. In addition to the forty six (46) cheques in favour of the National Insurance Scheme which totalled \$715,459 which was found in the Regional Administration safe, seventy six (76) cheques totalling \$1,190,241 was also found in the safe. An analysis of these cheques revealed that fifty six (56) of these represented deductions from salaries totalling \$1,105,844 which was payable to the Accountant General, Regional Executive Officer Region No. 10, and other agencies, while twenty (20) cheques totalling \$84,397 were payable to individuals. The failure to process and dispose of these cheques in a prompt manner was noted, together with the breach of the financial regulation regarding the disposal of the unpaid amounts.

1437. The Ordinary Imprest Account No. 802, which ceased to be operational in June 1996, was not reconciled for the period under review and reflected a balance of \$205,244. A new account No. 3093 was opened in June 1996. However, at the time of the audit in August 1997, this account was only reconciled to November 1996.

Capital Expenditure

Subhead 12001 - Buildings (Administration)

1438. The sum of \$10M was voted for the rehabilitation of staff quarters at Linden and administrative offices at Kwakwani. Amounts totalling \$5.419M were expended, as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Staff quarters at Linden	1,336,768
Administrative offices at Kwakwani	1,201,055
Purchase of nine(9) A/c units & carpets	

for Admin. Office at Linden	1,100,273
Purchase and installation of telephone system for Admin. Office at Linden	1,781,060

TOTAL	5,419,156
	=====

1439. As can be noted, sums totalling \$2.881M were expended on the purchase of equipment for the Administrative Office in Linden. However, there was no evidence that approval from the Chief Planning Officer was granted for a change in programme to accommodate this expenditure.

Subhead 12002 - Buildings (Education)

1443. The sum of \$20M was voted for the rehabilitation of hostels at Kwakwani and Linden. Amounts totalling \$6.681M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of Sand Hills Primary School	1,359,191
" " Atonement Primary School	1,310,574
Consultancy services	1,013,748
Construction of desks, benches & tables	2,996,990

TOTAL	6,680,503
	=====

1444. As can be noted, although there were savings in the sum of \$13.319M, no hostels were rehabilitated and for which a satisfactory explanation was not obtained. The rehabilitation works were, however, rebudgeted for in 1997. In addition, there was no evidence that approval by the Chief Planning Officer was granted for a change in programme for expenditure to be undertaken in respect of the above works.

1445. In my 1995 Report, it was observed that the contract for the Sand Hills Primary School was awarded in the sum of \$2,894,208. However, payments to the contractor totalled \$1,535,017, leaving a liability of \$1,359,191 at the end of 1995. The expenditure of \$1,359,191 in 1996 represents the discharge of this liability. However, there was no evidence that approval was granted by the Secretary to the Treasury to discharge this liability using the 1996 voted provision under this subhead. A similar situation was observed in respect of the rehabilitation of the Atonement Primary School where there was a liability of \$685,604 to the contractor at the end of 1995.

1446. The contract for consultancy services was awarded in the sum of \$1.594M, of which amounts totalling \$1.014M were paid to the Consultant for supervision of working drawings and quantities for the construction of the hostels. It should be noted that the Region has in its employ a senior superintendents of works and a superintendent of works. In the circumstances, one would have expected that the supervision of drawings etc. would have been undertaken by these officers, thereby effecting cost savings to the Region. The Accounting Officer, however, contended that the officers were not competent to carry out the work undertaken by the Consultant.

1447. The charging of the cost of the construction of desks, benches and tables to this subhead is a misallocation of expenditure in that the sum of \$3M was budgeted for this purpose under Subhead 25001 - Furniture & Equipment (Education) and for which no expenditure was recorded.

Subhead 12003 - Buildings (Health)

1448. The sum of \$16M was voted for (a) the construction of health centre at Wismar (b) completion of health centre at De Veldt and construction of health post at Coomacka. Amounts totalling \$5.293M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Completion of De Veldt Health Centre	3,387,382
" " Wiruni Health Centre	833,591
Consultancy Services	609,941
Painting of Sand Hills Primary School	375,000
Purchase of zinc sheets	87,210

TOTAL	5,293,124 =====

1449. As can be noted, neither the health centre at Wismar nor the health post at Coomacka was constructed and for which a satisfactory explanation was not obtained. The execution of these works were, however, rebudgeted for in 1997. In addition, two(2) contracts valued at \$165,168 and \$875,547 were awarded for consultancy services for supervision of drawings and quantities for the construction of the Coomacka Health Post and the Wismar Health Centre. The comments at Paragraph.... are therefore applicable.

1451. In relation to the painting of the Sand Hills Primary

School, there was no evidence that the approval of the Chief Planning Officer was obtained for the work to be undertaken.

Subhead 12004 - Buildings (Agriculture)

1450. The sum of \$1M was voted for the completion of agricultural office at Christianburg, of which amounts totalling \$833,000 were expended in the discharge of an outstanding liability of \$425,221 and in the purchase of furniture valued at \$408,049. The items purchased were verified as having been received and properly brought to account.

Subhead 19001 - Infrastructure Development

1451. The sum of \$10M was voted for the improvement of drainage at West Watooka and the rehabilitation of grader, of which amounts totalling \$6.765M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of West Watooka Road	3,463,486
Repairs to grader	1,713,291
Cleaning of side slopes - Linden Highway	877,296
Consultancy services	494,822
Extension to Regional Office	216,056

TOTAL	6,764,951
	=====

1453. The contract for the rehabilitation of the West Watooka Road was initially awarded in 1995 in the sum of \$3,661,853 and the basis of award was the subject of adverse comments in my 1995 Report. In addition, at the end of 1995 payments totalling \$4,944,137 were made to the contractor, and therefore there was an excess payment of \$1,282,284 on the contract sum. A variation of \$5,333,440 was, however, approved by the Regional Finance Committee on 2 February 1996, resulting in a revised contract sum of \$8,995,293. Therefore, total payments on this contract to the end of 1996 amounted to \$8,407,623, leaving an outstanding balance of \$587,671. Up to the time of reporting, this latter amount was not paid to the contractor.

1454. In relation to the amount of \$1,713,291 expended on the repairs to grader, this amount was paid to the Berbice Mining Enterprise Ltd., in order to enable that entity to rehabilitate its grader which was being used by the Region.

1455. As can be noted, amounts totalling \$877,296 were expended on the cleaning of the side slopes of the Linden Highway. This is a misallocation of expenditure in that the amounts expended should

have been charged to Subhead 305 - Maintenance of Infrastructure under the Region's Current Expenditure Programme.

1456. Extension works were undertaken at the Regional Administration Office at a cost of \$216,056. However, there was no evidence that approval by the Chief Planning Officer was granted for a change in programme to accommodate this expenditure.

Subhead 21003 - Land and Water Transport

1457. The sum of \$6.5M was voted for the purchase of motor cycles, boat and outboard engine and one(1) truck. Amounts totalling \$6.496M were expended in the purchase of the following:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Five(5) motor cycles	1,890,000
One(1) fibre glass boat	895,451
One(1) outboard engine	1,265,398
One(1) trailer	262,000
Two(2) other outboard engines	715,000
One(1) Toyota Truck	1,300,000
Spares for outboard engines	167,803

TOTAL	6,495,652
	=====

The items purchased were verified as having been received and properly brought to account.

Subhead 25001 - Furniture and Equipment - Education

1458. The sum of \$3M was voted for the purchases of furniture for schools. However, no expenditure was recorded under this subhead for reasons mentioned at Paragraph.... above.

Subhead 25003 - Furniture and Equipment (Health)

1459. The sum of \$3M was voted for the purchase of furniture for hospital, health centres and offices of which amounts totalling \$2.907M were expended as follows:-

DESCRIPTION	QUANTITY	AMOUNT
-------------	----------	--------

		\$
Filing Cabnets	10	567,000
Large Refrigerator	2	204,700
Medium Refrigerator	3	244,950
Stand Fans	12	46,600
Gas cooker	4	441,600
Single Wardrobe	2	54,000
Double Beds Complete	5	152,500
Single Beds Complete	8	200,000
Dinette Set	5	140,000
Five Piece Set	6	499,800
Sitting Chairs	24	163,080
Executive Chairs	3	193,500
TOTAL		2,906,730

The items purchased were verified as having been received and properly brought to account.

Subhead 25021 - Equipment (Administration)

1460. The sum of \$1M was voted for the purchase of equipment for administrative offices. Amounts totalling \$993,000 were expended in the purchase of the following:-

DESCRIPTION	QUANTITY	AMOUNT
		\$
High Back Ececutive Chairs	1	54,000
Executive Chairs	3	90,000
Electric Typewriters	3	399,000
Manual Typewriters	3	283,500
Typist Chairs	7	153,965
Pressure Cookers etc.		12,798
TOTAL		993,263

The items purchased were verified as having been received and properly brought to account.

Subhead 26001 - Equipment (Agriculture)

1460. The sum \$500,000 was voted for the purchase of furniture and equipment for the Lands and Surveys Department of the Region, of which amounts totalling \$173,000 were expended. The items purchased were physically verified.

Subhead 28001 - Water Supply

1461. The sum of \$40M was provided for the rehabilitation of the water supply system in the Region. The full amount was transferred Linden Mining Enterprise Ltd. which was responsible for the provision of water to the Linden Community.

1462. The Linden Mining Enterprise Ltd. is subject to separate financial reporting. The last set of audited accounts was in respect of 1993 and at the time of reporting the audit of the 1994 accounts was in progress.

1463. According to correspondence seen, the amount of \$40M was paid to LINMINE to meet operating expenses in relation to the provision of potable water. There was no evidence of rehabilitation works being carried out. In addition, the amount paid represented operating costs to May 1996, the total of such costs for the year having been computed at \$99.784M.

OTHER ENTITIES

Audits of Public Enterprises

1462. The Financial Administration and Audit Act Chapter 73:01 of the Laws of Guyana was amended in 1993 to extend my mandate to the audits of public corporations and other entities in which controlling interest vests with the State. This amendment is consistent with the principle that wherever the State has controlling interest, the State Audit Institution must be involved. It also augers well for public accountability in that there would now be public reporting and Parliamentary oversight in relation to the performance and financial standing of these entities. It also puts to rest the long standing dispute over the extent of my mandate.

1463. As a result of this amendment, the auditing of some fifty(50) additional entities has become my responsibility. There is provision in the amended legislation for the engagement of Chartered Accountants in public practice to audit on my behalf any of these entities, should I consider it desirable. Any such audit is, however, conducted under supervision from the Audit Office.

1464. Given the depleted staffing situation in the Audit Office, I have found it necessary to contract out the audits of most of these entities. Indeed, it appears inconsistent that my mandate should be extended to one in which I am now statutorily the External Auditor of the public sector, yet I am not provided with the level of resources needed for the proper discharge of my responsibilities. In addition, the contracting out arrangements have proved somewhat costly and several of the entities have complained about the level of fees charged by the Chartered Accounting Firms.

1465. As a possible solution to the problem, I suggested to the Government that, should a reasonable increase in emoluments be offered to staff of the Audit Office and with some degree of reorganisation, I would be in a better position to not only attract new staff but also to retain existing staff who have become very marketable. Once the Audit Office is adequately staffed, it would hardly be necessary to contract the services of Chartered Accountants in public practice.

1466. In support of my proposal, I submitted a comparative cost analysis which showed that the Government was likely to effect savings of at least \$30M per annum if the Audit Office were to undertake such audits. Up to the time of reporting, however, it is very disappointing that I am still to receive word from the Government in relation to my proposal. I once again urge the Government to give favourable consideration to my proposal,

especially in view of the cost savings involved.

1467. The contracting arrangements have, however, worked well in other respects, and for the period under review twenty-six(26) audits have been finalised under these arrangements at a total cost of \$40.916M. The following are the details:-

NAME OF ENTITY	YEAR OF ACCOUNTS	FEES & RELATED COSTS	TYPE OF OPINION
-----	-----	-----	-----
		\$'000	
Guyana Pharmaceutical Corp.	1993	2,200	Disclaimer
Guyana Pharmaceutical Corp.	1994	1,800	-do-
Guyana Pharmaceutical Corp.	1995	2,000	-do-
Guyana National Co-op Bank	1994	4,250	-do-
Guyana Oil Company	1995	1,500	Unqualified
GAIBANK & Related Projects	1994	2,160	-do-
Guyana Sugar Corporation	1995	5,052	-do-
Guyana Airways Corporation	1994	1,460	-do-
New Guyana Marketing Corp.	1994	418	Qualified
Guyana Rice Export Board	1994	702	Disclaimer
SIMAP Loan 912/SG-GY	1995	342	Unqualified
National Paddy & Rice Grading Centre	1994	464	-do-
Guyana Stockfeeds Ltd.	1995	1,050	Qualified
GNCB Trust Corporation	1995	475	Unqualified
Guyana National Newspapers Ltd.	1995	1,003	-do-
Guyana Stores Ltd.	1995	2,333	Qualified
Guyana National Shipping Corp.	1995	837	-do-
Guyana Coop. Insurance Service	1994	1,460	Unqualified
Guyana Coop. Insurance Service	1995	800	-do-
LINMINE	1993	3,800	Qualified
Guyana Gold Board	1995	936	Disclaimer
Guyana Broadcasting Corporation	1993	300	Disclaimer
Guyana Broadcasting Corporation	1994	300	Disclaimer
Guyana Broadcasting Corporation	1995	375	Qualified
BERMINE	1993	3,500	-do-
Post Office Corporation	1989	1,399	Disclaimer

TOTAL COST		40,916	
		=====	

1468. An important aspect of the Amendment Act is the requirement for the audited accounts of these entities along with my reports thereon and the responses of the entities, to be presented to the National Assembly. However, except in the case of the Guyana Sugar Corporation, up to the time of reporting, there was no evidence of any action taken in this regard, despite communication to this effect from the Audit Office to the relevant authorities. It is my sincere hope that urgent action will be taken to have these accounts as well as those relating to previous years, presented at the earliest

opportunity to the National Assembly.

1469. Apart from the legal requirement, it appears inconsistent for Central Government agencies to subject themselves to the rigours Parliamentary scrutiny of their performance and financial standing while other agencies of the State are reluctant to do so. Indeed, the principles and practices of public accountability should dictate that all organs of the State should subject themselves to form of scrutiny, be they Central Government, public corporations or other entities in which controlling interest vests with the State. In the final analysis, it is the Consolidated Fund to which recourse has to be sought in event of financial difficulty on the part of any agency of the State.

1468. Several of the entities falling within the purview of the Amendment Act have not been timely in the submission of financial statements for audit, notably the Guyana Post Office Corporation which is seven(7) years in arrears in terms of financial reporting. Such a situation should not be condoned since it does not auger well for public accountability.

1469. In addition, as can be noted from the above table, seven(7) of the twenty-six(26) reports issued were disclaimers of opinion reflecting uncertainties of a fundamental nature in relation to amounts shown in the respective financial statements. Eight(8) of these reports were also qualified because of uncertainties and/or disagreement of a material nature. These are matters of public concern which should be discussed and debated at the Parliamentary level with a view to improvements in performance on the part of the entities concerned. In the more developed countries, the slightest qualification on the accounts of an entity by the External Auditor may require some form of change in the management of that entity.

Audits of Municipal and District Councils

1474. The Municipal and District Councils Act, Chapter 28:01 of the Laws of Guyana, requires the accounts of municipal and district councils to be made up yearly, not later than four months after the end of the financial year to which they relate, and for those accounts to be audited by me as soon as practicable. Under the Act, a treasurer shall be guilty of an offence if he neglects to make up accounts as described above.

1475. Despite this legal requirement to produce financial statements and in a timely manner as well as the penalties involved for the failure to do so, virtually all the municipal and district councils have been violating the provisions of the Law although many of them are in receipt of Government

subvention. This again does not auger well for accountability at the local government level. It is my sincere hope that urgent action will be taken to have all municipal and district councils bring their accounts up-to-date.

1476. The following is a list of municipal and district councils which are significantly in arrears in terms of financial reporting:-

NAME OF ENTITY	YEAR LAST AUDITED	SUBVENTION IN 1996
-----	-----	-----
		\$'000
TOWN COUNCILS		
Georgetown City Council	1986	54,562
Anna Regina Town Council	1993	6,000
Corriverton Town Council	1982	6,000
Linden Town Council	1984	8,000
New Amsterdam Town Council	1983	9,000
Rose Hall Town Council	1981	60000

NAME OF ENTITY	YEAR LAST AUDITED	SUBVENTION IN 1996
-----	-----	-----
		\$'000

CONT'D

DISTRICT COUNCILS		
Bush Lot/Adventure	1989	-
East Mahaicony	1989	-
Grove/Haslington	1989	-
Mahaica/Unity	1987	-
Triumph/Beterverwagting	1989	-
Upper Corentyne	1985	-
VILLAGE & COUNTRY COUNCILS		
Bartica	1977	400
Coverden/Soesdyke	1986	400
Crabwood Creek/Molesom	1985	400
Craig/Caledonia	1988	400
Eccles/Ramsburg	1984	400
Enmore/Hope	1986	400
Farm	1986	400
Fyrish/Gibraltar	1980	400
Hampshire/Kilcoy/Chesney	1983	400
Herstelling/Grove	1986	400
Kwakwani	1980	400
La Grange/Nismes	1989	400
Mabaruma/Hosororo	1981	-
Mocha/Arcadia	1981	400
Morawhanna/Mabaruma/Hosororo	1983	1,500
Rising Sun/El Dorado	1977	400

Soesdyke/Coverden	1986	400
Tempi/Seafield	1989	400
West Mahaicony	1989	400

1477. It should be acknowledged that some local authorities are trying to bring their accounts to a more current state, albeit somewhat still in arrears, and for the period under review, thirty-four(34) such audits have been finalised. However, a more concerted effort is needed to bring the status of financial reporting at the local Government level to a more respectable state.

Audits of Statutory Bodies

1474. I am also the External Auditor of some fifty(50) statutory bodies. Many of these entities are also in receipt of large amounts of Government subvention, yet it is disheartening again to report that several of them are significantly in arrears in terms of financial reporting, and hence accountability for their results of operation and financial position.

1475. The following sets out the status in respect of those entities which are in arrears for four(4) years and over:-

NAME OF ENTITY	YEAR LAST AUDITED	SUBVENTION REC'D 1996
-----	-----	-----
		\$'000
Central Housing & Planning Authority	1990	
Dependants Pension Fund	1992	
GAHEF	1988	
Guyana Forestry Commission	1989	
Guyana Geology and Mines Commission	1992	
Guyana Management Institute	1989	
Guyana National Energy Authority	1981	
IAST	1982	
NARI	1991	
NDDP	1987	
National Frequency Management Unit	1990	
National Library	1991	
National Museum	not known	
National Parks Commission	1991	40,000
National Science Research Council	1982	
President's College	1992	
State Planning Secretariat	1991	
Sugar Industry Labour Welfare Fund	1980	

1475. It is a legal requirement for all statutory bodies to have their audited accounts laid in the National Assembly, and

although forty-three(43) such audits have been finalised in 1996, there was no evidence that such audited accounts were presented to the National Assembly. In this regard, the comments and recommendations Paragraphs 1467 and 1468 are also applicable.

Audits of Trade Unions

1485. The Trade Unions Act, Chapter 98:03 of the Laws of Guyana, appoints me to audit the accounts of Unions registered under that Act. I also audit the accounts of the Trades Union Congress and a number of staff associations and similar organisations.

Although some Unions have been making efforts to have their accounts audited, others were in severe arrearage, and for the period under review, only five(5) such audits have been finalised. The following gives the status of the audits of the Trade Unions at the time of reporting:-

NAME OF UNION	STATUS OF AUDIT
Amalgamated Transport and General Workers Union	1974
Association of Masters and Mistresses	Unknown
Clerical and Commercial Workers' Union	1995
General Workers' Union	1986
Guyana Trade Union Congress	1993
Guyana Public Service Union	1988
Guyana Agriculture and General Workers' Union	1995
Guyana Bauxite and General Workers' Union	1993
Guyana Bauxite Supervisors' Association	1978
Guyana Cooperative Mortgage Finance Bank Staff Association	1986
Guyana Deep Sea and Coastal Workers' Union	1990
Guyana Labour Union	1989
Guyana Local Government Officers' Association	1990
Guyana Mine Workers' Union	1974
Guyana Mining Supervisors' Association	Unknown
Guyana National Cooperative Bank Staff Association	1978
Guyana National Engineering Corporation Sports Club	1993
Guyana Public Service Union	1989
Guyana Seafarers' Union	1987
Guyana Teachers' Union	1987
Guyana Trade Union Congress	1993
Guyana Women's Public Health Officers' Association	1985
National Association of Agricultural, Commercial and Industrial Employees	1994
National Union of Public Service Employees	1992
National Workers Union	1992

Printing Industry and Allied Workers' Union	1992
Union of Agricultural And Allied Workers	1990
University of Guyana Senior Staff Association	Unknown
University of Guyana Staff Association	1994
University of Guyana Workers' Union	1979
Forest Products Association	1994
National Mining & General Workers' Union	Unknown
Public Employees and General Workers' Union	Unknown
Guyana Postal & Telecommunication Workers' Union	Unknown

1487. It is a legal requirement for all trade unions to submit to the Registrar of Trade Unions annual returns not later than 1 May of the following year. Implicit in this is the requirement to submit audited accounts. However, there is evidence that unaudited accounts are being submitted as part of the annual returns of trade unions, and therefore an important control mechanism to ensure that trade unions are financially accountable to their members and in a timely manner, is lost. It is recommended that an amendment to the legislation be made to make clear that audited accounts are required to be submitted as part of the annual returns of trade unions.

Audits of Foreign Funded Projects

1487. Most of the foreign funded projects are audited by the Audit Office which is a reflection of the degree of confidence the international financial institutions and other loan/donor agencies place on the Audit Office's work. This apart, foreign loans, grants and other forms of technical assistance to the Government, once received, are essentially public funds and have to be accounted for in the Public Accounts of the Country. They are therefore in principle correctly auditable by the State Audit Institution.

1488. For the period under review, it is with some degree of satisfaction that I should report that the Audit Office concluded forty-one(41) audits of foreign funded projects. The following are the details:-

DESCRIPTION	YEAR OF ACCOUNTS
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INTER AMERICAN DEVELOPMENT BANK	
1. MMA/ADA - Loans 536 & 465 SF-GY	1995
2. ATN/SF-3829-GY - Urban Rehabilitation Programme	1995
3. Loan 839/SF-GY - Agriculture Rehab. Programme	1995
4. Loan 877/SF-GY - Agri. Sector Hybrid Programme	1995
5. ATN/SF/JF-3933-GY - Road Maintenance & Rehab. Prog.	1995
6. Loan 58/VF-GY Export Line of Credit Facility	1995
7. ATN/JF-3640-GY - G'town Sewerage and Master Plan	1995
8. ATN/SF-3206-GY - Strengthening of Min. of Health	1995

9. Loan 912/SF-GY - SIMAP 1995
10. Loan 822/SF-GY - Health Care II Project 1995
11. Loan 890/SF-GY - Main Road Rehabilitation Project 1994
12. Loan 890/SF-GY - Main Road Rehabilitation Project 1995
13. ATN/SF-3380-GY - Primary Education Improvement Prog. 1995
14. Loan 827/SF-GY - Primary Education Improvement Prog. 1995
15. Loan 154/IC-GY - Industrial Reactivation Programme 1994
16. Loan 956/SF-GY - Financial Sector Programme Aug 1996
17. Loan 909/SF-GY - Remedial Maintenance Project
for Georgetown Sewerage and Water Supply 1995

UNITED NATIONS DEVELOPMENT PROGRAMME

1. GUY 89/004/19/99 - Resource Mobilisation
for Economic Recovery Programme 1995
2. GUY/92G31/A/1G/99 - Iwokrama Rain Forest Programme 1995
3. GUY/94/007/A/01/99 - Guyana Bureau of
Standards Project 1995
4. GUY/91/004/A/01/99 - Macro-Economic Management
Programme Co-ordination Project 1995
5. GUY/92/001/A/01/99 - Strengthening of National
Execution Capacity 1995
6. GUY/91/003/A/01/99 - Agency Programming Mission
for the Fifth Cycle Country Programme 1995
7. GUY/95/001/A/01/99 - Strengthening National
Capacity for the Executions and Implementation
of Development Projects 1995
8. GUY 91/002/A/01/99 SIMAP Institutional
Strengthening & Targeting of Vulnerable Groups 1995
9. GUY/94/002 - Technical Cooperation among
Developing Countries 1995
10. GUY 91/005/A/01/99 - Strengthening of the
University of Guyana Project 1995

INTERNATIONAL DEVELOPMENT ASSOCIATION

1. Credit No. 2480 GUA - Public Administration
Project Special Account 1993
2. Credit No. 2480 - Public Administration Project 1993
3. Credit No. 2480 GUA - Public Administration Project 1994
4. Credit No. 2477 GUA - Infrastructure Rehabilitation
Project (Sea Defence) 1995
5. Credit No. 2477 GUA - Infrastructure Rehabilitation
Project (Roads) 1995
6. Secondary Towns Infrastructure Development Project 1995

EUROPEAN UNION

1. Sector Programme for Education and Health 1993
2. Sector Programme for Education and Health 1994
3. Sector Programme for Education and Health 1995-96
4. Small Business Credit Initiative 5171/GUA 1994
5. Small Business Credit Initiative 5171/GUA 1995

CANADIAN INTERNATIONAL DEVELOPMENT AGENCY

- | | |
|---|------|
| 1. Forestry Sector Project - CIDA I | 1994 |
| 2. Forestry Sector Project - CIDA II | 1994 |
| | |
| UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT | |
| 1. PL 480 Title I Program | 1995 |
| 2. PL 480 Title III Program | 1995 |
| | |
| INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT | |
| 1. Loan No. 190-GY - East Bank Essequibo
Development Project | 1995 |

ACKNOWLEDGEMENTS

1488. I wish to record my sincere gratitude to the staff of the Audit Office, many of whom worked beyond the call of duty to help me to compile this report. My sincere thanks also go out to the Accountant General, Accounting Officers and Principal Receivers of Revenue along with their staff for the level of cooperation shown during the course of the audits and for the explanations provided in relation to my findings.

1489. It has not been an easy task, and many difficulties, problems and resource restraints have had to be resolved and overcome to achieve this result. It is with some degree of satisfaction, indeed an achievement, that the Audit Office continues to champion the cause of public accountability, and while there has been some measure of success, a lot remains to be done. In this regard, the Audit Office continues to stand ready to render whatever assistance it can provide, of course, within the limits of its authority.

