

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 1997

5 November 1998

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 1997**

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 1997.

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 1997**

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 1997, as set out in pages 2/1 to 2/213. 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, including assertions relating to their completeness, accuracy and validity and compliance with applicable laws and regulations, is the responsibility of the Accountant General, Accounting Officers and Principal Receivers of Revenue. My responsibility is to express an independent opinion on these statements based on my audit as well as these assertions 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; and
- . the receipts and disbursements by Principal Receivers of Revenue

for the fiscal year ended 31 December 1997. 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 1997. 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

5 November 1998

**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 1997**

EXECUTIVE SUMMARY

Financial Performance

1. For the period under review, a deficit of \$2.450 billion of current revenue over current expenditure was recorded, compared with surpluses of \$5.154 billion and \$518.751M in 1996 and 1995 respectively. This unfavourable performance resulted mainly from:-
 - (a) an increase of \$6.477 billion in the repayment and servicing of the Public Debt from \$13.754 billion to \$20.231 billion. This is in contrast to the reductions of \$214.652M and \$3.703 billion recorded in 1996 and 1995 respectively; and
 - (b) although current revenues have increased by \$3.018 billion from \$34.342 billion to \$37.360 billion, the increase in current expenditures of Ministries and Departments in 1997 was \$4.144 billion, giving a net increase of \$1.126 billion. Current expenditure, excluding the repayment and servicing of the Public Debt, increased from \$15.434 billion to \$19.578 billion.
2. The collection of current revenue fell below projected levels by 2.5%, compared with excesses of 4.17% and 0.03% recorded in 1996 and 1995 respectively. Estimated current revenue in 1997 totalled \$38.315 billion while actual collections amounted to \$37.360 billion, giving a budgetary deficit of \$955M. Of particular importance is the fact that the two main revenue generating agencies, the Inland Revenue and the Customs and Excise departments, failed to achieve their targets by \$2.597 billion and \$1.778 billion respectively.
3. Capital revenue collections from sale of assets, internal loans, external grants and loans, and from other sources exceeded projected levels by \$3.268 billion or 27.0%, compared with shortfalls of \$6.755 billion or 44.52% in 1996 and \$5.068 billion or 34.85% in 1995. Estimated capital revenue from all sources totalled \$12.132 billion while

actual revenue collected was \$15.400 billion.

4. Further analysis revealed that of the \$3.006 billion budgeted to be collected in respect of the sale of assets, only \$237.787M was shown as having been collected and paid over to the Consolidated Fund, giving a shortfall of \$2.768 billion. However, additional sums totalling \$1.968 billion were collected during 1997 but were held in the Deposits Fund bank account. Taking this into account, the shortfall in capital revenue arising out of the sale of assets was \$1.8 billion. Explanations obtained indicated that the Government's privatisation programme did not reach its anticipated level of activity since several of the entities identified for privatisation had not yet been brought to the point of sale.
5. Capital expenditure, however, fell below estimated levels. Of a total amount of \$19.848 billion budgeted to be spent on capital projects, sums totalling \$17.113 billion were actually expended, giving a shortfall of \$2.735 billion or 13.78% of the revised allocations. This is nevertheless an improvement in performance compared with 1996 and 1995 where shortfalls in capital expenditure amounted to 18.22% and 34.61% respectively.

The Public Debt

6. 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\$266.705 billion as at 31 December 1997, the external portion accounting for G\$160.272 billion. In equivalent United States dollars, the Public Debt was US\$1.844 billion, the external debt accounting for US\$1.108 billion.
7. Compared with 1996, the Public Debt has decreased by G\$39.348 billion, the external portion accounting for G\$22.7 billion or US\$156.952M while the internal debt has been reduced from G\$123.081 billion to G\$106.433 billion. Expressed as a factor of current revenue, the Public Debt at the end of 1997 was 7.14 times the current revenue, compared with a factor of 8.92 at the end of 1996 and 11.35 at the end of 1995.
8. As mentioned above, there was an increase of G\$6.477 billion in the repayment and servicing of the Public Debt, interest on external loans having accounted for \$3.686 billion while

the repayment of internal loans, inclusive of interest, accounted for \$2.743 billion. Further analysis revealed that interest on several of the rescheduled debts became due in 1997 arising out of the Agreement reached at the Paris Club meeting of 23 May 1996, resulting in an increase in external interest from \$2.846 billion to \$6.532 billion. In particular, amounts totalling \$2.477 billion were paid as interest on the Trinidad & Tobago Oil Facility Debt which was taken over from the Bank of Guyana.

9. Expressed as a percentage of current revenues, the repayment and servicing of the Public Debt in 1997 represented 54.15% of current revenue, compared with 40.0% in 1996 and 47.37% in 1995.

The Net Cash Position of the Government

10. The Consolidated Fund was overdrawn by \$40.407 billion as at 31 December 1997 compared with overdrafts of \$38.229 billion and \$22.457 billion at the end of 1996 and 1995 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.
11. 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 \$15.933 billion, compared with positive balances of \$16.093 billion and \$12.857 billion as at the end of 1996 and 1995 respectively. In the absence of the statement of current assets and liabilities of the Government, the positive balance of \$15.933 billion represents the best available estimate of the net cash position of the Government as at 31 December 1997.
12. 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
-----	-----	-----
	1997	1996
	\$M	\$M
Consolidated Fund	(40,407)	(38,229)
Deposits Fund	5,600	5,359
Contingencies Fund	119	3
General Account	6,755	(467)

Non-Sub-Accounting Ministries/Departments	7,805	18,146
Other Ministries/Departments' Accounts	14,224	9,428
Monetary Sterilisation Account	21,837	21,853
	-----	-----
TOTAL	15,933	16,093
	=====	=====

13. According to the audited accounts of Bank of Guyana for 1997, the total amount held in special accounts on behalf on the Government as at 31 December 1997 was \$18.972 billion. Of this sum, amounts totalling \$7.217 billion relate to foreign funded projects which were on-going, giving a balance of \$11.756 billion which appear to be funds which are transferrable to the Consolidated Fund. On the assumption that such funds represent moneys which should have been paid over to the Consolidated Fund, the net cash position as at 31 December 1997 would increase to \$27.689 billion.

14. The above analysis of the net cash position of the Government, however, does not include balances held in the Missions' bank accounts overseas as well as in any other overseas bank accounts held by the Government. Of particular importance are the overdrawn balances totalling £1.529M and US\$13.033M, equivalent to G\$365.831M and G\$1.885 billion respectively, as at 31 December 1997 in respect of the following accounts held at the Lloyds Bank in London:-

ACCOUNT NO.	DESCRIPTION	OVERDRAFT AT 31.12.97	
-----	-----	-----	-----
		US\$	£
01055721	Guyana High Commission	-	200,212
01043855	G.H.C. Overdue Interest	-	1,328,662
01472607	GNTC Unpaid Loans	3,445,974	-
11879308	GNTC Overdue Interest	9,587,130	-
		-----	-----
TOTAL		13,033,104	1,528,874
		=====	=====

15. As can be noted, the combined Guyana dollar equivalent of these liabilities is \$2.251 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 have 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.

16. This matter was drawn to attention in my previous reports, and despite this, there was no evidence of any action taken to arrange for the discharge of these liabilities which increased in 1997 by \$204M as a result of increased interest charges.
17. In my 1996 Report, reference was made to the numerous bank accounts under the control of Ministries, Departments and Regions, the vast majority of which had not been reconciled for several years. Given the time period involved and the ensuing difficulty in effecting reconciliation to these accounts for the purpose of establishing accurate balances, I had recommended the following courses of action:-
- (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.
18. As a result of these recommendations, 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 increased from 733 to 878.
19. 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 accounts and attempting to start from a clean position. It should be mentioned that the irregularities totalling some \$23M at the Supreme Court of Judicature now before the Courts were the direct result of the failure to reconcile the related bank accounts.

Review of the Central Tender Board

20. In my 1995 Report, a comprehensive 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 had been 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.
21. In my 1996 report, reference was made to the need for a complete re-organisation of the operations of the Central Tender Board 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, it is again disappointing to note that no action was taken to implement this recommendation. It should be mentioned that with the assistance of a consultant, draft legislation on public procurement had been prepared. At the time of reporting, the Minister of Finance gave the assurance that legislation would soon be enacted to reform the Government's tendering procedures.

Review of Financial Management System

22. In my 1996 Report, mention was made of 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, cumbersome and over-centralised. The

system is therefore in dire need of review.

23. It should be noted that the Government had initiated reforms in the budget process in the form of Programme Budgeting. 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, taking into account recent advances in information technology and trends towards a more decentralised system.

Inadequacy of Staffing & Absence of Internal Audits

24. 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 both the Ministerial and Central levels.
25. Notwithstanding the recent increases in salaries to public servants, it would appear necessary for the compensation package of certain categories of employees 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 to third parties. The general level of efficiency of operations within the Public service is also likely to be improved. In addition, the system of promotion should focus more on performance and higher levels of training rather than on years of service.

INTRODUCTION

1. 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. It is also my duty under Section 26 of the Financial Administration and Audit Act, Chapter 73:01 of the Laws of Guyana (hereinafter referred to as the FAA Act) 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. In addition, Section 31 of the FAA Act 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 said Act. These are:-

(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 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 of Finance not later than the 30th day of September.
6. In order to assist me in the discharge of these responsibilities, Section 29(1) of the FAA Act provides for the employment in my Office such numbers and grades of officers as the National Assembly may, by resolution, direct.
7. As at 30 April 1998, the statutory deadline for the submission of the statements and accounts referred to above, the ten(10) sets of statements comprising the Public Accounts as well as thirty-one(31) of the one hundred and fifteen(115) appropriation and revenue accounts required to be submitted, were not received. Submissions were, however, made subsequently on varying dates, the last being the Balances held on Deposit by the Accountant General and Outstanding Advances made, which was received on 17 August 1998.
8. 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.
9. It is again 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 with the degree of seriousness which it deserves. The stewardship of the Government cannot 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. This matter was drawn to attention in my previous reports, and despite this, there was no evidence of any action being taken to remedy this significant deficiency in financial reporting.
10. It is also important to mention 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 years 1982 and 1983;

11. The first two(2) sets of statements were duly audited and the related reports were presented to the Minister 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 and 1983, submission by the Accountant General was made on 24 June 1997, and up to the time of reporting the audit was still in progress.
12. 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 1997. 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.
13. The Accountant General had 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.
14. 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. Provision exists for the engagement of Chartered Accountants in public practice to audit on my behalf any of these entities, if I consider it desirable.

15. 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.
16. 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 in the Audit Office, only a selective approach could have been adopted in terms of the comprehensiveness of such a review. This approach was necessary to enable me to discharge my statutory responsibility of reporting to the National Assembly within the time-frame set.
17. 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.

**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 1997, the overdraft on this account was \$40.407 billion, compared with an overdraft of \$38.229 billion at the end of 1996, an increase of \$2.178 billion over 1996. At the end of 1995, the overdraft on this account was \$22.457 billion, compared with an overdraft of \$12.105 billion at the end of 1994. In other words, over the period 1994 to 1997, the overdraft on the Consolidated Fund increased by \$28.302 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 \$15.933 billion as at 31 December 1997, compared with a positive balance of \$16.093 billion at the end of 1996, giving a reduction of \$160M. At the end of 1995, these accounts reflected positive balances totalling \$12.857 billion, compared with \$14.654 billion as at the end of 1994.
24. In the absence of the reconciliation of the vast majority of these accounts, the positive balance of \$15.933 billion represents the best available estimate of the net cash position of the Government as at 31 December 1997.
25. 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
-------------	--------	--------

	1997	1996
	\$M	\$M
Consolidated Fund	(40,407)	(38,229)
Deposits Fund	5,600	5,359
Contingencies Fund	119	3
General Account	6,755	(467)
Non-Sub-Accounting Ministries/Departments	7,805	18,146
Other Ministries/Departments' Accounts	14,224	9,428
Monetary Sterilisation Account	21,837	21,853
TOTAL	15,933	16,093

26. The figure of \$15.933 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 £1.529M and US\$13.033M, equivalent to G\$365.831M and G\$1.885 billion respectively, as at 31 December 1997 in respect of the following accounts held at the Lloyds Bank in London:-

ACCOUNT NO.	DESCRIPTION	OVERDRAFT AT 31.12.97	
		US\$	£
01055721	Guyana High Commission	-	200,212
01043855	G.H.C. Overdue Interest	-	1,328,662
01472607	GNTC Unpaid Loans	3,445,974	-
11879308	GNTC Overdue Interest	9,587,130	-
TOTAL		13,033,104	1,528,874

27. The combined Guyana dollar equivalent of these liabilities as at 31 December 1997 was \$2.251 billion. Interest charges were several times the actual overdrafts which is an indicator of the length of time the overdrafts had been in existence. In addition, these overdrawn balances have 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.
28. This matter was drawn to attention in my previous reports, and despite this, there was no evidence of any action taken to make arrangements to discharge these liabilities which increased by \$204M in 1997 as a result of increased interest charges.
29. According to confirmation received from the Bank of Guyana, the total amount held in special accounts on behalf on the

Government as at 31 December 1997 was \$18.972 billion. Of this sum, amounts totalling \$7.217 billion relate to special foreign funded projects which were on-going, giving a balance of \$11.756 billion which appear to be funds which are transferrable to the Consolidated Fund. The following gives a breakdown of the latter amount:-

ACCOUNT NO.	DESCRIPTION	AMOUNT
-----	-----	-----
		\$'000
1240	Accountant General	1,396,559
1276	OPEC	156,825
1284	OPEC III	369,000
1296	Agri Sector Loan 660 - SF/GY	77,294
1638	UK Programme Aid	474,482
1640	" " "	55,421
1641	Republic of Germany Debts Resched.	130,587
1644	Republic of France Debt Resched.	9,095,847

TOTAL		11,756,015
		=====

30. Assuming that such moneys are funds which should have been paid over to the Consolidated Fund, the sum total of all government bank accounts held at the Bank of Guyana (including the overdraft on the Consolidated Fund but excluding those relating to special on-going projects which are foreign financed) reflected a positive balance of \$27.689 billion as at 31 December 1997. If account is taken of the Government's liability of \$25.608 billion in relation to Treasury Bills as well as the liability of \$2.251 billion to the Lloyds Bank, the figure of \$170M would represent the best available estimate of the Government's accumulated deficit as at 31 December 1997.
31. The balances shown in account Nos. 1641 and 1644 resulted from deposits made by local commercial banks on behalf of importers of goods under various credit facilities. These facilities were made available to the local businesses and were guaranteed by the Government. The deposits were initially placed in external payment deposit accounts at the Bank of Guyana and were to be utilised towards the repayments of the loans. However, as a result of foreign exchange shortages, which restricted the timely repayments of the loans, as well as a number of rescheduling agreements with the donor countries ending with the Paris Club Agreement on 23 May 1996, the Government took full responsibility for the repayment of the loans. Accordingly, the related loans have been transferred to the Public Debt and are reflected in the Public Debt Statement for 1997.
32. It is a requirement of Section 36 of the FAA 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 \$22.029 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.

33. 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:-

	1997	1996	1995
	----- \$'000	----- \$'000	----- \$'000
Current Receipts	37,311,207	34,316,311	29,473,619
Capital Receipts	15,399,669	8,417,660	9,475,605
	----- 52,710,876	----- 42,733,971	----- 38,949,224
Current Payments	43,216,426	31,426,136	30,605,981
Capital Payments	17,923,492	16,289,619	12,148,944
	----- 61,139,918	----- 47,715,755	----- 42,754,925
EXCESS OF RECEIPTS OVER PAYMENTS	----- (8,429,042) =====	----- (4,981,784) =====	----- (3,805,701) =====

34. As can be noted, there has been a deficiency of receipts over payments of \$8.429 billion in 1997, compared with deficiencies of \$4.982 billion and \$3.806 billion in 1996 and 1995 respectively. The main reasons for this deficiency were:-

- (a) payments to meet current expenditure (including the repayment and servicing of the Public Debt) exceeded current revenue by \$5.905 billion; and
- (b) payments for capital expenditure exceeded capital receipts by \$2.524 billion, an observation similar to that of 1996 and 1995 where payments for capital expenditure exceeded capital receipts by \$7.872 billion and \$2.673 billion respectively.

It is important to note that these figures would be affected by the general failure to pay over sums due to the Consolidated Fund which, for the period under review, totalled \$4.001 billion.

35. An examination of the Cash Book of the Consolidated Fund kept by the Accountant General revealed that sums totalling \$50.616 billion were received and deposited into this account, compared with \$52.711 billion reported in the financial statements, giving an unexplained difference of \$2.095 billion.
36. The Cash Book also reflected that payments totalling \$63.506 billion were made from the Consolidated Fund. The financial statements, however, reflected amounts totalling \$61.140 billion as having been paid out, giving an unexplained difference of \$2.366 billion.
37. 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	50,615,986	52,710,876	2,094,890
Payments	63,505,534	61,139,918	2,365,616
	-----	-----	-----
Excess of Receipts over Payments	(12,889,548)	(8,429,042)	4,460,506
	=====	=====	=====

38. 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. A similar situation was observed in 1996 where 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.
39. For the period under review, the reported sale of assets amounted to \$237.787M. However, sums totalling \$1.968 billion

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 transfers been made to the Consolidated Fund for the years 1995 to 1997, the overdraft on the Consolidated would have been reduced by \$3.521 billion. The failure to pay over sums due to the Consolidated Fund also appears to be a violation of Section 17 of the FAA Act which requires all revenues to be paid over gross to the Consolidated Fund and in a timely manner.

40. In my 1996 Report, it was mentioned that the Audit Office was 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 into by the Government. However, its efforts were constrained by the lack of adequate record keeping and documentation at the Ministry of Finance.
41. So far, the Audit Office was able to establish that twenty-four(24) state entities were privatised during the period 1989 to 1997. However, information relative to the contract price of Guyana Rice Milling & Marketing Authority could not be determined, despite exhaustive efforts, though it should be mentioned that sums totalling \$735.272M were received by the Treasury as proceeds. In the absence of information on the agreed price, it could not be determined what amounts, if any, remained outstanding.
42. In relation to the twenty-three(23) entities for which the Audit Office was able to ascertain the contract prices, the contract amounts involved totalled \$9.509 billion, of which sums totalling \$8.060 billion were traced as having been received by the Treasury during the period 1992 to 1997. Despite exhaustive efforts, the Audit Office was, however, unable to obtain complete information on the proceeds of divestment for the period 1989 to 1991 and therefore, it could not be determined with any degree of accuracy, the amount outstanding in relation to the divestment of these entities.
43. A separate and detailed report is proposed to be issued as soon as possible to the Minister of Finance who has requested a special audit of the Government's privatisation programme. It should be emphasised that the exercise carried out by the Audit Office did not include any evaluation of the procedures leading to the privatisation of a particular state agency, including the transparency of the process and whether the best value was received by the State, since previous attempts to do so were met by resistance from the authorities. In any event, given the time period which would have elapsed as well as the state of record keeping and filing at both the

Ministry of Finance, the exercise would have been an extremely difficult, if not an impossible one.

44. Amounts totalling \$279.143M 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 again recommended that such a record be introduced so that sums due can be properly monitored and early action taken to collect them.
45. 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 \$1.690 billion 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**

46. 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:-

	1997 \$'000	1996 \$'000	1995 \$'000

CURRENT REVENUE			

Revenue Actually Paid into Consolidated Fund	37,311,207	34,316,311	29,473,619
Estimates of Revenue	38,315,234	32,969,075	29,480,395
	-----	-----	-----
Over/(Under) the Estimates	(1,004,027)	1,347,236	(6,776)
	=====	=====	=====
CAPITAL REVENUE			

Revenue Actually Paid into Consolidated Fund	15,399,669	8,417,660	9,475,605
Estimates of Revenue	12,131,991	15,172,624	14,543,889
	-----	-----	-----
Over/(Under) the Estimates	3,267,678	(6,754,964)	(5,068,284)
	=====	=====	=====

47. It should be mentioned that sums totalling \$48.649M were collected but were not paid over to the Consolidated Fund. Taking this figure into account, the collection of current revenue in 1997 fell below project levels by 2.5%, compared with excesses of 4.17% and 0.03% recorded in 1996 and 1995 respectively. Estimated current revenue in 1997 totalled \$38.315 billion while actual collections amounted to \$37.360 billion, giving a shortfall of \$955M. Compared with 1996, total current revenue collections, however, increased by \$2.995 billion or approximately 8.73%.

48. It is significant to note that the two(2) main revenue collecting agencies, the Customs & Excise and the Inland Revenue departments, fell short of their targets by \$1.779 billion and \$2.597 billion respectively, as shown below:-

	BUDGETED	ACTUAL	SHORTFALL
	-----	-----	-----
	\$'000	\$'000	\$'000
Customs & Excise	16,934,476	15,155,700	1,778,776
Inland Revenue	17,000,000	14,403,108	2,596,892

49. Capital revenue collections from sale of assets, internal loans, external grants and loans and from other sources, on the other hand, exceeded projected levels by \$3.268M or 27%, compared with a shortfall of \$6.755 billion or 44.52% in 1996. Estimated capital revenue from all sources totalled \$12.132 billion while actual revenue collected was \$15.4

billion.

50. External loans and grants exceeded projected levels by \$2.791 billion and \$2.439 billion respectively. Of the amount of \$6.919 billion budgeted as inflows from external loans, actual inflows amounted to \$9.710 billion. In relation to external grants, of the amount of \$2.188 billion budgeted, actual inflows amounted to \$4.627 billion. These figures would be affected by the observations made in the relevant sections of this report on the capital programmes of individual Ministries and Departments where several instances were noted of disbursements made by funding agencies which had not been brought to account as capital revenue.
51. Further analysis revealed that of the \$3.006 billion budgeted to be collected in respect of the sale of assets, only \$237.787M was shown as having been collected and paid over to the Consolidated Fund. However, as mentioned above, amounts totalling \$1.968 billion were collected in 1997 but were held in the Deposits Fund bank account. Taking this into account, actual proceeds from the sale of assets amounted to \$2.206 billion, giving a shortfall of \$800M. Explanations obtained indicated that the Government's privatisation programme did not reach its anticipated level of activity since several of the entities identified for privatisation had not yet been brought to the point of sale. A similar observation was made in my 1996 Report where amounts totalling \$1.3 billion were budgeted as proceeds from divestment but only \$51.233M was collected and paid over to the Consolidated Fund.

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

52. 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:-

	1997 ----- \$'000	1996 ----- \$'000	1995 ----- \$'000
CURRENT EXPENDITURE -----			
Actual Expenditure	39,809,414	29,187,915	28,968,798
Revised Estimates	43,502,418	31,972,215	31,013,246
	-----	-----	-----
Over/(Under) the Estimates		(3,693,004)	(2,784,300)
	(2,044,448)		
	=====	=====	=====
CAPITAL EXPENDITURE -----			
Actual Expenditure	17,113,033	14,440,578	11,028,059
Revised Estimates	19,848,101	17,657,459	16,863,874
	-----	-----	-----
Over/(Under) the Estimates	(2,735,068)	(3,216,881)	(5,835,815)
	=====	=====	=====

53. There has been an overall increase of \$10.621 billion in current expenditure in 1997 compared with an increase of \$219.117M in 1996. This was due mainly to the following:-

(a) An increase of \$4.144 billion or 26.85% in expenditure by Ministries, Departments and Regions, compared with an increase of \$432.569M in 1996. Employment costs have increased by \$1.964 billion or 30.8% while expenditure on Other Charges increased by \$2.102 billion or 24.3%; and

(b) An increase of \$6.477 billion in the repayment and servicing of the Public Debt. In 1996, the repayment and servicing of the Public Debt had decreased by \$214.652M billion from \$13.967 billion to \$13.753 billion.

54. Capital expenditure has increased by \$2.672 billion or 18.51%, compared with an increase of \$3.413 billion or 30.94% in 1996. Compared with the Revised Estimates, however, there has been a shortfall of \$2.735 billion or 13.78%, compared with a shortfall of \$3.217 billion or 18.22% in 1996. These figures would be affected by the observations made in the relevant sections of this report on the capital programmes of individual Ministries and Departments where several instances were noted of disbursements made by funding agencies which

had not been brought to account as capital expenditure.

55. The main Ministries which have not achieved their anticipated levels of capital expenditure activity in 1997 are as follows:-

NAME OF MINISTRY/ DEPARTMENT	REVISED ESTIMATES	ACTUAL EXPENDITURE	SHORTFALL
-----	-----	-----	-----
	\$'000	\$'000	\$'000
Min. of Works-Sea Defences	1,808,000	1,242,976	565,024
Ministry of Agriculture	1,095,187	663,671	431,516
Ministry of Finance	3,833,542	3,462,873	370,669
Ministry of Public Works	2,359,811	2,021,957	337,854
Mini. of Education - PEIP	1,023,500	772,262	251,238
Ministry of Education	416,265	305,921	110,344
	-----	-----	-----
TOTAL	10,536,305	8,469,660	2,066,645
	=====	=====	=====

56. Excess expenditure totalling \$96.495M was recorded under current expenditure in respect of eight(8) heads. Except in the case of the Elections Commission, which exceeded its budgetary allocation by \$63.950M, the excess expenditure was met from advances from the Contingencies Fund.

STATEMENT OF THE PUBLIC DEBT

57. 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.
58. 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.

59. 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. In addition, 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.
60. 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.
61. The reported Public Debt as at 31 December 1997 (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 2/48 and is summarised below:-

DESCRIPTION	EXTERNAL	INTERNAL	TOTAL
-----	-----	-----	-----
	G\$`000	G\$`000	G\$`000
Unfunded	160,272,236	80,825,202	241,097,438
Funded	-	-	-
	-----	-----	-----
Sub-total	160,272,236	80,825,202	241,097,438
Treasury Bills			
(90 days)	-	4,568,600	4,568,600
(182 & 365 days)	-	21,039,370	21,039,370
	-----	-----	-----
TOTAL	160,272,236	106,433,172	266,705,408
	=====	=====	=====

62. As can be noted, the total Public Debt stood at G\$266.705 billion at the end of 1997, compared with G\$306.053 billion at the end of 1996, a reduction of G\$39.348 billion. In equivalent United States dollars, the total Public Debt as at

31 December 1997 was US\$1.844 billion. Expressed as a factor of current revenue, the total Public Debt at the end of 1997 was 7.14 times current revenue compared with a factor of 8.92 at the end of 1996 and 11.35 at the end of 1995

63. The External Debt at the end of 1997 was G\$160.272 billion, compared with G\$182.972 at the end of 1996, a decrease of \$G22.7 billion. In equivalent United States dollars, the External Debt as at 31 December 1997 was US\$1.108 billion, a reduction of US\$156.952M. The Internal Debt has also decreased by \$16.648 billion from \$123.081 billion to \$106.433 billion.
64. It is important to note that while the total Public Debt was reduced by \$39.348 billion, there was a significant increase in the repayment and servicing of the Public Debt from \$13.754 billion to \$20.231 billion. This was due mainly to the following:-
- (a) Interest on several of the rescheduled debts became due in 1997 arising out of the agreement reached at the Paris Club meeting of 23 May 1996, resulting in an increase in external interest from \$2.846 billion to \$6.532 billion. In particular, amounts totalling \$2.477 billion were paid as interest on the Trinidad & Tobago Oil Facility Debt which was taken over from the Bank of Guyana; and
 - (b) The repayment of the internal debt, inclusive of interest, increased from \$6.727 billion to \$9.471 billion. In particular, for the period under review, two(2) variable interest rate debentures issued in 1994 were redeemed in the sum of \$5.395 billion.
65. Eleven (11) additional external loans denominated in various currencies were contracted during 1997 of which disbursements totalling G\$4.212 billion were made by the funding agencies. However, up to the time of reporting, the agreements relating to these loans were not laid in the National Assembly, as required by Section 3(b) of the External Loans Act.

**STATEMENT OF OUTSTANDING LOANS OR CREDITS
GUARANTEED BY THE GOVERNMENT**

66. 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.

67. 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.
68. According to the Statement of Outstanding Loans or Credits Guaranteed by the Government, as set out on page 2/49, the total outstanding liability as at 31 December 1997 was \$560.411M, compared with \$1.126 billion at the end of 1996, a decrease of \$565.589M
69. 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 1997, 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 1997. 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 inadequate 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;

70. 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 in previous years.

71. 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	498,306
Berbice Mining Enterprise	2	26,468
Guyana Telecom. Corporation	1	27,769
Guyana Transport Services Ltd.	1	7,868
	--	-----
TOTAL	7	560,411
	==	=====

72. 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 \$27.769M. 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 \$7,868M.

73. 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, the Ministry of Finance should institute an adequate system of monitoring loans/credits guaranteed by the Government.

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

74. 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.

75. For several years no new loans and advances were made from the Consolidated Fund, except in three(3) cases during 1996 and 1997. 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.

76. The statement of outstanding loans and advances made from the Consolidated Fund as at 31 December 1997 is shown on pages 2/50 to 2/54 and is summarised as follows:-

DESCRIPTION -----	AMOUNT -----
	\$'000
Public Corporations & Boards	501,238
Local Authorities	1,719
Municipalities	1,014
Other Statutory Bodies	806
Remigrated & Other Officers	680
Co-operative Societies	575
Other Loans & Advances	400

Students	146
Others	211

TOTAL	506,789
	=====

77. Included in the figure of \$501.238M shown as loans to public Corporations is an amount of \$472.964M representing a loan granted to Linden Mining Enterprise in 1997. However, a similar loan of \$518.874M was given to LINMINE in 1996 while \$15M was granted to the Guyana Broadcasting Corporation but these were neither reflected in the Statement of Loans and Advances for 1996 nor for the period under review.
78. 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 this period. 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.
79. 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.
80. 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.
81. 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 \$506.789M shown as outstanding loans and advances made from the Consolidated Fund as at 31 December 1997 could not be determined.

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

82. 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.

83. The Statement of Statutory Expenditure for 1997 is shown on page 2/55, and is summarised below with comparative for the preceding two(2) years:-

DESCRIPTION			1997	1996	1995
	-----		-----	-----	-----
					\$'000
	\$'000	\$'000	Internal Debt	-	Principal
	5,936,455	1,683,901	405,438		-
	Interest	3,534,202	5,042,989	5,944,371	
External Debt - Principal		4,228,298	4,180,690	4,414,822	
- Interest		6,532,262	2,846,022	3,202,423	
		-----	-----	-----	
Sub-Total		20,231,217	13,753,602	13,967,054	
Constitutional Offices		152,248	115,918	99,732	
Pensions & Gratuities		313,797	280,772	223,549	
Payments to Dependant's Pension Fund		11,700	4,082	-	
		-----	-----	-----	
TOTAL STATUTORY EXPENDITURE		20,708,962	14,154,374	14,290,335	
		=====	=====	=====	

84. As can be noted, the repayment and servicing of the Public Debt increased substantially from \$13.754 billion to \$20.231 billion. This is in contrast to the reductions of \$214.652M and \$3.703 billion recorded in 1996 and 1995 respectively. The main reasons for this steep increase are:-
- (a) Interest on several of the rescheduled debts became due in 1997 arising out of the agreement reached at the Paris Club meeting of 23 May 1996, resulting in an increase in external interest from \$2.846 billion to \$6.532 billion. In particular, amounts totalling \$2.477 billion were paid as interest on the Trinidad & Tobago Oil Facility Debt which was taken over from the Bank of Guyana; and
 - (b) The repayment of the internal debt, inclusive of interest, increased from \$6.727 billion to \$9.471 billion. In particular, for the period under review, two(2) variable interest rate debentures issued in 1994 were redeemed in the sum of \$5.395 billion.
85. Expressed as a percentage of current revenues, the repayment and servicing of the Public Debt in 1997 represented 54.15% of current revenue, compared with 40.0% in 1996 and 47.37% in 1995.
86. It should be noted that for the period under review interest charges relating to the servicing of the Public Debt totalled \$10.066 billion, representing 49.75% of the total payments made in respect thereof, compared with \$7.889 billion or 57.35% made in 1996. In 1995, 65.49% of the repayment and servicing of the Public Debt represented interest charges. In other words, over the last three(3) years interest charges averaged 57.53% of the total payments made in respect of the repayment and servicing of the Public Debt.

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

87. 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.
88. In addition, in accordance with Section 25 of the FAA 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.

89. The statement of receipts and payments of the Contingencies Fund for the year ended 31 December 1997 is shown on pages 2/56 to 2/60. Total payments out of the Contingencies Fund amounted to \$1.605 billion, compared with \$802.729M in 1996, an increase of \$802.271M. Total receipts from the Consolidated Fund amounted to \$1.572 billion, compared with \$1.133 billion in 1996. This gives an excess of payments over receipts totalling \$32.377M in 1997.
90. As at 31 December 1997, thirty-five(35) advances totalling \$717.725M 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 \$303.503M, the balance on the Contingencies Fund as at 31 December 1996 was \$1.021 billion.
91. 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.
92. While there has been some measure of improvement in 1996, for the period under review, a number of advances granted from the Contingencies Fund did not meet the above stated criteria. The following are examples:-

DATE	WARRANT NO.	PARTICULARS	AMOUNT
----	-----	-----	-----
			\$
26/03	1/97	To purchase motor car	3,286,694
27/03	2/97	" " two(2) vehicles	4,960,000
27/03	3/97	" " office equipment	653,000
04/06	8/97	" " computer system	465,120

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**

93. Section 23 of the FAA 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.
94. 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:-
- (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.
95. 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.
96. Prior to 1996, the last audited Statement of Deposit held by the Accountant General and Outstanding Advances made therefrom 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 for the period under review 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.

97. The Statement of Deposit held by the Accountant General and Outstanding Advances made therefrom is shown on pages 2/61 to 2/62 and is summarised below:-

Balances Held on Deposit		\$'000
Held for Investments		664,008
" on behalf of Ministry of Finance		3,783,088
" " " " Other Ministries		586,191
" " " " Dependants' Pension Fund		186,917
" " " " Sugar Industry Welfare Committee		56,988

TOTAL		5,277,192
		=====
Outstanding Advances		
Motor Vehicles		110,607
Personal		1,904
Bicycles		165
Other		26

TOTAL		112,702
		=====

98. As can be noted, the balance on the Deposits Fund as at 31 December 1997 was \$5.277 billion while the bank account reflected a balance of \$5.600 billion as at this date. However, although the cash book 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.

99. The amount of \$664.008M 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 to 1990, 1980 and 1980 respectively and therefore it was not possible to properly verify the accuracy of the above amount using the entities' records.
100. 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 and 1997 in that sums totalling \$398.023M and \$1.968 billion respectively were collected and held in the Deposits Fund bank account.
101. 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 \$112.702M shown as advances outstanding as at 31 December 1997 could not be substantiated.
102. The Statement also includes an amount of \$243.905M 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 1995. As a result, the accuracy of this amount could not have been properly determined from the entity's records.
103. 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

104. 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 FAA 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.

105. 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.
106. 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 sixteen(16) 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 1996 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 1997 in respect of the financial position of the Government.
107. In the absence of a statement of current assets and liabilities of the Government, the positive balance of \$15.933 billion on all the Central Government bank accounts referred previously, represents the best available estimate of the net cash position of the Government as at 31 December 1997 in terms of funds held at the Bank of Guyana, excluding those relating to special projects.
108. 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
-----	-----	-----
	1997	1996
	\$M	\$M
Consolidated Fund	(40,407)	(38,229)
Deposits Fund	5,600	5,359
Contingencies Fund	119	3
General Account	6,755	(467)
Non-Sub-Accounting Ministries/Departments	7,805	18,146
Other Ministries/Departments' Accounts	14,224	9,428
Monetary Sterilisation Account	21,837	21,853
	-----	-----
TOTAL	15,933	16,093

109. According to confirmation received from the Bank of Guyana, the total amount held in special accounts on behalf on the Government as at 31 December 1997 was \$18.972 billion. Of this sum, amounts totalling \$7.217 billion relate to foreign funded projects which were on-going, giving a balance of \$11.756 billion which appear to be funds which are transferrable to the Consolidated Fund. Assuming the latter amount represented moneys which should have been transferred to the Consolidated Fund, the net cash position as at 31 December 1997 would increase to \$27.689 billion.
110. 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 reflected a large balance of \$6.755 billion. 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 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 more efficient and less cumbersome to have monthly releases of funds to be paid over directly to the bank accounts of the Ministries/Departments.
111. 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 \$7.805 billion as at the end of 1997, 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.
112. 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 also 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.

113. 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, cumbersome and over-centralised. The system is therefore in dire need of review. It should be noted that the Government had initiated reforms in the budget process in the form of Programme Budgeting which the Audit Office fully supports. 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.

114. 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 \$14.224 billion at the end of 1997, of which the following reflected balances in excess of \$100M:-

ACCOUNT NO.	DESCRIPTION	AMOUNT
-----	-----	-----
		\$'000
102	Accountant General Int. on Bonds	6,036,302
404	Tresury Bills Redemption Account	944,480
489	Customs & Excise Revenue Account	169,165
500	National Insurance Fund A/c	179,417
922	Counterpart Funds - PEIP	219,947
975	" " - Road Project	203,057
981	Revenue & Deposits Fund Receipts	849,327
993	Student Loans Fund A/c	254,141
1010	Ministry of Public Works Main A/c	1,151,202
3014	Customs & Excise Revenue A/c	220,310
3020	Ministry of Home Affairs Main A/c	269,993
3025	Inland Revenue Main A/c	876,871
3043	Region 3 Sub-Treasury A/c	104,182

3054	Ministry of Agriculture Main A/c	247,674
3079	Ministry of Health Main A/c	484,400
3119	New National Lotteries A/c	340,095

TOTAL		12,550,563
		=====

115. 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.

116. 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.

117. 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.

118. 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.
119. Section 22 of the FAA 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.
120. Despite this legal requirement, numerous bank accounts continued to be overdrawn without the authority of the Minister. As at 31 December 1997, the number of bank accounts of Ministries and Departments in overdraft stood at 256 with balances totalling \$928.290M (excluding overdrafts of \$40.407 billion and \$5.410 billion on the Consolidated Fund and the non-operational Non-Sub-Accounting Bank Account respectively) compared with 240 accounts with overdrafts totalling \$1.757 billion at the end of 1996.
121. 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.

122. 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.
123. It would also 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.
124. As can be noted, the Monetary Sterilisation Account reflected a balance of \$21.837 billion as at 31 December 1997 compared with \$21.853 billion and \$7.708 billion at the end of 1996 and 1995 respectively. However, according to the Public Debt Statement, as at 31 December 1997 amounts totalling \$21.039 billion were outstanding, giving an unexplained difference of \$798M.

APPROPRIATION ACCOUNTS OF ACCOUNTING OFFICERS

125. The Appropriation Accounts of Accounting Officers for the year ended 31 December 1997 in respect of the votes for which they were responsible, comprising both capital and current, are shown on pages 2/63 to 2/193. 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

126. The statements of receipts and disbursements by Principal

Receivers of Revenue for the year ended 31 December 1997 are shown on pages 2/194 to 2/213. 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 01-01 & DIVISION 501

OFFICE OF THE PRESIDENT

Current Expenditure

Employment Costs

127. The Salaries Bank Account No. 933, which became non-operational in June 1996, was not reconciled since 1992 and was overdrawn by \$517,933 as at 31 December 1997. Two(2) other non-operational salaries account Nos. 510 and 183 also reflected overdrafts of \$19,351 and \$189,664 respectively as at December 1997. 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.

128. A similar observation was made in relation to the current salaries bank account No. 3007 which was not reconciled since July 1997 at the time of reporting and was overdrawn by \$31,177 as at 31 December 1997. The cash book was also not cast and balanced for the month of December 1997.

Other Charges

129. The Main Bank Account No. 932, which ceased to be operational in June 1996, was also overdrawn by \$28.712M as at 31 December 1997 and was not reconciled since 1992. These matters were also drawn to attention in my previous reports.

130. The new main bank account No. 3006 which was opened in June 1996 was last reconciled to May 1997 at the time of the audit in May 1998 and reflected a balance of \$50.958M as at 31 December 1997. The cash book balance as at this date was \$17.753M. The failure to reconcile bank accounts promptly can lead to irregularities being perpetrated without detection. Every effort should therefore be made to ensure the timely reconciliation of bank accounts.

131. Purchases falling 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 twenty(20) purchases falling within these limits, six(6) purchases valued at \$1.825M were not adjudicated by the Departmental Tender Board. Instead, the purchases were effected on the basis of a system of quotations. The Accounting Officer explained this was an oversight. Efforts should be made to ensure strict compliance with the Tender Board Regulations.

132. In my 1996 Report, mention was made of goods to the value of \$145,000 and \$227,240 which had not been supplied. The Accounting Officer had written the Director of Public Prosecution with a view to instituting legal proceedings against the two(2) suppliers. Up to the time of reporting, however, it could not be determined what further action was taken in respect of these two(2) transactions.

133. Amounts totalling \$11.497M 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
PFF 1940	GIS	PFF 2822	Science & Tech.

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.

134. The sum of \$67.056M was expended on Education Subvention, Grants etc., of which amounts totalling \$29.786M 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
-----	-----
	\$
Tuition fees etc. for overseas students	29,786,271
UG Law and Medical Programmes	15,228,540
REPAHA	9,317,500
PSM Career Training Programme	7,666,825
National Data Management Authority	2,695,267
Seminars	638,879
Others	1,722,759

TOTAL	67,056,041
	=====

135. In my 1996 Report, it was stated 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, only two(2) of them had returned and it could

not be determined what action was taken in respect of the other five(5) students.

136. For the period under review, amounts totalling \$29.786M were expended on tuition fees and other expenses in respect of overseas students. However, three(3) students pursuing studies in Moscow, failed to return home at the completion of their studies. Evidence was also 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.

137. Amounts totalling \$164.920M were expended on subsidies and contributions to local and international organisations, as follows:-

NAME OF ORGANISATION -----	AMOUNT -----
	\$
Guyana Television and Broadcasting Company	649,463
Guyana Natural Resources Agency	40,318,333
Institute of Applied Science and Technology	14,915,000
National Data Management Authority	11,000,000
Guyana Management Institute	22,522,581
Environmental Unit	4,118,131
Guyana Information Service	232,180
Castellani Committee	7,153,236
Expenses relating to Presidential Guard	58,194,822
Expenses relating to Joint Services Operations	3,539,360
Contributions to International Organisations	2,276,480

TOTAL	164,919,586 =====

138. 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 last set of audited accounts was in respect of 1995. However, they had not been laid before the National Assembly, as required by Section 33(2) of the FAA Act. Financial statements were received for 1996 and at the time of reporting, the audit was in progress.

139. The Guyana Natural Resources Agency (GNRA) was established by Order No. 37 of 1986. The last set of audited accounts was in respect of 1996. Financial statements for 1997 have been received, and at the time of reporting, the audit was in progress. The audited accounts of GNRA are also required to be laid in the National Assembly. The amount of \$40.318M was verified as having

been received by GNRA.

140. 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 fifteen(15) years in financial reporting. The amount of \$14.915M was, however, verified as having been received by IAST, but in the absence of audited accounts, it could not be determined whether it was properly expended.

141. 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 1996. Financial statements for 1997 were received, and at the time of reporting, the audit was in progress. The amount of \$11M was verified as having been received by NDMA.

142. 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 1990-1997 were submitted for audit and therefore the Institute was in arrears in terms of financial reporting for eight(8) years. The amount \$22.523M 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. It should be noted that at the time of reporting GMI ceased operations and it is not clear what steps have been taken to have financial reporting for the outstanding years.

143. The Environmental Unit, Guyana Information Service, the Castellani Committee and expenses connected with the Presidential Guard and Joint Services Operations have been treated as Central Government activities. The audit of the related expenditures has therefore been included in the audit of the Office of the President.

144. Amounts totalling \$12.672M were shown as over-expenditure in respect of Subhead 312 - Subsidies & Contributions and Subhead 314 - Other. The excess expenditure was met out of an advance of \$19M from the Contingencies Fund and a supplementary estimate was approved in 1998 to clear the advance.

Stores and Other Public Property

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

- . A physical count of a sample of 26 items, revealed shortages in respect of 8. The Accounting Officer explained that these shortages resulted from a change in storekeeper without an handing over/taking over statement being prepared and that efforts would be made to have the loss written off; 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

146. The Imprest Bank Account No. 935, which became non-operational in May 1996, was overdrawn by \$148,167 as at 31 December 1997. The overdraft should be investigated with a view to clearing it and to close the account. Another imprest account No. 934, which became non-operational in June 1996, reflected a balance of \$121,588 as at 31 December 1997. 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. However, up to the time of reporting, it could not be determined what action was taken in respect of this latter account.

Capital Expenditure

Subhead 12002 - Office and Residence of the President

147. The sum of \$18M was voted for the rehabilitation of the State House, Public Service Management buildings at D'Urban and Waterloo streets, Building 'A' - Office of the President Complex and Castellani House. Amounts totalling \$5.639M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of PSM building in D'Urban St.	2,061,488
" " " " " Waterloo St.	270,045
" " Building 'A'	319,010
" " Castellani House	2,555,682
Constr. of shed at Joint Intelligence Compound	432,430

TOTAL	5,638,655 =====

148. In relation to the rehabilitation of the PSM building in D'Urban Street, the following five(5) contracts were awarded:-

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

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
10/04	35/97	Constr. of water trestle	\$ 114,290
23/04	47/97	" " fence	338,080
30/06	103/97	Painting of building	547,000
16/07	111/97	Construction of fence	116,200
12/08	131/97	Construction of driveway	945,918
TOTAL			2,061,488

149. Had the rehabilitation work been undertaken in one lot, this would have required a public invitation to tender and adjudication by the Central Tender Board. However, only the construction of the drive-way was advertised publicly and was adjudicated by the Departmental Tender Board instead of the Central Tender Board. In addition, contracts 47/97 and 103/97 were awarded based on a system of selective tendering which is not an approved procedure for awarding contracts which require public advertisement.

150. The following two(2) contracts were also awarded for the rehabilitation of Castellani House based also on a system of selective tendering and approval by the Central Tender Board:-

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
			\$
20/05	67/97	Rehab. of roof	1,069,069
15/12	227/97	" " first floor	1,486,613
TOTAL			2,555,682

The works were nevertheless physically verified.

Subhead 17001 - Minor Works

151. The sum of \$15M was allocated to finance small ventures which are critical and essential to development. Amounts totalling \$14.995M were expended as follows:-

DESCRIPTION	AMOUNT
	\$
Contributions to Caribbean Disaster Emergency Response Agency & Red Cross	4,498,750
Transportation of food relief items	2,927,346
Purchase of snacks, drinks, T-shirts	2,563,483
Renovation of Appellate Tribunal Building	2,500,000
Service rendered	1,000,000
Medical expenses	1,505,750

TOTAL

14,995,329
=====

152. 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. In 1997, further expenditures totalling \$3.302M were incurred out of the balance remaining. This practice is a breach of the FAA Act which requires all unspent balances of appropriations to be paid over to the Consolidated Fund.

Subhead 24002 - Land Transport

153. An amount of \$2.920M was voted for the purchase of one(1) vehicle, of which the sum of \$1.795M was expended. The vehicle was verified as having been received and properly brought to account.

Subhead 25001 - Purchase of Equipment

154. The sum of \$2M was allocated for the purchase of a computer, printer, electrical typewriter, fax machine and gestetner machine, of which amounts totalling \$1.820M were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 34004 - Public Administration Project

155. The sum of \$254.640M was voted for the procurement of equipment and vehicles and the provision of consultancy services for the Public Administration Project. Amounts totalling \$175.083M were expended. The Project is funded by the World Bank and is subject to separate financial reporting and audit. The last set of audited financial statements was in respect of 1997.

156. A breakdown of the expenditure is shown below. The items purchased were verified as having been received and properly brought to account while the other expenditures were verified as having been incurred in accordance with the Loan Agreement.

DESCRIPTION	AMOUNT
-----	-----
	\$
Vehicles and equipment:	
Police	82,548,483
Project Coordinating Unit	468,626
Public Service Management	5,856,505
Office of Registrar General	214,542
Final payments on items supplied in 1996	34,973,008

Sub-Total	124,061,164

Consultancy services	20,046,777
Recruitment costs	30,974,897

TOTAL	175,082,838
	=====

Guyana Natural Resources Agency (GNRA)

Subhead 24003 - Land Transport

157. The sum of \$3M was allocated for the purchase of one(1) vehicle for data collection at Moco Moco, Ikuribisi and Illubia falls. The full amount was expended in the purchase of a 4 x 4 double cab pick-up. The vehicle was verified as having been received and properly brought to account.

Subhead 25002 - Office Equipment & Furniture

158. The sum of \$1.5M was voted for the purchase of two(2) computers for the Information/Documentation Centre. The full amount was expended. The items purchased were physically verified and were properly brought to account.

Subhead 33001 - Hydropower Division

159. The sum of \$37.5M was allocated for the construction of the hydroelectric station at Moco Moco and for feasibility studies for the Ikuribisi hydropower site. A supplementary provision of \$154.965M was subsequently approved in October 1997, giving a revised allocation of \$192.465M. Amounts totalling \$192.448M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Constr. of hydro. station at Moco Moco	184,965,220
Feasibility studies for Ikuribisi hydo site	7,484,221

TOTAL	192,449,441
	=====

160. The construction of the hydroelectric station at Moco Moco is being undertaken through a loan agreement between the Governments of Guyana and China whereby the latter agreed to complete the

Project at a cost of 24.368M yuan, equivalent to G\$416.608M. The Agreement was signed on 15 November 1996.

161. The amount of \$184.965M shown as having been expended on the Project represents 45% of the contract price which was to have been paid within 30 days of the signing of the contract. However, evidence was seen that a further sum of 12.184M yuan equivalent to \$G205.517M was disbursed on 14 August 1997 by the Bank of China to the Contractor. This latter amount represents the second installment of 50% of the contract sum which was to have been paid within 30 days of the commencement of the Project. The latter sum was therefore not brought to account in the Appropriation Account and in the Public Accounts. As a result, expenditure for 1997 has been understated by \$G205.517M.

Subhead 34001 - Energy Conservation & Awareness

162. The sum of \$1.5M was voted for the production of education materials to facilitate energy awareness and conservation. The full amount was expended on advertisements, purchase of equipment, repairs to vehicles and salaries. The equipment was verified as having been received and properly brought to account while the other expenditures were verified as having been properly incurred.

Subhead 35003 - Forestry Studies

163. The sum of \$1M was voted for support to the Forestry Certificate Course at the University of Guyana. However, no expenditure was incurred. The Accounting Officer explained that the Forestry Commission was to have taken over the course, hence no expenditure was incurred.

HEAD 01-02 & DIVISION 501

GUYANA DEFENCE FORCE

Current Expenditure

Employment Costs

164. The salaries bank account reflected a balance of \$16.133M as at 31 December 1997 while the cash book balance as at this date was \$1.579M instead of a nil balance. At the time of reporting, the account was also only reconciled to August 1995 and an examination of the reconciliation statement revealed 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 appropriate corrective action based on the results of such reconciliation.

165. The Unpaid Salaries Account reflected a balance of \$15.762MM as at 31 December 1997, resulting from the accumulation of unclaimed salaries over the years. This amount should have been paid over to the Consolidated Fund in keeping with the established procedures. In addition, although this account was reconciled to December 1997, there were also several items remaining uncleared for a considerable period of time without evidence of any action taken to investigate them.

166. 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 Army.

167. In accordance with the Ministry of Finance circular No. 6/96, all existing bank accounts were required to be closed and the balances transferred to the Consolidated Fund. New bank accounts were to have been opened with effect from June 1996. However, up to the time of reporting, the Army had not done so. The Accounting Officer explained that this was initially an oversight and that the Accountant General was written to in November 1997 seeking advice on the matter. Up to the time of reporting, however, it could not be determined what action was taken in respect of this matter.

Other Charges

168. Amounts totalling \$41.701M were expended on materials, equipment and supplies. An analysis of the actual purchases made under the various authority limits is shown below:-

AUTHORITY LIMITS	NO. OF PURCHASES	AMOUNT
-----	-----	-----
		\$
Below \$90,000	666	13,108,826
\$90,000 - \$180,000	40	6,698,039
\$180,000 - \$600,000	41	13,682,067
\$600,000 - \$6,000,000	3	8,211,623
Exceeding \$6,000,000	-	-
	---	-----
TOTAL	750	41,700,655
	===	=====

169. In relation to the purchases falling within the limits of \$90,000 and \$180,000, thirty-eight(38) instances were noted where 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 two(2)

overseas purchases totalling \$7.001M.

170. 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 required to be prenumbered and preprinted. However, these procedures were not followed for the period under review 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 and 1996 reports. The Accounting Officer has, however, advised that steps have been taken with effect from 1998 to remedy these significant deficiencies in storekeeping and stores accounting.

171. Amounts totalling \$49.351M were expended on fuel and lubricants. The following gives a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
Gasolene and dieselene	\$20,658,470
Ava gas for aircraft	9,252,396
Cooking and welding gas	14,351,160
Charcoal	1,969,920
Lubricants	3,035,054

TOTAL	49,351,000
	=====

172. Despite mention in my previous report, internal stores requisitions (ISR's) were not used for the issue of fuel to vehicles. Instead, entries were being made in the log books of the vehicles. Corrective action has, however, since been taken with effect from 1998.

173. Included in the amount of \$14.351M shown as expenditure on cooking and welding gas, were sums totalling \$422,100 representing the cost of rental for 88 cylinders. However, only 24 cylinders could be located. This matter was drawn to attention in my previous reports 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 with effect from 1998.

174. The sum of \$44.176M was expended on the rental and maintenance of buildings. The following gives a breakdown of the

expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Purchases of building material	21,370,144
Repairs to buildings at Camp Ayangana	6,964,346
" " " " Camp Stephenson	7,406,181
" " " " the Coast Guard	1,691,150
" " " " Macouria	892,298
" " " " No. 63 Village	1,146,425
Janitorial & cleaning services	4,706,130

TOTAL	44,176,674
	=====

175. The works were physically verified while the purchases were verified as having been received and properly brought to account. However, four(4) instances were noted 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 also made without adherence to a system of quotations.

176. Amounts totalling \$16.145M were expended on the maintenance of infrastructure. The following gives a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Weeding of compounds	4,559,843
Construction of septic tanks & sewerage	3,823,931
Rehabilitation of one(1) bridge	2,867,940
Repairs of road	1,966,965
Electrical work	1,492,240
Disposal of garbage	820,000
Other	614,418

TOTAL	16,145,337
	=====

177. The following unsatisfactory features were, however, observed in relation to this expenditure:-

- (a) Nine(9) contracts falling within the limits of \$180,000 and \$450,000 were executed without evidence that a system of quotations was followed before they 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 \$1.602M for repairs to road without the involvement of the Central Tender Board, nor was there evidence that the proposed work was advertised.

178. Amounts totalling \$69.542M were expended transport, travel and postage. The following gives a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Travelling expenses	1,996,283
Overseas conferences and visits	1,920,315
Postage and telex	292,000
Hire of vehicles	41,556,654
Purchase of spares	12,149,522
Repairs to vehicles	6,850,417
Hire of aircrafts	4,776,700

TOTAL	69,541,890
	=====

179. As can be noted, sums totalling \$41.567M were expended on the hire of vehicles, compared with \$19.153M expended in 1996. 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 perhaps through the acquisition of new vehicles and/or the rationalisation of the use of existing vehicles. This matter was drawn to attention in my previous reports. Notwithstanding this, the purchases were verified as having been received and properly brought to account while the other expenditures were verified as having been properly incurred.

180. Amounts totalling \$65.137M were expended on Other Services Purchased. The following gives a break down of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Purchase of aircraft parts	28,673,157
Repairs to equipment	12,575,872
Hire of aircraft	9,684,243
Refurbishing of Coast Guard boats	7,846,004
Pesticide services	6,337,407

TOTAL	65,136,683
	=====

181. Based on test-checks carried out, the items purchased were verified as having been received and properly brought to account while the other expenditures were verified as having been properly incurred. However, in respect of thirty-one(31) contracts 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.

182. A similar situation was observed in respect of six(6) purchases of aircraft spares falling within the limits of \$600,000 and \$6M in that the purchases were effected without any form of competitive bidding and adjudication by the Central Tender Board. The Accounting Officer explained that the purchases were made from manufacturers overseas who were the regular suppliers of aircraft spares for the Army. However, a waiver of the Tender Board procedures should have been sought from the Secretary to the Treasury to facilitate these purchases.

183. The sum of \$316.053M was expended under Subhead 314 - Other. The following gives a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Dietary supplies	165,876,318
Purchase of accommodation items	19,244,108
Clothing and equipment	94,691,000
Agriculture development	27,769,018
Maintenance of music band corps	891,122
Funeral Expenses	915,000
Hire of vehicles for security services	2,605,297
Entertainment and sports	4,061,548

Total	316,053,411
	=====

184. As can be noted, amounts totalling \$165.876M were expended on dietary items. However, the purchases were effected without a system of competitive bidding and adjudication by the Central Tender Board. Instead, the contracts in excess of \$180,000 were awarded by the Departmental Tender Board to the persons who had supplied dietary items in the previous year. It should be noted that there were 307 purchases falling within the limits of \$180,000 and \$600,000 and valued at \$93M while in respect of the limits of \$600,000 and \$6M, there were 23 purchases valued \$21.555M. Based on test-checks carried out, the items purchased were verified as having been received and properly brought to

account while the other expenditures were verified as having been properly incurred.

Revenue Accounting and Control

185. 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. However, 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 reporting this matter had not been settled.

186. 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 FAA 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 previous reports, and despite this, there was no evidence that attempts were made to comply with the requirements of the Law.

187. 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. 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 still engaging the attention of the Director of Public Prosecution and the Defence Board.

Capital Expenditure

Subhead 12001 - Buildings

188. The sum of \$35M was voted for the rehabilitation of (a) office complex, officers and senior NCO's and female accommodation at Tacama (b) OR's accommodation at Jungle Amphibious Training School and (c) female accommodation, ammunition dump bond, weapon shed, and senior officers' accommodation at base Camp Stephenson.

The full amount was expended as follows:-

DESCRIPTION -----	AMOUNT -----
Rehabilitation of office complex	\$3,113,475
" " senior NCO's	2,304,239
Rehab. of female accommod. at Camp Stephenson	4,358,988
Other rehab. works - Camp Ayangana	9,862,069
" " - Camp Stephenson	1,101,330
" " - New Amsterdam Drill Hall	3,176,488
" " - Cove & John	3,396,176
" " - Linden	2,840,661
" " - Macouria	509,779
" " - North West Mabaruma	276,839
" " - Tacama	877,745
" " - No.63 Village	374,575
" " - Lethem	842,307
" " - OR Mess, Coast Guard	1,375,235

TOTAL	\$34,409,906 =====

189. As can be noted, no rehabilitation works were undertaken at the female accommodation at Tacama, the OR accommodation at Jungle Amphibious School, the ammunition dump bond and weapon shed. In addition, rehabilitation works to the value of \$24.633M were undertaken but there was no evidence that approval was granted for a change in programme to accommodate this significant amount of expenditure.

190. Except for Tacama which was not visited, the rehabilitation works were physically verified. However, two(2) contracts falling within the limits of \$450,000 and \$900,000 were not adjudicated by the Departmental Tender Board. These were awarded without any system of competitive bidding.

Subhead 28001 - Pure Water Supply

191. The sum of \$4.2M was allocated for the rehabilitation of water mains and booster pumps at Tacama Battle School, Amphibian Training School, Agriculture Corps, Camp Ayangana, Camp Seweyo and Camp Stephenson. Amounts totalling \$4.187M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Purchase of PVC pipes, fittings etc.	2,733,914
" " automatic valves	487,315
" " filter system for Camp Seweyo	135,110
" " pressure pump	111,460

Construction of generator house	623,184
Miscellaneous	95,800

TOTAL	4,186,783
	=====

The items purchased were verified as having been received and properly brought to account while construction of the generator hut was physically verified.

Subhead 28007 - Agricultural Development

192. The sum of \$5M was voted was allocated for the rehabilitation of the dairy pen/parlour, replacement of livestock and the maintenance of the orchard at Garden of Eden. The full amount was expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Purchase of lumber	1,718,750
Repairs to dairy pen/parlour	994,060
Purchase of zinc sheets	577,030
" " cement and paint	420,215
" " water drinkers	359,400
Cleaning of main drains	319,300
Other miscellaneous purchases	610,930

TOTAL	4,999,685
	=====

The items purchased were verified as having been received and properly brought to account while the other expenditures were verified as having been properly incurred.

Subhead 51001 - Drugs Surveillance

193. The sum of \$5M was allocated for the purchase of radios, parachutes, night vision devices and video cameras for drug surveillance. The full amount was expended. The items purchased were verified as having been received and properly brought to account.

Subhead 51003 - Equipment

194. The sum of \$25M was voted for the purchase of trucks, HF radios, two(2) SW sets, two(2) fibre glass boats with engines, saxophone and papelling rope. Amounts totalling \$24.972M were expended in the purchase of the following;-

DESCRIPTION -----	AMOUNT -----
	\$
Solar power supply and battery & accessories	2,200,000
One(1) fibre glass boat	995,308
Six(6) air conditioning units	1,179,190
Rifle cleaning kits	1,641,596
Three(3) 4 x 4 pick-ups	8,250,000
One(1) 4 x 2 pick-up	2,150,000
One(1) 4 x 4 engine	450,000
One(1) Toyota Deluxe cab	2,900,000
Ten(10) typewriters	880,400
Three(3) sewing machines	544,000
Two(2) freezers & four(4) cookers	1,294,625
Computer spares and accessories	1,148,779
One(1) security system	743,373
Miscellaneous	576,380

TOTAL	24,972,471
	=====

195. Approval was granted for a change in programme to purchase the pick-ups instead of the trucks. However, in respect of the other items not reflected in the Capital Profile of the Army, there was no evidence that approval was granted for a change in programme to accommodate the expenditure. Notwithstanding this, the items purchased were verified as having been received and properly brought to account.

HEAD 01-03 & DIVISION 501

GUYANA NATIONAL SERVICE

Current Expenditure

196. The salaries bank account No. 203007473, which became non-operational in May 1996, was overdrawn by \$999 as at 31 December 1997. 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.

197. The Accounting Officer explained that the perpetrator was charged by the Police and was convicted and imprisoned that a losses report be filed with the Secretary to the Treasury with a view to writing off of the loss.

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

MONTH	AMOUNT	MONTH	AMOUNT
-----	-----	-----	-----
	\$		\$
January	2,164,196	February	1,093,761
March	1,394,308	April	1,439,518
May	1,308,472	June	1,461,561
July	(2,868,409)	August	1,206,453
September	(3,374,563)	October	1,215,498
November	(1,913,153)	December	607,214

199. These balances resulted from the delay in paying over deductions to the relevant agencies as well as refunds of unpaid salaries which were not being paid over promptly to the Sub-Treasury. In relation to the latter, there were 405 instances of unclaimed salaries totalling \$2.379M which were paid over to the Sub-Treasury on average four(4) months later.

200. As at 31 December 1997, the salaries bank account reflected a balance of \$2.452M, of which \$1.445M represented unclaimed salaries which were paid over to revenue in January 1998. Had the refunds been made before the close of the year, the expenditure shown in the Appropriation Account would have been reduced by this amount.

201. In order to ensure effective control over the payment of salaries, it is necessary for all payments in respect of salaries to be paid before the end of the month so that the cash book can reflect a nil balance. It is also recommended that all unclaimed salaries be paid over promptly to the Sub-Treasury.

202. At the time of the audit in March 1998, the Register of contributors to the National Insurance Scheme was not updated for the period under review. Every effort should therefore be made to ensure that this is done since failure to do may result in a loss of benefits to contributors to the Scheme.

203. Purchases falling within the limits of \$90,000 and \$180,000 require a system of quotations to be followed before they are effected. However, four(4) instances were noted where there was non-compliance with this requirement. The Accounting Officer explained that this was an oversight.

204. Amounts totalling \$3.605M were expended on electricity charges. However, on 31 December 1997, an amount of \$820,000 was paid to the Electricity Corporation as advance payment for December 1997 since bills for this month had not yet been

received. The Accounting Officer explained that there were adequate funds in the vote and instead of refunding the balance to the Consolidated Fund, it was decided to make the advance payment. A similar observation was made in respect of telephone charges. Notwithstanding the explanation given, the amounts involved should have been refunded to the Consolidated Fund and the liabilities should have been discharged using the following year's voted provisions, in keeping with established procedures.

Capital Expenditure

Subhead 51002 - Guyana National Service

205. The sum of \$15M was voted for (a) vocational skill training at the New Opportunity Corps(NOC) and Kuru Kuru (b) construction and rehabilitation of buildings at Kuru Kuru and purchase of office equipment for the GNS Sports Complex and (c) agricultural development and purchase of livestock for the New Opportunity Corps and Kuru Kuru. Amounts totalling \$14.894M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Vocational training at NOC and Kuru Kuru	4,268,673
Rehabilitation of buildings at Kuru Kuru	1,195,596
" " " at NOC	1,216,232
Construction of fence at NOC	652,215
Rehabilitation of road at Kuru Kuru	628,393
Construction of fence at Smythfield	283,335
Agricultural development	3,821,127
Rehabilitation of power generator	998,781
Repairs to vehicles and equipment	1,829,630

TOTAL	14,893,982 =====

206. The amount of \$4.269M expended on vocational training represented the purchase of tools, kitchen utensils, library books, musical instruments and other training aids. The items purchased were verified as having been received and properly brought to account. However, two(2) instances were observed where purchases falling within the limits of \$180,000 and \$600,000 were effected without adherence to a system of competitive bidding and adjudication by the Departmental Tender Board. The following are the details:-

DATE -----	PV NO. -----	PARTICULARS -----	AMOUNT -----
			\$
06/03	263/97	One(1) Yamaha generator	320,000

24/07	1357/97	Sports equipment	253,250

TOTAL			573,250
			=====

207. As can be noted, no office equipment was purchased for the Sports Complex. In addition, a number of other rehabilitation works were undertaken but there was no evidence that approval was granted for a change in programme to accommodate the expenditure. There were also three(3) instances where purchases were effected without adjudication by the Departmental Tender Board. The following are the details:-

DATE	PV NO.	PARTICULARS	AMOUNT
-----	-----	-----	-----
			\$
18/03	350/97	Chain link fencing	283,085
04/09	1638/97	Paint	226,838
28/11	348/97	Tar, etc.	470,156

TOTAL			980.079
			=====

208. The amount of \$3.821M expended on agricultural development represented mainly the purchase of feed, seeds and fertilizers. These were verified as having been received and properly brought to account.

209. In relation to the rehabilitation of the power generator and repairs to vehicles, there was also no evidence that approval was granted for a change in programme to accommodate the expenditure of \$2.828M. The works were nevertheless physically verified.

HEAD 01-04

MINISTRY OF INFORMATION

Current Expenditure

210. The salaries bank account No. 3143 was overdrawn on several occasions between August and November 1997 during which period the cash book did not reflect nil balances at the end of each month. Greater care should therefore be exercised in the monitoring of this account since failure to do so can lead to irregularities.

211. Amounts totalling \$767,000 were expended on fuel and

lubricants. However, log books were not produced for audit examination in respect of the two(2) vehicles attached to the Ministry. In the circumstances, it could not be satisfactorily determined whether effective control was exercised over the use of these vehicles.

212. Amounts totalling \$52.177M were expended on Subsidies & Contributions to Local and international organisations. The following gives a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Subvention to Guyana Television Co. Ltd.	38,621,000
Operational costs of GIS:	
Employment costs	10,738,575
Stationery & office supplies	2,817,907

	13,556,482

TOTAL	52,177,482 =====

213. 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 last set of audited accounts was in respect of 1995. However, they had not been laid before the National Assembly, as required by Section 33(2) of the FAA Act. Financial statements were received for 1996 and at the time of reporting, the audit was in progress. The amount of \$38.621M was verified as having been received by GTV. However, in the absence of audited accounts, it could not be determined whether it was properly expended.

214. The Guyana Information Service is not a separate legal entity and as such it ought not to be in receipt of a subvention. The costs associated with its operations should therefore have been reflected under the various subheads of the Ministry of Information. Notwithstanding this, the expenditure was verified as having been properly incurred.

Capital Expenditure

Subhead 25002 - Furniture & Equipment

215. The sum of \$5M was voted for the purchase of furniture and

equipment, of which amounts totalling \$4.359M were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 45001 - Guyana Television

216. The sum of \$25M was allocated for the purchase of equipment for Phase II of the GTV's expansion programme. A supplementary provision of \$33.402M was approved during the year, giving a revised allocation of \$58.402M. Amounts totalling \$55.828M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Purchase of furniture & equipment	16,032,936
Designing, installing & testing system	15,949,309
Purchase of three(3) translators	9,306,680
" " four(4) computers & accessories	4,220,404
" " diesel power system	1,953,085
" " generator	1,902,000
" " four(4) air conditioning units	1,135,000
Construction of generator hut	1,761,230
Installation of telephone system	963,525
Purchase of one(1) mini bus	850,000
Other purchases	1,754,098

TOTAL	55,828,267 =====

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

HEAD 02-01

OFFICE OF THE PRIME MINISTER

217. The expenditure of \$18.937M was verified as having been properly incurred and there were no material findings.

HEAD 03-01 & DIVISION 505

PARLIAMENT OFFICE

Current Expenditure

218. Included in the amount of \$4.998M shown as rental and maintenance of building were sums totalling \$1.690M representing the purchase of air conditioning units, carpets, diesel generator. These items are clearly of a capital nature and should have been reflected in the Department's capital programme.

219. The Accounting Officer explained that advice was sought from the Budget Office and the State Planning Secretariat before the purchases were effected. It is recommended that the Secretary to the Treasury issue specific and detailed guidance on the distinction between capital expenditure and current expenditure for the benefit of accounting officers.

Capital Expenditure

Subhead 25003 - Building

220. The sum of \$15.7M was voted for the establishment of a parliamentary library, extension to the switch board and purchase of office equipment. Amounts totalling \$15.687M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
Establishment of Library	\$5,363,883
Extension to switchboard	1,067,414
Purchase of office equipment	5,802,707
Purchase of generator	3,452,579

TOTAL	15,686,583 =====

221. The contract for the establishment of the Parliamentary Library was awarded by the Central Tender Board in the sum of \$4.3M. A variation of \$1.053M was approved, giving a revised contract sum of \$5.353M. However, the basis of the award of the contract could not be determined because of the fire at the Ministry of Finance which reportedly destroyed most of the Tender Board records. A similar observation was made in relation to the purchase of office equipment and the generator. The works were nevertheless physically verified.

222. The extension to the switchboard was undertaken by the GT&T and the work was also physically verified while the office equipment and generator were verified as having been received and properly brought to account.

HEAD 04-01 & DIVISION 505

OFFICE OF THE AUDITOR GENERAL

Capital Expenditure

Subhead 12001 - Building

223. The sum of \$2.3M was voted for the completion of the

extension to the Head Office building, of which amounts totalling \$2.001M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Final payment to Contractor	944,291
Purchase of 50 KVA transformer	331,500
" " 200 amp. meter & circuit breaker	305,889
Purchase and installation of protective mesh	275,760
Rehabilitation of fire escape	66,460
Miscellaneous	76,920

TOTAL	2,000,820
	=====

224. The extension of the Head Office building commenced in August 1996 and was completed in February 1997 at a cost of \$7.368M. The work was supervised by Ayangana Consultants Ltd., a state-owned company. The items purchased were verified as having been received and properly brought to account while the other works were physically verified.

Subhead 25001 - Office Equipment & Furniture

225. The sum of \$1M was voted for the purchase of equipment and furniture of which amounts totalling \$844,194 were expended in the purchase of the following:-

DESCRIPTION -----	AMOUNT -----
	\$
Two(2) air conditioning units	252,400
Fire safety equipment	192,570
Sixteen(16) desk calculators	211,680
One(1) refrigerator	85,800
Miscellaneous	101,744

TOTAL	844,194
	=====

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

226. A supplementary provision of \$2.5M was approved for the purchase of a standby generator. However, the generator was not acquired because of delays in obtaining quotations and approval by the Central Tender Board. As a result, provision was made in the 1998 Estimates for the acquisition of the generator.

Subhead 44001 - Institutional Strengthening

227. An amount of \$10M was allocated for technical assistance and the purchase of computers. The programme was financed under a technical assistance agreement with the European Union and came to an end in December 1997. During 1997, expenditure totalling \$6.564M was incurred. However, no expenditure was recorded in the Appropriation Account.

228. The Accounting Officer explained that this was due to a number of payments which were made in December 1997 as a result of which the transactions could not have been reflected in the Public Accounts in time for the closure of the Country's accounts. Accordingly, the expenditure was rebudgeted for in 1998. The following gives a breakdown of the expenditure of \$6.564M:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Local and overseas training	3,276,912
Completion of Local Area Network	3,102,761
Purchase of equipment	184,050

TOTAL	6,563,723
	=====

HEAD 04-02

OFFICE OF THE OMBUDSMAN

229. The expenditure of \$1.673M was verified as having been properly incurred and there were no material findings.

HEAD 04-03 & DIVISION 505

PUBLIC AND POLICE SERVICE COMMISSIONS

Current Expenditure

230. The Salaries Bank Account No. 463, which became non-operational in May 1996, was overdrawn by \$51,080 as at 31 December 1997. This matter was drawn to attention in my previous report and despite this, there was no evidence of any action taken to investigate the overdraft.

231. The amount of \$900,000 shown as electricity charges represents a payment to the Ministry of Local Government to meet the cost of electricity supplied to the Commission. Both the Commission and the Ministry of Local Government are housed in the same building but are located in different areas. The basis for arriving at the figure of \$900,000 was not provided for audit.

Consequently, the accuracy of the charge could not be verified.

232. Amounts totalling \$164,685 were expended on repairs to vehicle PDD 3605. At the time of inspection in March 1998, this vehicle was not in operational for want of repairs. Having regard to the age of the vehicle, the consistent and extensive repairs which were done and the cost of replacement, it is recommended that the vehicle be examined by a competent official from the Ministry of Public Works to determine whether it is of further economic use to the Commission or whether it should be replaced.

233. Adequate control was not exercised over the fixed assets of the Commission. The master and sectional inventories were not kept up to date. These records were last updated in November 1994 even though there was evidence of acquisition of assets in 1995 and 1996. The Accounting Officer gave the assurance that action would be taken to bring the records up-to-date.

Capital Expenditure

Subhead 25002 - Office Equipment

234. The sum of \$300,000 was allocated for the purchase of office equipment. However, no expenditure was incurred.

HEAD 04-04

TEACHING SERVICE COMMISSION

Current Expenditure

235. The salaries bank account No. 622, which became non-operational in June 1996, was overdrawn by \$646,000 as at 31 December 1997 and was last reconciled to 1981. Efforts should be made to investigate the overdraft with a view to clearing it.

236. The new salaries bank account No. 3065 was not reconciled since it was established in July 1996 while the imprest bank account No. 3064 was only reconciled to September 1997 at the time of the audit in June 1998. 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 bank account is promptly reconciled, there is danger that the problems associated with the previous account will be repeated.

237. At the time of the audit, inventory records were not produced for audit examination. As a result, it could not be determined whether all assets under the control of the Commission were properly accounted for.

Capital Expenditure

Subhead 25008 - Office Equipment

238. The sum of \$500,000 was voted for the purchase of a photocopier and office equipment. The full amount was expended on the purchase of a photocopier. The item was verified as having been received but it could not be determined whether it was inventorised.

HEAD 04-05 & DIVISION 505

PUBLIC PROSECUTIONS

Current Expenditure

239. 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 accounts brought up-to-date. In addition, both accounts were overdrawn by \$1.139M and \$2,000 respectively as at 31 December 1997. These overdrafts should be investigated with a view to clearing them.

240. It should be noted that up to the time of reporting, the Department had not yet complied with the Ministry of Finance Circular No. 6/96 to open new bank accounts and for which a satisfactory explanation was not obtained.

241. The inventory records were not updated for the period under review although there was evidence of acquisition of assets. The Accounting Officer explained that this was due to staff constraints.

Capital Expenditure

Subhead 25007 - Public Prosecutions

242. The sum of \$4M was allocated for the purchase of office furniture and equipment, renovation of store room, construction of grill for computers and lacquering of floors. Approval was granted to utilise the savings for the supply and installation of carpets and for other miscellaneous works to be undertaken. Amounts totalling \$3.951M were expended.

243. The following gives a breakdown of the expenditure:-

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

-----	-----
	\$
Purchase of office equipment & furniture	2,430,694
Renovation of store room	146,700
Construction of grill for computers	118,300
Lacquering of floors	146,700
Supply & installation of carpet	536,788
Rehabilitation of building	469,375
Miscellaneous	102,500

TOTAL	3,951,057
	=====

The items purchased were verified as having been received but were, however, not inventorised while the works undertaken were physically verified.

HEAD 04-06

PUBLIC SERVICE APPELLATE TRIBUNAL

244. The expenditure of \$1.068M was verified as having been properly incurred and there were no material findings.

HEAD 04-08 & DIVISION 505

PUBLIC UTILITIES COMMISSION

Current Expenditure

245. 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. This matter was drawn to attention in my previous report.

246. Amounts totalling \$1.412M were expended on the purchase of materials, equipment and supplies. However, these purchases were not subject to storekeeping procedures, as required by the Stores Regulations. Action has since been taken with effect from 1998 to ensure compliance with these regulations.

247. Included in the expenditure of \$879,000 incurred under Subhead 304 - Rental and Maintenance of Buildings, were amounts totalling \$62,840 representing repairs to the Chairman's residence. Since the building was being rented as furnished quarters from the Ministry of Works, it would appear inappropriate for the Commission to meet the cost of the furnishings.

248. Excess expenditure totalling \$45,000 was incurred under Subhead 304 - Rental & Maintenance of Building. A similar

situation existed in respect of Subhead 308 - Telephone Charges, where excess expenditure of \$90,000 was incurred.

249. In my 1995 Report, it was mentioned that sums totalling \$7.010M were paid to a consulting 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, amounts of \$4.4M and \$640,000 were paid to the Firm under Subheads 309 and 314 respectively without a formal contract. In 1997, this situation continued, and amounts totalling \$3.993M were paid to the Firm.

250. As in 1995, the Accounting Officer acknowledged the observation and explained that the services of the Firm were requested by the Commission and that the Minister of Trade had 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.

251. The Commission was in receipt of large sums from utilities for hearings conducted. According to the Accounting Officer, such sums have accumulated in excess of \$50M in a bank account. It is understood that withdrawals were being made upon approval of the Commission to meet expenses relating to advertisements, overseas conferences and the purchase of assets for the Commission. However, efforts to access the records relating to the operation of this account, as well as any other related account, were unsuccessful despite repeated requests. In addition, to the extent that expenditure would have been met out of this account, the Appropriation would have been understated by an unspecified amount.

252. 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, indicating that it 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 and audit instead of receiving appropriations and accounting for them as a Central Government agency.

Capital Expenditure

Subhead 25006 - Furniture & Equipment

253. The sum of \$1.5M was voted for the purchase of furniture, filing cabinets and air conditioning units for the Commission's offices. The full amount was expended in the purchase of the following:-

DESCRIPTION	AMOUNT
-----	-----
One(1) computer & accessories	\$ 849,990
Two(2) air conditioning units incl.installation	443,690
Two(2) filing cabinets	110,000
One(1) spiral binder	96,000

TOTAL	1,499,680
	=====

254. The following observations were, however, made in relation to the above purchases:-

- (a) There was no evidence that approval was granted for a change in programme to accommodate the purchase of the computer and accessories;
- (b) The two(2) air conditioning units were installed at the Chairman's residence instead of the Commission's offices; and
- (c) The Commission did not maintain an asset register as a result of which there were no recordings of the assets purchased.

HEADS 05-01 & 05-04 TO 05-06 AND DIVISION 514

MINISTRY OF LEGAL AFFAIRS

Current Expenditure

255. The salaries bank account No. 468, which became non-operational in October 1996, reflected a balance of \$460,794 as at 31 December 1997. However, it was not reconciled for the period under review and it could not be determined when last this was done. Another non-operational bank account No. 462 reflected an overdraft of \$1.647M as at 31 December 1997 and it could also not be determined when last the account was reconciled.

256. Amounts totalling \$9.409M were expended Materials, Equipment & Supplies. However, supporting documents such as bills and receipts were not presented for audit examination in respect of eleven(11) purchases totalling \$470,585 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.

257. The State Solicitor's bank account No. 120 reflected a balance of \$38.687M as at 31 December 1997. However, the cash book was not cast and balanced for the period under review. As a result, the balance on this account could not be properly determined. In addition, it could not be determined when last the account was reconciled. The ledger accounts were also not written up for the period under review.

258. Similar observations were made in respect of the Public Trustee's bank account No. 270 and the Official Receiver's Insolvency Estates bank account No. 330 which reflected balances of \$12.984M and \$3.682M respectively as at 31 December 1997.

259. The total number of applications received by the Deeds Registry in respect of the registration of business names for the year under review could not be ascertained as the register used to record such applications was not produced for the month of December 1997. Applications were also not filed in a sequential manner to facilitate audit and other checks.

260. In relation to trade marks, a total of 515 applications were received for the period under review. However, there was no evidence to indicate whether trade mark licences were issued in respect of these applications. It was explained that there was a huge backlog of applications due to staff constraints and that applications for the period 1994 to 1995 were being processed.

261. Numerous transports were issued in 1997 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 previous reports.

Capital Expenditure

Subhead 12002 - Supreme/Magistrates' Court

262. The sum of \$50M was voted for (a) the completion of the rehabilitation of the roof of the Georgetown Supreme Court (b) renovation to court rooms at the Georgetown Supreme Court (c) rehabilitation of internal walls of court rooms at the New Amsterdam High Court and (d) renovation of the Court of appeals Building. Amounts totalling \$49.541M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Completion of Georgetown Supreme Court roof	23,976,622
Renovation works at Georgetown Supreme Court	9,347,480
Rehab. works at New Amsterdam High Court	3,036,455
Renovation of the Court of Appeals Building	6,723,488
Miscellaneous	30,219

Sub-Total	43,114,264
Rehab. of Judges' Quarters at N/A	1,821,730
Repairs to Land Court, Brickdam	72,950
Purchase of law books	4,016,769
Repairs to N/A Supreme Court	515,318

	6,426,767

TOTAL	49,541,031 =====

263. The rehabilitation of the roof of the Georgetown Supreme Court commenced in 1996 through the award of a contract in the sum of \$9.485M and at the end of 1996, amounts totalling \$7.758M were paid to the contractor. In July 1997, another contract was awarded for \$21.653M for the second phase of the rehabilitation of the roof, giving a total contract sum of \$31.138M for both phases. For the period under review, amounts totalling \$23.977M were expended on both phases, giving a cumulative expenditure of \$30.783M. At the time of reporting, the rehabilitation work was complete.

264. In relation to the renovation works to the court rooms at the Georgetown Supreme Court, twenty-one(21) contracts valued at \$9.347M and involving carpentry, painting and electrical works were awarded to five(5) individuals in respect of seven(7) court rooms. Had the works been undertaken in one lot or by each court, this would have required public advertisement and adjudication by the Central Tender Board. It is evident that the contracts were awarded in a piecemeal manner to avoid adjudication by the Central Tender Board.

265. In addition, there was no evidence that a system of quotations was followed in respect of four(4) contracts falling within the limits of \$180,000 and \$450,000 before the contracts were awarded. Similar observations were made in my 1996 Report where several instances were noted of apparent circumvention of the Tender Board Regulations. Notwithstanding these observations, the works were physically verified.

266. The rehabilitation of the New Amsterdam Supreme Court was also undertaken through the award of nine(9) contracts. It is

again evident that the contracts were awarded in a piecemeal manner to avoid adjudication by the Central Tender Board. The works were nevertheless physically verified.

267. The contract for the renovation of the Court of Appeal building was awarded in the sum of \$4.599M. There was, however, a variation of \$1.910M relating to the extension of the building, giving a revised contract sum of \$6.509M. The works were physically verified.

268. As can be noted, amounts totalling \$6.427M were expended on the renovation of Judge's quarters and repairs to roof of the Supreme Court at New Amsterdam, repairs to Land Court and purchase of law books. However, there was no evidence that approval was granted for a change of programme to accommodate this expenditure. The works were nevertheless physically verified while the law books were verified as having been received and properly brought to account.

Subhead 12003 - Buildings (Deeds Registry)

269. The sum of \$7M was allocated for (a) rewiring and installation of electrical fittings and tiles at the Deeds Registry, Georgetown, and (b) the installation of water facilities at the Deeds Registry, New Amsterdam. Amounts totalling \$6.013M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rewiring and installation of electrical fittings and tiles at Deeds Registry, G/town	623,600
Constr. of walls at Deeds Registry, G/town	1,122,495
Construction of vault at Deeds Registry, N/A	4,117,379
Electrical installation at Deeds Registry, N/A	149,091

TOTAL	6,012,565 =====

270. As can be noted, no water facilities were installed at the Deeds Registry in New Amsterdam and for which a satisfactory explanation was not obtained. In addition, unprogrammed work to the value of \$5.389M was undertaken but there was no evidence that approval was granted for a change in programme to accommodate the expenditure.

271. Physical verification of the rehabilitation works at the Deeds Registry in Georgetown in September 1998 revealed that some of the tiles had already become loosened. The other works were physically verified. However, in relation to the construction of the vault at the Deeds Registry in New Amsterdam, physical

inspection on 14 October 1998 revealed that only the foundation and the columns were erected, although the contractor was paid 68% of the contract sum of \$6.064M

Subhead 15001 - Justice Improvement Programme

272. The sum of \$90M was voted for the rehabilitation of (a) selected magistrates' courts at Sisters and Cove and John, Fort Wellington and Leguan, (b) renovation of Supreme Court at Suddie, (c) rehabilitation of the Law Library, (d) training of legal personnel, and (e) contribution to of Legal Aid Clinic. Amounts totalling \$63.267M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of the Law Library	24,414,939
Training of legal personnel	2,327,338
Contribution to Legal Aid Clinic	5,000,000

Sub-Total	31,742,277
Rehab. of Suddie Magistrate's Court	9,388,105
" " Whim " "	7,481,488
" " Vigilance " "	2,221,361
" " Providence " "	3,363,092
" " Georgetown " "	8,637,484
" " Vigilance Bailiff Bond	432,320

Sub-Total	31,523,848

TOTAL	63,266,125
	=====

273. The contract for the construction of the Law Library was awarded in November 1996 in the sum of \$21.354M. A variation of \$4.046M was approved for additional works, giving a revised contract sum of \$25.400M. However, total payments made to the contractor amounted to \$28.194M, resulting in an apparent overpayment of \$2.794M and for which a satisfactory explanation was not given. This matter was drawn to the attention of the Accounting Officer. The works were nevertheless physically verified.

274. As can be noted, works valued at \$31.524M were undertaken but were not included in the Project Profile and there was no evidence that approval was granted for a change of programme to accommodate this expenditure. Notwithstanding this, the works undertaken were physically verified. However, in respect of the Vigilance Magistrate's Court, although the contractor was paid the entire contract sum of \$3.497M, the washrooms for the Magistrate and the

staff were not completed, as plumbing works were not connected to allow for the flow of both the water and sewerage waste.

Subhead 25002 - Equipment (Supreme Court)

275. The sum of \$6M was voted for the purchase of fans, chairs, desks, typewriters and calculators for the Supreme Court. Amounts totalling \$5.820M were expended. The items purchased were verified as having been received and properly brought to account. However, there was no evidence that a system of quotations was followed in respect of six(6) purchases falling within the limits of \$90,000 and \$180,000. In addition, there was no evidence of adjudication by the Departmental Tender Board in respect of five(5) purchases falling within the limits of \$180,000 and \$600,000.

Subhead 25003 - Equipment (Deeds Registry)

276. The sum of \$1.3M was allocated for the purchase of money counting machines, calculators and a photocopier for the Deeds Registry. Amounts totalling \$1.089M were expended. Included in this expenditure was the purchase of three(3) executive chairs valued at \$171,000. However, there was no evidence that approval was granted for a change in programme to accommodate this expenditure. Notwithstanding this, the items purchased were verified as having been received and properly brought to account.

Subhead 25004 - Furniture and Equipment

277. The sum of \$750,000 was allocated for the purchase of office furniture and equipment for the Ministry. Amounts totalling \$735,747 were expended on the acquisition of calculators, computer desks, cabinets, fax machine, fans and carpets. The items purchased were verified as having been received and properly brought to account.

Subhead 25005 - Buildings

278. The sum of \$2.9M was voted for the rehabilitation of the Head Office building of which amounts totalling \$2.294M were expended. The works were physically verified.

HEAD 05-02

SUPREME COURT OF JUDICATURE

Current Expenditure

Employment Costs

279. 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 1997. Efforts should be made to investigate the overdraft with a view to a closure of this account.

280. The new salaries account No. 4002, which became operational in July 1996, 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 every danger that the problems associated with the previous account will be repeated.

281. An examination of the expenditure incurred under Subhead 203 -Benefits & Allowances, revealed that a senior officer was in receipt of payment totalling \$309,540 in respect of mileage claims which averaged 888 miles per month. However, the travelling claims were being certified by a subordinate officer. In view of the extent of the travelling by this officer, it is recommended (a) a monthly mileage ceiling be placed, as is the practice and (b) the journeys undertaken be authorised and certified by a supervisory officer.

Other Charges

282. 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 account reflected a nil balance as at 31 December 1997, compared with a balance of \$4.231M at the end of 1996. However, bank statements for this period were not presented for audit

examination, despite several requests. As a result, the reason for the movement of the bank balance could not be ascertained.

283. The new main bank account No. 4004 reflected a large balance of \$63.614M as at 31 December 1997 and was not reconciled since it was established in July 1996. The cash book was also not written up for the period under review. In addition, audit checks revealed that amounts totalling \$222,996 were short-deposited into this account. As a result, an employee was charged and placed before the Court. At the time of reporting, the matter had not yet been finalised.

284. Amounts totalling \$7.350M were expended on Materials, Equipment & Supplies. Four(4) instances were, however, noted where purchases valued at \$801,750 could not be traced to the stock records. These relate to the purchase of pre-printed material which were, however, received. Corrective action has since been taken with effect from 1998. Four(4) other instances were observed where purchases falling within the limits of \$180,000 and \$600,000 were not adjudicated by the Departmental Tender Board. The purchases were also effected without a system of quotations being followed.

285. Included in the amount of \$872,000 expended on fuel and lubricants were sums totalling \$705,873 representing the cost of fuel and lubricants for members of the Judiciary. These should have been charged to the Statement of Statutory Expenditure.

286. Amounts totalling \$15.452M were expended on rental and maintenance of buildings. The following gives a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Repairs to Supreme Court building	7,788,477
" " various nine(9) court rooms	2,507,939
" " Accounting Unit	1,530,155
" " robing rooms	1,191,960
" " Police outpost & prisoners' section	917,825
Other repairs	747,056
Cleaning & janitorial services	769,029

TOTAL	15,452,441 =====

287. The above works were undertaken by ninety-eight(98) contracts involving five(5) individuals, seventy-six(76) of which valued at \$6.971M fell below the \$180,000 limit and were awarded without any form of competitive bidding.

288. Although the works were physically verified, an examination of these contracts revealed apparent subdivision to avoid a system of quotations and/or public advertisement and adjudication by the Departmental Tender Board. The following are examples:-

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$
05/03	40/97	Repairs to Supreme Court windows	166,550
05/03	41/97	" " " " "	114,135
05/03	42/97	" " " " "	114,950

TOTAL			395,635
			=====
10/03	46/97	Replacing tiles at Judicial & Marshal sections	43,400
10/03	47/97	-do- -do-	172,440

TOTAL			215,840
			=====
22/05	150/97	Repairs to steel frames	287,170
22/05	151/97	" " " "	173,808

TOTAL			460,973
			=====
12/06	165/97	Tiling & plumbing of Court VIII	327,350
12/06	166/97	" " " " " VII	283,450

TOTAL			610,800
			=====

289. Amounts totalling \$867,000 were expended on electricity charges. However, bills in support of five(5) payments totalling \$772,058 were not produced for audit examination. The Accounting Officer explained that these were filed separately. Despite repeated requests, these bills were not presented.

290. The following observations were made in respect of the examination of the expenditure of \$6.161M incurred under Transport, Travel & Postage:-

- (a) The sum of \$90,000 was paid for transporting law books from Parliament Building to Supreme Court at a rate of \$30,000 per day. However, the type of vehicle, its registration number

and the number of trips per day were not stated on the payment voucher to ascertain whether the charge was fair and reasonable;

- (b) Two(2) mini buses were hired for \$40,000 to transport jurors to a crime scene. However, the location of the scene was not specified nor were the vehicle registration numbers stated;
- (c) Five(5) contracts with a total value of \$292,000 were awarded to the same individual on the same day for transportation services rendered. It is evident that the work was subdivided to avoid a system of quotations being followed; and
- (d) Amounts totalling \$703,263 were paid for repairs to seven(7) state cars assigned to judges. This expenditure should have been charged to Statutory Expenditure.

291. The sum of \$16.312M was expended on Other Services Purchased. The following gives a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Refurbish and repair office furniture	3,099,784
Construct rostrums for Court rooms	1,916,095
Clean Court rooms, chambers and compound	1,403,880
Provide electrical works in Court room	526,290
Bind legal documents	415,000
Repair and service typewriters	179,645

Sub-Total	7,540,694
Guard services	7,350,920
Sanitation services	622,950
Rental of photocopier	416,700
Purchases	371,123
Lecture fees to Counsel	10,000

	8,771,693

TOTAL	16,312,387
	=====

292. An examination of the above expenditure revealed that the following sets of contracts, which were awarded to three(3) individuals, were subdivided apparently to avoid a system of quotations and/or public advertisement and adjudication by the Departmental/Central Tender Boards:-

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

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
26/02	28/97	Repair furniture in Court IX	178,650
27/02	31/97	Repair furniture in Court V	179,220
TOTAL			357,870

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
28/05	153/97	Refurbish chairs	161,795
28/05	154/97	Repair cabinets	152,450
28/05	155/97	Repair chairs	81,210
TOTAL			395,455

09/06	161/97	Refurbish chairs	137,755
09/06	162/97	Refurbish furniture	126,515
TOTAL			264,270

08/08	202/97	Refurbish and repair chairs	88,875
08/08	203/97	Refurbish chairs	77,215
08/08	212/97	Repair cabinets	176,795
TOTAL			342,885

13/06	171/97	Repair furniture in Court VII	458,140
13/06	172/97	Construct rostrum in Court VII	423,700
TOTAL			881,840

13/06	168/97	Constr. furniture for Jury room	355,160
13/06	169/97	Construct rostrum in Court IV	371,000
13/06	170/97	Repairs to furniture in Court IV	336,300
TOTAL			1,062,460

293. The sum of \$9.339M was provided under Subhead 314 - Other, for the supply of meals to jurors and expenses relating to the observance of Mashramani and Independence Anniversaries.

Expenditure totalling \$5.893M was incurred of which sums totalling \$5.311M were expended on the supply of meals. An examination of the payments relating to the latter amount revealed the following discrepancies:-

- (a) Meals were purchased for jurors as well as prisoners and court secretaries although the provision was made for the supply of meals to jurors only;
- (b) There was also no documentary evidence to indicate that the jurors and prisoners received the meals;
- (c) The sum of \$4.439M or 83.6% of the total cost of meals was paid to one supplier but there was no documentary evidence that Tender Board procedures were adhered to for the supply of the meals. Had these procedures been followed, there might have been cost savings. It should be noted that the cost per meal was \$750; and
- (d) The sum of \$14,250 was paid for the supply of lunch to Secretaries attached to the Court at an average cost of \$4,500 per meal. This practice appears to reflect extravagance.

Revenue Accounting and Control

294. In 1995, it was reported that the sum of \$13.930M was collected as revenue but was not paid over to the Consolidated Fund. During the period 1997 to the time of reporting, amounts totalling \$12.670M were paid over, leaving a balance of \$1.260M still outstanding. 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 No. 4004. At the time of reporting, \$17.232M was paid over to the Consolidated Fund, leaving an amount of \$3.866M still outstanding.

295. For the period under review, amounts totalling \$96.665M were collected as revenue but only \$78.714M was paid over to the Consolidated Fund, leaving a balance of \$17.951M remaining in account No. 4004. During 1998, however, amounts totalling \$3.780M were paid into the Consolidated Fund, leaving a balance of \$14.171M still outstanding at the time of reporting. In other words, for the period 1995 to 1997, amounts totalling \$19.297M had not been transferred from the main bank account to the Consolidated Fund.

Other Matters

296. A physical verification of controlled forms in July 1998

revealed that twelve(12) used receipt books could not be located. The Accounting Officer has advised that efforts would be made to locate them for audit examination.

297. The Execution Sales bank account No. 4000 reflected a balance of \$18.388M as at 31 December 1997. However, it was not reconciled since it was established in July 1996. The cash book was also not cast and balanced.

298. A comparison of the amounts deposited into this account with the amounts shown in the bank statements revealed that for the period under review, amounts totalling \$17.958M were misappropriated through the falsification of the deposits slips. As a result, an officer was charged by the Police and at the time of reporting the matter was still pending. Had the bank account been reconciled in a timely manner and had effective supervisory checks been carried out, the irregularity would have been discovered much earlier or might have been avoided.

299. A similar irregularity was uncovered in respect of Witness Money Account No. 4001 where the sum involved was \$22,000. The account was also not reconciled since it was established and the cash book was not cast and balanced.

05-03

MAGISTRATES COURTS

300. Amounts totalling \$4.224M were expended on Materials, Equipment & Supplies. However, there was no evidence that a system of quotations was followed in respect of four(4) purchases falling within the limits of \$90,000 and \$180,000. There was also one(1) purchase falling within the limits of \$180,000 and \$600,000 which was not adjudicated by the Departmental Tender Board.

301. Expenditure totalling \$8.735M was incurred on the rental and maintenance of buildings of which the sum of \$7.335M represented payments for carpentry, cleaning, painting and electrical works for the following Magistrates' Courts:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Georgetown Magistrate's Court	2,194,250

New Amsterdam Magistrate's Court	1,565,575
Sparendaam Magistrate's Court	1,247,230
Cove & John Magistrate's Court	1,066,750
Other Magistrates' Courts	1,260,975

TOTAL	7,334,780
	=====

302. An examination of the contracts falling within the limits of \$180,000 and \$450,000 revealed that the following two(2) sets of contracts, which were awarded to the same individuals, were subdivided apparently to avoid adjudication and award by the Departmental Tender Board:-

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$
17/02	14/97	Constr. windows and painting at G/town Magistrates' Court	391,570
25/03	56/97	Constructing window shields at G/town Magistrates Court	381,100

TOTAL			772,670
			=====
30/06	182/97	Rebuild stairs at Sparendaam Magistrates' Court	423,685
30/06	184/97	Construct base & columns at Sparendaam Magistrates' Court	418,150

TOTAL			841,835
			=====

303. There was no evidence that a system of quotations was followed in respect of four(4) other contracts valued at \$1.695M and falling within the limits of \$180,000 and \$450,000. The works were nevertheless physically verified.

304. Amounts totalling \$1.8M were expended on the maintenance of infrastructure, including weeding of Magistrates' Courts and repairs to fences. An examination of the payments made revealed no evidence of a system of quotations being followed in respect of two(2) contracts falling within the limits \$180,000 and \$450,000.

305. In respect of Subhead 307 - Transport, Travel & Postage, based on test-checks carried out, payment vouchers and supporting documents were not presented for audit examination in relation to eight(8) payments totalling \$1.019M, despite repeated requests.

This matter was drawn to the attention of the Accounting Officer.

306. Excess expenditure totalling \$3.070M was incurred in respect of Subheads 104 and 307. This excess expenditure was met from an advance of \$3M from the Contingencies Fund. A supplementary provision was approved in June 1998 to clear the advance.

Georgetown Magistrates' Court

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 it was done. Failure to reconcile bank accounts in a timely manner can lead to irregularities being perpetrated without detection.

308. In 1995, mention was made of the significant overdraft on this account, a situation which continued to prevail in 1996 and 1997 and as at 31 December 1997, the account was overdrawn by \$11.674M. 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.

309. A new salaries bank account No. 3113 was opened in September 1996. However, up to the time of reporting, no attempt was made to reconcile it. 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 every danger that the problems associated with the previous account will be repeated.

310. An examination of the Fines Register revealed that it was not written up at the time the fines were imposed. Instead, entries were made when the fines were paid. As a result, it could not be determined what fines were collectible and outstanding at any one point in time.

311. An examination of the Civil/Criminal Record Book revealed that there were 15,486 cases which were filed for the period under review. However, case jackets in respect of 5,140 criminal cases and 588 civil cases could not be located at the time of the audit in April 1998. In relation to the Commitment Warrants Register, for the period October to December 1997, this record was not written up to indicate whether the related fines were paid or the

defendants imprisoned.

312. The Traffic Ticket Record Book was not written up for the period May to December 1997. As a result, it could not be determined whether all traffic tickets received from the Police Department have been paid or filed for court action.

313. The Suitors' Deposits Account No. 157, which became non-operational in October 1996, reflected a balance of \$79.994M as at 31 December 1997. The cash book was, however, not cast and balanced, and the bank account was not reconciled for several years. 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. The balance on this new account as at 31 December 1997 was \$13.944M.

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

315. The Bastardy Account No. 158, which became non-operational in October 1996, was not reconciled for several years and reflected an overdraft of \$972,403 as at 31 December 1997. A new account No. 3115 was opened in October 1996. Although this account reflected a positive balance of \$92,869 as at 31 December 1997, several instances were observed where this account was overdrawn during 1997. A new cash book was also not introduced for this account.

316. For the period under review, a total of 438 case jackets were filed in respect of affiliation cases. However, thirty-one(31) jackets were not produced for audit examination, despite repeated requests.

East Demerara Magisterial District

317. The old salaries bank account No. 142 reflected an overdraft of \$321,064 31 December 1997. A cash book was also not maintained for this account, and it could not be determined when last it was reconciled.

318. An examination of the civil/criminal records revealed that a total of 4,589 cases were filed for the period under review. However, the case jackets in respect of 393 criminal cases and 23 civil cases were not produced for examination.

319. In respect of the Commitment Warrants Register, 676 warrants totalling \$273,310 were issued for the period under review. However, only amounts totalling \$13,575 were paid and there was no indication whether the defendants were subsequently imprisoned for

the outstanding amounts totalling \$259,735.

320. The old Suitors' Deposits Account No. 143 reflected a balance of \$14.298M as at 31 December 1997. However, a cash book was not maintained for this account. In addition, it could not be determined when last the account was reconciled.

321. The old Maintenance and Bastardy Account No. 392 reflected a balance of \$89,309 as at 31 December 1997. However, it could not be determined when last this account was reconciled. The cash book was also not cast and balanced.

322. The current Maintenance and Bastardy Account No. 3103 reflected a balance of \$147,103 as at 31 December 1997. However, the cash book for the old account was used to record transactions instead of a new cash book. As a result, the cash book balance could not be ascertained. In addition, the account was not reconciled since it was opened in October 1996.

323. During the period under review, a total of 200 cases were filed for affiliation fees. 41 case jackets were, however, not presented for audit, despite repeated requests.

West Demerara Magisterial District

324. The old salaries bank account No. 191 reflected an overdraft of \$4.949M as at 31 December 1997. A cash book was also not maintained for this account, and it could not be determined when last the account was reconciled.

325. The current bank account No. 3110 reflected a balance of \$1.153M. However, the cash book was not cast and balanced, and the account was not reconciled since it was established in October 1996.

326. An examination of the civil/criminal records revealed that a total of 2,707 cases were filed for the period under review. However, case jackets relating to 537 criminal cases and 28 civil cases were not produced for examination, despite repeated requests.

327. The old Suitors' Deposits Account No. 192 reflected a balance of \$3.499M as at 31 December 1997. However, the cash book was not cast and balanced and as a result the balance could not be ascertained. In addition, it could not be determined when last the account was last reconciled. A similar observation was made in respect of the current Suitors' Deposits Account No. 3111 which reflected a balance of \$596,662 as at 31 December 1997.

328. The old Maintenance and Bastardy Account No. 442 was overdrawn by \$123,771 at year end. A cash book was also not

maintained and it could not be determined when last the account was reconciled.

329. The current Maintenance and Bastardy Account No. 3112 reflected a balance of \$377,366 as at 31 December 1997. The cash book was, however, not cast and balanced, and the account was not reconciled since it was opened in October 1996.

HEADS 04-07, 07-01, 07-03 TO 07-07 & DIVISION 507

MINISTRY OF HOME AFFAIRS

Current Expenditure

Employment Costs

330. The Salaries Bank Account No. 508, which became non-operational in June 1996, reflected a balance of \$1.463M as at 31 December 1997. 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.

331. The new Salaries Account No. 3022, which was opened in June 1996, reflected a balance of \$9.292M as at 31 December 1997 while the cash book reflected a balance of \$2.172M instead of a nil balance. This latter balance resulted from the delays in paying over to the relevant agencies, statutory and other deductions. In addition, this account was not reconciled since it became operational.

332. 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 every danger that the problems associated with the previous account will be repeated.

333. According the Unclaimed Salaries Register, amounts totalling \$3.630M were reflected as unclaimed salaries for 1997. However, fifteen(15) instances were noted where amounts totalling \$244,984 were not credited to the votes, resulting in an overstatement of expenditure. A similar observation was made in 1996 where twenty-two(22) instances were noted of the votes not being credited.

334. Thirty-nine(39) instances were also observed where unclaimed salaries totalling \$502,070 were refunded into the main bank account but the related entries were not made in the Unclaimed Salaries Register. As a result, the Register was understated by the said amount. In addition, 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.

335. Sums totalling \$52.073M were expended on Benefits & Allowances. The following unsatisfactory features were, however, observed in relation to this expenditure:-

- (a) There was no evidence that a system of quotations was followed in respect of fifteen(15) purchases totalling \$2.1M falling within the limits of \$90,000 and \$180,000;
- (b) There was no evidence of adjudication by the Departmental Tender Board in respect of twenty-five(25) purchases falling within the limits of \$180,000 and \$600,000;
- (c) Supporting documents such as bills and receipts were not presented for audit examination in respect of six(6) purchases totalling \$1.965M;
- (d) There was evidence of apparent subdivision of purchases to avoid a system of quotations and/or adjudication by the relevant Tender Boards. The following are examples of purchases made from the same suppliers and on the same dates:-

DATE	PV NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$
14/01	43	Purchase of 2500 lb. fibre	112,500
-do-	44	-do- -do- -do-	112,500

TOTAL			225,000
			=====
14/02	503	Purchase of 50 plastic bowls	250,700
-do-	504	Purchase of 600 yd. black twil	605,000

TOTAL			955,000
			=====
20/03	1190	Purchase of 1000 yd. shamberry	605,000
-do-	1191	" of 20 tarpaulin	400,000
-do-	1192	" of 1000 yd. blue cotton	450,000

TOTAL			1,455,000
			=====
14/04	1678	Purchase of hardware tools	305,800
-do-	1681	" " " "	357,350

TOTAL			663,150
			=====

336. An examination of the Register of Contributors to the National Insurance Scheme revealed that 227 employees were registered with the Scheme. Since registration with the NIS has implications for social security and other benefits, efforts should be made to ensure to prompt registration of employees.

Other Charges

337. The main bank account No. 881, which ceased to be operational in June 1996, reflected a balance of \$4.037M as at 31 December 1997. However, it could not be determined when last this account was reconciled. In addition, 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. 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.

338. The new main bank account No. 3020 reflected a large balance of \$269.993M as at 31 December 1997. The cash book, however, was cast not balanced, and the account was not reconciled since it was established.

339. It is a requirement for cheque orders to be cleared within fourteen(14) days of their issue through the submission of bills, receipts and other supporting documents. However, an examination

of the Cheque Order Register revealed that orders were being cleared on average three(3) months later. This matter was drawn to attention in my previous reports.

340. At the time of the audit in July 1998, 634 cheque orders valued at \$133.816M had not been cleared. Forty-five(45) of these valued at \$12.423M relate to employment costs while 176 orders valued at \$20.182M relate to purchases. The remaining 411 valued at \$100.211M relate to provision of other services. In respect of the purchases, alternative auditing procedures had to be adopted to verify the receipt of goods. It is evident that due care was not exercised in the monitoring of cheque orders. This practice can lead to irregularities being perpetrated. In the circumstances, it is strongly recommended that a special exercise be carried out to ascertain whether full value was received in respect of these transactions.

341. Amounts totalling \$51.490M were expended on Materials, Equipment & Supplies. 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 in respect of seventy(70) purchases valued at \$10.759M. A similar observation was made in relation to thirty-two(32) purchases valued at \$9.974M 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.

342. Amounts totalling \$13.156M were expended on 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. These matters were drawn to attention in my 1996 Report, and despite this, there was no evidence of any action taken to remedy these shortcomings.

343. In my 1996 Report, mention was made of the absence of evidence of the receipt of 400 gallons of dieselene valued at \$104,000 by the Fire Department. It was recommended that the transaction be investigated by Management. However, up to the time of reporting, it could not be determined what action was taken in respect of this matter. In addition, for the period under review, 2,581 gallons of fuel were issued to three(3) vehicles attached to the Fire Department. However, log books for these vehicles were not presented for audit examination.

344. Amounts totalling \$31.436M were expended on Rental & Maintenance of Buildings. An analysis of this expenditure, however, revealed the following unsatisfactory features:-

- (a) In relation to purchases falling within the limits of \$90,000 and \$180,000, there was no evidence that a system of quotation was applied for 17 purchases valued at \$2.027M. There was also no evidence of the involvement of the Departmental Tender Board in respect of 21 purchases totalling \$5.770M and falling within the limits of \$180,000 and \$600,000; and
- (b) Four(4) contracts totalling \$3.120M were awarded for the repairs to the roof of the National Registration Centre. Had one contract been awarded, this would have required public advertisement and adjudication of the Central Tender Board.

345. Amounts totalling \$2.277M were expended on the provision of telephone services. However, a telephone register to record the monthly local and overseas charges for each telephone line was not maintained for the period under review. As a result, it could not be determined whether all overseas telephone charges were made in the public interest and whether recoveries were made in respect of private calls. A format of the Register of Overseas Telephone Calls has been provided to the Accounting Officer.

346. An examination of the expenditure of \$73.533M relating to the supply of dietary and agricultural items to the Prisons and charged to Head 07-03, Subhead 314 - Other, revealed that no central Tender Board approval was granted for the supply of these items. Instead, the reliance was placed on the 1996 approval and the same suppliers were contracted. However, it was observed that the prices charged in 1997 reflected increases ranging from 20% to 250% over the 1996 prices. Had a system of competitive bidding been applied in 1997, there might have been cost savings relating to the supply of these items.

347. Excess expenditure totalling \$65.543M was incurred in respect of Head 04-07 - Elections Commission, Subhead 314 - Other. However, this excess was not covered by an advance from the Contingencies Fund but was met out of funds from the main bank account.

Capital Expenditure

Subhead 12001 - Buildings (Prisons)

348. The sum of \$30M was voted for (a) the completion of Rock Castle Building at Mazaruni, (b) construction of schools at Georgetown and New Amsterdam prisons (c) rehabilitation of dining hall in Georgetown, (d) renovation of Bachelors' Quarters in Georgetown (e) renovation of male prison roof in New Amsterdam (f) extension of to female dormitory in New Amsterdam and (g) renovation to prison kitchen chimney in Georgetown. A supplementary provision of \$64.975M was approved in 1997 for the acquisition and installation of security and communication systems and general building works, giving a revised allocation of \$94.975M. Expenditure totalling \$60.484M was incurred as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Completion of Rock Castle Building - Mazaruni	3,358,349
Rehabilitation of Dining Hall- Georgetown	7,326,935
Renovation of Bachelors' quarters - Georgetown	1,603,828
Rehabilitation of Male prison roof - N/A	8,460,008
Renovation of prison kitchen chimney - G/town	785,720
Construction of 2 buildings - Mazaruni	15,951,651
Rehabilitation of Lusignan Prison	6,851,200
" " Georgetown Prison	6,001,268
Purchase of security equipment	6,711,648
Consultancy services	3,433,509

TOTAL	60,684,116 =====

349. The contract for the rehabilitation of the Rock Castle Building was awarded in 1996 in the sum of \$7.588M. A variation of \$3.358M was approved in 1997, giving a revised contract sum of \$10.946M. The work was completed in 1997 and was physically verified.

350. The amounts of \$7.327M, \$1.604M and \$8.460M represented the purchase of building materials for the rehabilitation works at Georgetown and New Amsterdam prisons using prison labour. At the time of the audit in June 1998, only materials to the value of \$4.886M were received, leaving a balance of \$12.505M still to be supplied. A similar situation was observed in 1996 where materials valued at \$3.311M had not been received at the time of the audit in June 1997. However, there were subsequently received and properly brought to account. The problem appeared to have arisen as a result of the practice of drawing cheques close to

year end to maximise the use of the voted provision. Such a practice can lead to serious irregularities. At the time of reporting, the rehabilitation works were still in progress and were reprogrammed to be completed in 1998.

351. The contract for the construction of two(2) buildings at Mazaruni Prison was awarded in the sum of \$21.907M. At the end of 1997 expenditure totalling \$15.960M were incurred. However, at the time of inspection, the works were still in progress and were reprogrammed to be completed in 1998.

352. In relation to the rehabilitation of the Lusignan Prison, the contract was awarded in the sum of \$8.295M in 1996 and approval was granted for a variation of \$3.677M, giving a revised contract sum of \$11.972M. Payments totalling \$6.646M were made in 1996 while amounts totalling \$3.804M expended in 1997, giving a balance of \$1.522M on the contract. The works were physically verified.

353. The contract for the rehabilitation of the Georgetown Prison was awarded in February 1997 in the sum of \$5.001M. However, no physical work was done during 1997 and a cheque valued at \$6.001M was drawn on 31 December 1997 in the name of the Permanent Secretary and was encashed. During 1998, cash payments totalling \$2.869M as at 30 June 1998 were made to various contractors, including a mobilisation advance of \$1M to the main contractor. The balance of the cash totalling \$3.132M was held in a safe under the control of the Permanent Secretary. It is evident again that the payment of \$6.001M to the Permanent Secretary, apart from being highly irregular, was done to maximise the use of the voted provision.

354. The equipment purchased were verified as having been received and properly brought.

Subhead 12002 - Police Stations & Buildings

355. An amount of \$35M was allocated for the construction and rehabilitation of police stations at Timehri, Orinduik, Kamarang, Mackenzie, Weldaad, Prashad Nagar, Wakenaam, Grove, Mara, Imbotero, and Administrative Building - B Division. Amounts totalling \$29.971M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehab. of Police Station at Mara	4,448,104
" " " " at Prashad Nagar	4,360,190
" " " " at Kamarang	2,658,247

"	"	"	"	at Orinduik	2,555,100
"	"	"	"	at Timehri	2,240,000
"	"	"	"	at McKenzie	2,001,517
"	"	"	"	at Weldaad	1,214,444
"	"	"	"	at New Amsterdam	2,174,275
Revetment works at Imbotero					3,407,611
Rehab. of Admin. building at B Division					1,497,207
" " Tactical Service Unit building					560,527
Consultancy Services					2,853,817

TOTAL					29,971,039
					=====

356. As can be noted, no rehabilitation works were undertaken at the Wakenaam and Grove Police stations. In addition, rehabilitation works were undertaken at the New Amsterdam Police station and the Tactical Service Unit building but there was no evidence that approval was granted to undertake these works. In relation to the latter, the amount of \$560,527 represented an unpaid liability in 1996. Except for Kamarang and Orinduik, the works were physically verified and conformed generally to the specifications contained in the respective bills of quantities.

Subhead 12003 - Fire Ambulances & Stations

357. The sum of \$12M was provided for the rehabilitation of fire stations at Timehri, Alberttown and West Ruimveldt. Expenditure totalling \$11.712M was incurred as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of Timehri Fire Station	7,382,989
" " Q/M stores & canteen	2,795,287
" " New Amsterdam Fire Station	756,386
" " Central Fire Station	186,934
Consultancy and advertisement	590,594

TOTAL	11,712,180
	=====

358. As can be noted, no rehabilitation works were undertaken in

respect of Albertown and West Ruimveldt fire stations. In addition, there was no evidence that approval was granted for a change in programme to rehabilitate the quartermaster stores and canteen, the New Amsterdam Fire Station and the Central Fire Station. In relation to the New Amsterdam Fire Station, the amount of \$756,386 represented an unpaid liability for 1996 while in relation to the Central Fire Station, it would have been more appropriate to charge the expenditure of \$186,934 to current expenditure. The various works undertaken were nevertheless physically verified.

Subhead 12005 - National Registration Centre

359. The sum of \$8M was provided for the purchase of boats, outboard engines and motor cycles. Approved of a change of programme for the purchase of two(2) mini buses and one(1) photocopier. Amounts totalling \$6.336M were expended on the purchase of the following items:-

DESCRIPTION -----	AMOUNT -----
	\$
Two(2) Hiace mini buses	3,480,000
One(1) NP 4050 Canon photocopier	1,150,303
Three(3) Yamaha motor cycles	1,125,000
One(1) fibre glass boat	554,800
Four (4) ceiling fans	25,996

TOTAL	6,336,099 =====

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

Subhead 17001 - General Registrar's Office

360. The sum of \$5M was voted for the construction of a metal door and preservation and binding of records. Amounts totalling \$4.981M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Construction of metal door	627,053
Preservation of records	1,226,928
Purchase of stationery	472,220
" of office equipment & furniture	2,034,904
Miscellaneous	619,460

TOTAL	4,980,565 =====

361. The works undertaken were physically verified while the items purchased were verified as having been received and properly brought to account. However, there was no evidence that approval was granted for a change in programme to purchase the office equipment and furniture.

Subhead 24001 - Land & Water Transport (Police)

362. The sum of \$25M was allocated for the purchase of motor cycles, bicycles, prison vans, patrol car, trucks, boats and outboard engines. Amounts totalling \$24.068M were expended in the purchase of the following:-

DESCRIPTION	AMOUNT
-----	-----
	\$
One(1) prison van	2,425,000
One(1) patrol car	2,050,000
One(1) truck	3,980,000
Twelve(12) boats	3,383,643
Two(2) mini buses	8,250,000
One(1) land rover	3,979,290

TOTAL	24,067,933
	=====

363. The items purchased were verified as having been received and properly brought to account, except for four(4) fibre glass boats valued at \$2.218M. Further enquiries revealed that the cheque for this amount, which was drawn on 31 December 1997, was still on hand at the time of the audit in June 1998. In addition, there was no evidence that approval was granted for a change in programme to purchase the mini buses and the land rover.

Subhead 24005 - Land & Water Transport (Prisons)

364. The sum of \$500,000 was voted for the purchase of a motor cycle for the Mazaruni Prison. The sum of \$375,000 was expended on the purchase of the motor cycle and an amount of \$124,200 of the balance was utilised for the purchase of forty-six life jackets. However, the approval was not seen for a change of programme for the purchase of the life jackets.

Subhead 25001 - Equipment & Furniture (Police)

365. The sum of \$5M was provided for the purchase of office equipment and furniture. The full amount was expended and the items were verified as having been received and inventorised. Included in this expenditure, however, was an amount of \$86,850 representing the purchase of paint for road marking purposes. This is a misallocation of expenditure.

Subhead 26001 - Equipment (Police)

366. The sum of \$20M was allocated for the purchase of communication, traffic, narcotic detection, ballistic and photographic equipment for the Police Force. Amounts totalling \$16.551 were expended in the purchase of the following:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Communication equipment	5,118,244
Ballistic and photographic equipment	3,856,079
Traffic equipment	2,508,420
Narcotic detection equipment	2,033,500
Arms and ammunition	1,969,000
Musical instruments	816,294
Purchase of brush cutters	240,000
Miscellaneous	36,450

TOTAL	16,650,537
	=====

367. The items purchased were verified as having been received and properly brought to account, except in the case of communication equipment where items valued at \$3.8M had not been received at the time of the audit in June 1998. Further, enquiries revealed that the cheque for this amount, which was drawn on 31 December 1997, was still on hand

Subhead 26002 - Communication Equipment (Fire)

368. The sum of \$1.1M was voted for the purchase of VHF mobile radio sets and VHF hand-held radio sets for the Fire Department. Amounts totalling \$1.078M were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 26003 - Tools & Equipment (Fire)

369. The sum of \$3M was provided for the purchase of delivery hose, mechanical tools, carpentry tools, hydrant fittings, potable pumps and audio visual 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)

370. The sum of \$2.6M was voted for the purchase of equipment for the Prison Service. The full amount was expended in the acquisition of a switchboard, a stabiliser, computer monitors and four(4) sewing machines. These were verified as having been received and properly brought to account.

Subhead 26005 - Agricultural Equipment (Prisons)

371. The sum of \$150,000 was allocated for the purchase of three(3) water pumps for Mazaruni, Lusignan and New Amsterdam prisons. The full amount was expended in the acquisition of two(2) pumps which were verified as having been received and properly brought to account.

Subhead 26006 - Equipment (Home Affairs)

372. The sum of \$2M was voted for the acquisition of a generator, computers, photocopier and fax machine for the Head Office. Amounts totalling \$2.079M were expended, resulting in an excess expenditure of \$79,000. However, no photocopier and fax machine were acquired. In addition, amounts totalling \$667,258 were expended on the purchase other office furniture and equipment but there was no evidence that approval was granted for a change in programme to accommodate this expenditure. The items purchased were verified as having been received and properly brought to account.

Subhead 26007 - Office Equipment & Furniture (Fire)

373. The sum of \$500,000 was provided for the purchase of executive chairs, writing desks, office chairs, typewriters and electric fans for the Fire Department. The full amount was expended. The items purchased were verified as having been received and properly brought to account.

HEAD 06-01 & DIVISION 506

MINISTRY OF FOREIGN AFFAIRS

Current Expenditure

Employment Costs

374. The salaries bank account No. 458, which became non-operational in July 1996, reflected a large positive balance of \$84.548M as at 31 December 1997 and was last reconciled to November 1997 at the time of reporting.

375. It was explained that the large balance 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 service 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.

376. It is again recommended that (a) a reconciliation be carried out to identify the total amount involved and to refund it to the Accountant General and (b) steps be taken to close the account.

377. The new salaries bank account No. 3086, which became operational in August 1996, was last reconciled to July 1997 at the time of reporting. 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.

378. This new account also reflected a large positive balance of \$20.466M as at 31 December 1997 for the same reason as that mentioned above. It is to be noted that with effect from June 1997, an appropriate system was put in place to avoid a recurrence of the problem.

379. At the time of inspection, six(6) unused cheque books relating to account No. 458 were found in the safe. The Accounting Officer was advised to return these books to Bank of Guyana for cancellation.

Other Charges

380. Amounts totalling \$17.195M were expended on Materials, Equipment & Supplies. However, a goods received book was not maintained at Head Office for the period under review. Every effort should therefore be made to introduce this record as early as possible.

381. The sum of \$7.596M was expended on fuel and lubricants. However, monthly analyses of fuel consumption for the Ministry's vehicles were not prepared for the period under review. In addition, although log books were maintained, in most cases, entries were not made in relation to fuel received. 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.

382. Amounts totalling \$177.954M were expended on Rental and Maintenance of Buildings. The following gives a breakdown of the expenditure by location:-

	Rental \$'000	Maintenance \$'000	Total \$'000
	-----	-----	-----
Head Office	180	6,171	6,351
Brussels	16,790	1,069	17,859
Brazil	10,176	3,907	14,083
Beijing	4,022	830	4,852
Caracas	10,530	509	11,039
Havana	3,710	283	3,993
London	8,736	2,784	11,520
Consul Gen. N.Y.	2,310	113	2,423
Permanent Rep. N.Y.	72,317	1,533	73,850
Ottawa	5,696	2,669	8,365
Suriname	8,543	308	8,851
Toronto	7,158	10	7,168
Washington	6,286	1,316	7,602
	-----	-----	-----
TOTAL	156,454	21,502	177,956
	=====	=====	=====

Except for Beijing and Ottawa, the works were physically verified while the other expenditure was verified as having been properly incurred.

383. The sum of \$40.606M was expended on Transport, Travel & Postage. However, three(3) vehicles were repaired at an average cost of \$390,000 each. Of particular importance is vehicle No. PDD 5584 which was repaired at a cost of \$465,550 and at the time of

inspection in June 1998, the vehicle was unserviceable.

384. Amounts totalling \$34.408M were expended on telephone charges. However, a register was not kept to record overseas telephone calls. 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. It was also agreed that a record would be kept for all private overseas calls, indicating the receipt numbers whenever refunds are made.

385. The sum of \$133.252M was expended on Subsidies and Contributions to Local & International Organisations. The following gives a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Contribution to CARICOM	71,836,216
" " United Nations	18,850,000
" " Commonwealth Secretariat	23,500,000
" " UNDP	3,520,000
" " OAS	2,900,000
" " SELA	2,161,235
" " ACS	1,365,330
" " Others	9,119,219

TOTAL	133,252,000
	=====

These amounts were verified as having been received by the various agencies.

386. Excess expenditure totalling \$18.389M was incurred in respect of subheads 306, 307, 308, 312 and 314. This excess was met from an advance of \$20.658M from the Contingencies Fund which was cleared by way of a supplementary estimate in June 1998.

Revenue Accounting & Control

387. The collection of revenue, maintenance of the related records and banking were at most times done by the same officer. This is not considered good internal control and can result in irregularities. It is recommended that as far as practicable the duties of banking be separated from the other related activities.

388. An amount of \$22.512M was reported as Consular Fees for the period under review, compared to \$29.276M in 1996. This represents a reduction of 23% from the previous year and resulted mainly from one shipping agent not remitting the fees with effect from 31 August 1997. This agent claimed that the relevant Act had expired. It is recommended that this matter be pursued with the Attorney General with a view to having a ruling on the matter.

Other Matters

389. The imprest bank account No. 353, which became non-operational in July 1996, was last reconciled to December 1995 and reflected a balance of \$56,319 as at 31 December 1997. Efforts should be made to close this account.

390. A new imprest bank account No. 3085 was opened in August 1996 with an allocation of \$353,290. However, the imprest was not retired at the end of the year. The Accounting Officer had 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. It is again 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.

Capital Expenditure

Subhead 12001-Buildings

391. The sum of \$7M was voted for the rewiring of Takuba Lodge, the rehabilitation of staff quarters in China and repairs to fence. Amounts totalling \$6.952M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rewiring of Takuba Lodge	2,860,725
Rehabilitation of staff quarters in China	3,000,000
Repairs to fence	889,568
Miscellaneous	202,058

TOTAL	6,952,351 =====

392. The contract for the rewiring of Takuba Lodge was awarded in the sum of \$2.861M. There was an approved variation of \$474,100, giving a revised contract sum of \$3.335M. However, the variation

was not paid for on account of lack of funds. In addition, there was an apparent overpayment of \$136,225 which was brought to the attention of the Accounting Officer. Except for the rehabilitation of staff quarters in China, the works were physically verified.

Subhead 24001 - Land Transport

393. The sum of \$12.260M was allocated for the purchase of three(3) vehicles for the overseas missions in Brussels, Caracas and Suriname, of which amounts totalling \$11.426M were expended. The vehicles purchased were verified as having been received. However, they were not brought to account in the records of Head Office.

Subhead 25001 - Office Equipment & Furniture

394. The sum of \$4.653M was voted for the purchase of a telephone system for Caracas, replacement of carpets for Brazil and the purchase of equipment for China and London, of which amounts totalling \$4.652M were expended. Except for China, the items were verified as having been received. However, they were not brought to account in the records of Head Office.

GUYANA CONSULATE - TORONTO, CANADA

395. Since October 1994, the Consulate was without the services of a Sub-Accounting Officer to be responsible for its financial affairs. Such responsibility for the period under review was shared by the Consul and a Vice-Consul. It is recommended that urgent steps be taken to appoint a Sub-Accounting Officer for the Consulate.

396. A register of remittances to record amounts received from the Bank of Guyana through Washington for the incurrence of expenditure, was not maintained. This record is required to be kept to monitor expenditures against remittances. The Vice-Consul explained that this was due to staff constraints. The register had since been introduced with effect from 1998.

397. 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 November 1997 to February 1998 to enable the early finalisation of the Public Accounts. Efforts should be made to ensure the prompt submissions of these documents to the Accountant General.

398. Excess expenditure totalling G\$1.330M was incurred under the following subheads:-

SUB HEAD	DESCRIPTION	ALLOCATION G\$000	EXP. G\$000	EXCESS G\$000
104	Clerical and Off. Support	3,354	3,414	60
105	Semi-Skilled Operatives	1,449	1,485	36
201	Other Direct Labour Costs	1,400	1,739	339
203	Benefits and Allowances	1,030	1,205	175
304	Rental of Buildings	6,920	7,161	241
307	Postage,Telex, etc.	348	379	31
308	Telephone Charges	1,440	1,677	237
309	Other Services Purchased	260	471	211
TOTAL				1,330

399. The Vice-Consul explained that this situation resulted mainly from the inadequacy of funds allocated to meet expenditure of the Consulate. Efforts should therefore be made to ensure that more realistic budgets are prepared and virements requested and approved where necessary.

400. At the time of inspection in March 1998, revenues totalling C\$99,893 equivalent to G\$9,989,300, as shown below, were remitted to the Accountant General's Department through the purchase of international drafts. However, acknowledgement receipts from the Accountant General were not received by the Consulate for the amounts remitted. The Consul General explained the Ministry of Foreign Affairs acknowledged receipt of the sums involved by way of memorandum.

DATE	BANK DRAFT REF.	PERIOD	AMOUNT
			C\$000
25/02/97	00352556	January	7,323
23/04/97	02848111	March	9,314
05/06/97	02848531	April - May	20,497
04/07/97	02848961	June	12,067
07/08/97	03332075	July	12,304
11/09/97	03332554	August	9,466
22/10/97	03332810	September	7,355
26/11/97	03333154	October	6,858
09/12/97	03333555	November	7,293
21/01/98	03333892	December	7,416

TOTAL

99,893
=====

401. 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.

402. At the time of inspection, collectors cash book/statements for the period November 1997 to February 1998 were not submitted to the Accountant General to enable him to bring to account the related transactions in the accounts of the Country. At the time of reporting, however, the Audit Office was advised these cash book/statements had since been submitted.

403. A record of the daily cash composition was not kept for the period under review. In order to secure better control over cash receipts, it is again recommended that such a record be introduced.

404. 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 1997. 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.

405. In my previous reports, attention was drawn to the large balance in the Main Bank Account and the need to transfer the unutilised balances over the years to the Consolidated Fund. However, although there was evidence of a reduction in the balance on this account through the restriction of remittances from Head Office, as at 31 December 1997 the balance was C\$81,274 compared with C\$150,684 and C\$236,388 at the end of 1996 and 1995 respectively. 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.

406. It was observed that almost all of the accounting work was being performed by a Vice-Consul. This included the preparation of receipt and payment vouchers, writing up of the sub-accountant's

cash book, recording of entries in the vote accounts and reconciling of bank accounts. This practice is not considered good internal control. The Honorary Consul gave the assurance that efforts would be made to have related duties segregated through the involvement of other members of staff.

GUYANA MISSION TO THE UNITED NATIONS - NEW YORK

407. At the time of inspection in May 1998, the Main Bank Account was last reconciled up to August 1995. The Permanent Representative explained that this was due to staff constraints and that efforts were being made to bring the reconciliation up-to-date.

408. 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. It was explained that three(3) copies of the deposit slips were normally prepared, two(2) of which were retained by the Bank while the third copy was attached to the collectors' cash book/statement and forwarded to Head Office. Assurance has been given that a photocopy will be retained for audit purposes.

409. A salaries bank account No. 292-5000537-65 was opened in July 1997 to facilitate the payment of salaries to home-based staff. However, the related cash book was only written up to reflect payments and there was no evidence of reconciliation of the bank account. Assurance has been given that corrective action would be taken.

410. It was observed that the average monthly rental of apartments for three(3) home-based staff amounted to US\$1,856 per month. These apartments are located in Roosevelt Island in Manhattan. On the other hand, the monthly rental of the Consul General's residence which is located in Long Island was US\$1,250. It is recommended that efforts should be made to identify suitable accommodations in other locations where rentals will be more economical.

411. In accordance with the Foreign Service Manual, officers serving overseas where a National Health Service exists are eligible to receive suitable health benefits under a scheme whereby Government participates by way of a contribution amounting to $66\frac{2}{3}$ percent of the cost of insurance and the officer contributes $33\frac{1}{3}$. In countries where such schemes do not exist, Government will reimburse $66\frac{2}{3}$ of the cost of medical treatment

and the officer 33^{1/3}. An examination of the claims made by some officers who have not been registered with the scheme revealed that the claims appeared to be excessive. The Ambassador explained that the Mission has engaged an Insurance Broker to look into this matter and who is expected to produce a proposal that will cover the Mission and the Embassy in Washington.

412. 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.

413. Contributions made to the United Nations totalled US\$129,989.65 for the years 1996 and 1997 respectively as follows:-

	US\$
Balance due for 1996	60,587.55
Partial payment for 1997	69,402.10

TOTAL	129,989.65
	=====

This amount was paid on 8th September, 1997. An additional sum of US\$19,228.06 was paid on 18th May, 1998 which represented outstanding amounts for 1997 and 1998. Consequently the United Nations had advised that the total amount outstanding for 1997 and 1998 was US\$18,239.96. As a consequence, there was an overpayment of US\$988.10 which the United Nations had placed in a suspense account. It was explained that this amount would be credited to the Government's account for a subsequent period. As a result of the above observations, the appropriation account submitted by the Ministry of Foreign Affairs for the year 1997 would have overstated the actual expenditure for Subhead 312.

414. At the 31 December 1997, the allocations under several subheads were exceeded, as shown below:-

SUB HEAD	DESCRIPTION	AMOUNT ALLOCATED	TOTAL EXPENDITURE	EXCESS EXPENDITURE
----	-----	-----	-----	-----
		\$'000	\$'000	\$'000
103	Other Technical & Skilled	3,828	5,586	1,758
104	Clerical and Office Supp.	7,836	10,022	2,186
105	Semi-skilled	5,520	6,053	533

106	Other Employees	11,970	12,844	874
303	Fuel & Lubri.	360	395	35
304	Rental & Build.	70,523	73,843	3,320
306	Elect. Charges	860	990	130
308	Telephone	4,536	4,939	403
309	Other Services	2,010	2,107	97

Although the excess expenditure was reported to the Ministry of Foreign Affairs in the monthly financial statements, there was no evidence of any action being taken to avoid a recurrence of this matter.

GUYANA CONSULATE - NEW YORK

415. Remittances of revenue totalling US\$541,402 equivalent to G\$80,668,898 for the period under review were made to the Accountant General's Department through the purchase of bank drafts. However, receipts in acknowledgement were not received by the Consulate, New York. The Accountant General explained that the drafts would normally be deposited with the Bank of Guyana and it is only when they were 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.

416. 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. A new salaries bank account was opened in June 1997 but was only used to transact the Consul General's salary. Since the salaries bank account reflects a nil balance at the end of each month, the bank imposes a charge to keep this account operational. In addition, a fee is charged whenever funds are transferred to this account. Total bank charges and transfer fees per month amounted to US\$26 equivalent to G\$3,874 during 1997. It is recommended that the system be reviewed to minimise the extent to which bank charges would have to be paid.

417. The General Bank Account was not reconciled for the entire period under review and it was observed that a draft reconciliation statement was last prepared in March 1994. However, assurance was 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.

418. At the time of the audit, the Consulate had no ordinary passport books on hand to cope with the demand by the Guyanese in New York. As a result, there were in excess of six hundred (600) 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.

419. 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 1996 Report, recommendations were made that a check should be carried out to ascertain the position with regard to this matter. It is again recommended that such action be taken.

421. 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\$6,303.12 per year, consideration should be given to the purchase of a new machine when the lease expires.

422. 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 are properly authorised.

423. At 31 December 1997, the allocations on several subheads had been exceeded, as shown below:-

SUB HEAD	DESCRIPTION	AMOUNT ALLOCATED	EXPENDITURE INCURRED	EXCESS EXPENDITURE
----	-----	-----	-----	-----
		G\$'000	G\$'000	G\$'000
104	Clerical & Off.Supp.	14,345	22,424	8,079

105	Semi-Skilled	2,805	3,262	457
201	Other Direct Lab. Cost	1,155	1,183	28
302	Material, Equip. etc.	500	700	200
304	Rental & Maint. Build.	2,450	2,410	165
306	Electricity Charges	465	610	145
308	Telephone	1,182	1,558	376
309	Other Services Purch.	760	872	112
314	Other	6	11	5

Although the excess expenditure reflected on the above 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 1997. Further no adjustments were made in the allocation letter for the year 1998. As a result, the same situation may recur at the end of 1998.

424. The cash book for the Student Affairs Bank Account was written up to 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.

GUYANA EMBASSY - WASHINGTON

425. 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 sent 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 again recommended that instructions be issued that such acknowledgements be sent to Guyana Embassy in Washington to facilitate a proper audit of the record of remittances.

426. The Government of Guyana "Emergency Technical Co-operation for Crabwood Creek Flooding" Account # 08-399-642 reflected a balance of US\$36,908.18 as at 15 October, 1997. The account was closed and this amount was remitted to the Accountant General's

Department by means of bank draft. However, up to the date of the audit in May 1998 acknowledgement was not received from the Accountant General's Department.

427. Several Subheads had exceeded the allocations allowed by the Ministry of Foreign Affairs during the year 1997, as follows:-

SUBHEAD	DESCRIPTION	ALLOCATION	EXPENDITURE	EXCESS
-----	-----	-----	-----	-----
		\$'000	\$'000	\$'000
103	Other Technical	7,845	8,690	845
104	Clerical and Office Support	9,744	11,193	1,449
105	Semi-Skilled	2,398	2,729	331
201	Other Direct Lab.cost	714	717	3
303	Fuel & Lubricants	1,000	1,202	202
304	Rental of Building	7,328	7,827	499
306	Electricity	976	1,183	207
307	Transport, Travel.	3,647	4,358	711
308	Telephone	3,057	3,532	475
309	Other Ser. Purchased	1,835	2,002	167
314	Other	426	496	70

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 by Head Office with the monthly financial returns submitted by the Missions in order to determine adequate allocations for these overseas Missions.

428. Remittances of revenue totalling US\$39,108 equivalent to G\$5.560M for the year 1997 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. The Accountant General explained that the drafts would normally be deposited with the Bank of Guyana and it is only when they were 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.

429. Approval was given in 1996 for the purchase of a Lincoln Town-car for the Ambassador at a cost of US\$28,674 equivalent to G\$4.272M. The cost of this automobile was met from the remittance of US\$37,497.40. The old Lincoln Town-car which was used by the Ambassador was traded-in for US\$8,000. In addition, in 1997 the Ambassador negotiated with the Dealer to lower the initial price of US\$37,950 to that of US\$28,674 leaving a saving of US\$8,823.40.

The Ambassador negotiated with another Dealer for the purchase of a mini-van which is to be used for the operations of the Embassy. This vehicle was purchased at a cost of US\$16,841 with a factory rebate of US\$750. The balance of funds to purchase the mini-van was met from the balances in the main account. It is recommended that the Ministry seeks covering approval for the purchase of the additional vehicle.

GUYANA HIGH COMMISSION - LONDON

430. A Sub-Accounting Officer has not been appointed for this Mission, and the High Commissioner was performing the duties of Sub-Accounting Officer during the year. In the absence of a Sub-Accounting Officer, the financial responsibilities for funds allocated to the Mission could not be properly placed on anyone. It is recommended that action be taken to appoint a Sub-Accounting Officer.

431. At 31 December 1997, the allocation on several subheads had been exceeded, as shown below:-

SUB HEAD	DESCRIPTION	AMOUNT ALLOCATED	EXPENDITURE INCURRED	EXCESS EXPENDITURE
		G\$'000	G\$'000	G\$'000
103	Other Technical	5,281	6,981	1,700
105	Semi-Skilled	2,247	4,054	1,807
201	Other Direct Lab.cost	1,360	3,721	2,361
302	Print & Non Print Mat.	435	437	2
304	Rental & Maint.Build.	10,092	11,116	1,024
306	Electricity	567	732	165
307	Transport, Travel.	1,671	2,067	396
308	Telephone	1,688	2,062	374
314	Other	550	607	57

The excesses resulted from inadequate allocations to meet the expenses of the High Commission. There is therefore need for more realistic budgets and virements should be obtained prior to the incurring of excess expenditure, where necessary.

432. The following bank accounts held at the Lloyd's Bank and under the control of the High Commission were overdrawn by amounts totalling £1.329M, equivalent to G\$317.896M, and US\$13.303M, equivalent G\$1.884 billion respectively, as at 31 December 1997

ACCOUNT NO.	DESCRIPTION	OVERDRAFT AT 31.12.97
-----	-----	-----

		US\$	£
01055721	G.H.C. London U.K. Unpaid Loan	-	200,212
01043855	G.H.C Overdue Interest	-	1,328,662
11472607	GNTC - Unpaid Loan	3,445,974	-
11879308	GNTC - Overdue Interest	9,857,130	-
		-----	-----
TOTAL		13,303,104	1,328,662
		=====	=====

433. 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.

434. 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 1997 stood at US\$9.857M 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.

435. Four(4) remittances totalling £61,015.63 were received from the Office of the President and credited to bank Account No. 17133702 at the Lloyds Bank. These amounts were to meet financial obligations for Guyanese students who were on scholarships in Europe. Of this amount, two(2) payments totalling £23,582.40 were made to the Jamaican Embassy in Russia for disbursements to Guyanese students studying there. Acknowledgement receipts were forwarded to the Office of the President but copies were not kept of the High Commission in London. Other payments were also met from this bank account including station allowances and accommodation rentals for the Students Affairs Officer. However,

payment vouchers were not prepared in support of these payments neither was a register of remittances kept. The Students Affairs Officer had agreed to correct these lapses.

THE GUYANA EMBASSY - BRUSSELS

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

SUB HEAD	DESCRIPTION	AMOUNT ALLOCATED	EXPENDITURE INCURRED	EXCESS EXPENDITURE
----	-----	-----	-----	-----
		G\$'000	G\$'000	G\$'000
105	Semi-Skilled	822	2,519	1,697
201	Other Direct Lab.cost	390	958	568
203	Benefits and Allow.	970	2,861	1,891
302	Print & Non Print Mat.	265	297	32
306	Electricity	563	701	138
307	Transport, Travel.	4,246	5,014	768
308	Telephone	1,562	1,768	206
309	Other Services	1,342	1,387	45
314	Other	179	182	3

The excesses resulted from inadequate allocations to meet the expenses of the Embassy. There is thus need for more realistic budgets and virements should be obtained prior to the incurring of excess expenditure, where necessary.

437. Because of the cost involved in purchasing bank drafts and the relatively small amounts of revenue collected, revenue was remitted annually to Head Office rather than on a monthly basis. However, an acknowledgement from the Accountant General's Department for the amount of \$US504.16 remitted during the year was not produced for audit. It was explained that the acknowledgement receipt was not received as yet from the Accountant General's Department. Efforts should be made to ensure that such receipts are promptly obtained for all revenue remitted.

438. Remittances for home-based staff were deposited in a separate bank account with Banque Bruxelles Lambert. A Cash Book was, however, not maintained for this account nor was a register of remittances kept. Efforts should be made to introduce these records.

GUYANA EMBASSY - SURINAME

439. The following are instances where total expenditure exceeded allocations on a number of sub-heads:

SUB HEAD	DESCRIPTION	AMOUNT ALLOCATED	EXPENDITURE INCURRED	EXCESS EXPENDITURE
----------	-------------	------------------	----------------------	--------------------

		G\$'000	G\$'000	G\$'000
105	Semi-Skilled	1,092	1,249	157
303	Fuel & Lubricants	220	230	10
304	Rental & Maint.Build.	8,752	8,864	112
307	Transport, Travel.	88	132	44
308	Telephone	739	753	14
309	Other Services Pur.	260	301	41
314	Other	170	231	61

440. Acknowledgements receipts were not seen for revenue remitted to the Accountant General's Department for the period under review. The Accountant General explained that the drafts would normally be deposited with the Bank of Guyana and it is only when they were 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.

441. Total revenue remitted to the Accountant General's Department for the period under review was US\$16,687 equivalent to G\$2.336M. An examination of the records, however, revealed that an amount of US\$1,964 equivalent to G\$274,960, was omitted from the remittance. It was explained that this was due to an oversight and that efforts would be made to remit the difference.

442. The Mission operated an Investment Account at De Surinaamsche Bank N.V.. This account was closed on 27 March 1997 and the balance of SF6,251.75 was transferred to the revenue bank account. A cash book for the former was, however, not presented for audit examination.

443. A number of unserviceable stores items, including air conditioning units, gestetner machine, executive chairs, were on hand at the time of the inspection. Efforts should be made to dispose of these items by public auction.

GUYANA EMBASSY - VENEZUELA

444. Payment vouchers are required to be submitted on a monthly basis to the Ministry of Foreign Affairs for incorporation in the Ministry's accounts. It was observed, however, that vouchers were not despatched to the Ministry on a timely basis as detailed hereunder.

PERIOD	DATE DESPATCHED
-----	-----
January to March 1997	09/05/97

May 1997	07/08/97
July to September 1997	06/11/97
December 97 to January 1998	04/03/98
February 98	13/05/98
March 98	10/06/98
April 98	01/07/98
May 98	06/08/98

These delays will impact adversely in the incorporation of the Ministry's transactions into the Accountant General's Accounts. It is again recommended that action be taken to forward vouchers monthly to the Ministry.

445. An examination of the Sub-Accountant's Cash Book revealed the following unsatisfactory features:-

- (a) Prior to 16th May 1997 the cash book was balanced monthly instead of on a daily basis and there was no evidence of supervisory checks;
- (b) In my 1996 Report it was stated that the accuracy of the closing balance at 31 December 1995 could not be determined since the cash book was re-introduced without an opening balance. Consequently, the accuracy of the balances as at 31 December 1997 could not be determined; and
- (c) Also mentioned in my 1995 Report was the fact that the Mission continued to despatch the original copies of the Cash Book to the Accountant General's Department via the Ministry of Foreign Affairs in a less than timely manner. This pattern continued in 1997, as follows:-

PERIOD	DATE DESPATCHED
-----	-----
January, February	12/06/97
March to May	09/10/97
June to August	06/11/97
September to November	11/02/98
December	04/03/98

446. An examination of the Vote Account Book revealed that expenditure exceeded allocation under ten(10) subheads, as shown below:-

SUB HEAD	DESCRIPTION	AMOUNT ALLOCATED	EXPENDITURE INCURRED	EXCESS EXPENDITURE
----	-----	-----	-----	-----

	G\$'000	G\$'000	G\$'000
103 Other Technical	849	974	125
105 Semi-Skilled	1,061	1,068	7
201 Other Dir. Lab.cost	333	516	183
203 Benefits & Allow.	3,754	4,630	876
302 Print & Non Pr. Mat.	880	984	104
304 Rental & Maint.Build.	512	553	41
306 Electricity	343	461	118
307 Transport, Travel.	200	258	58
309 Telephone	110	158	48
314 Other	300	336	36

TOTAL			1,596
			=====

It was explained that allocations proved to be inadequate in most cases. It was also noted that for four(4) of the subheads in question, there was a revision downwards on the original allocation.

447. Liabilities were not entered in the Vote Account Book when incurred. As a result, two(2) subheads which originally reflected savings in the Vote Account Book at year-end were actually exceeded when outstanding liabilities were taken into account. Additionally, nine(9) of the ten(10) sub-heads referred to above were further exceeded when liabilities unentered and outstanding at year-end were taken into account. Consequently, total excess expenditure amounted to \$5.120M or a further \$3.522M.

448. Revenue is required to be remitted monthly to the Accountant General's Department. It was observed, however, that revenues were remitted on a half-yearly basis to the Ministry of Foreign Affairs for onward transmission to the Accountant General, as follows:-

PERIOD	AMOUNT(US\$)	G\$EQUIV.	DATE REMITTED
-----	-----	-----	-----
Jan. - June	1,040	147,998	18/09/97
July - Dec.	994	142,980	06/01/98

The failure to remit revenues on a monthly basis is a breach of financial instructions and efforts should be made to remedy this situation.

449. Revenue collected from the issues of visas, processing of passports and other minor transactions were not banked on a regular basis. For example, passport and visa fees for January 1997 were banked in March and April respectively, and fees collected for June and July were banked in September. The failure to bank revenues in a timely manner can lead to irregularities.

450. Collector's Cash Book Statements were submitted on a half-yearly basis to the Ministry of Foreign Affairs. Corrective action was recommended as these statements were required to be submitted at least on a monthly basis.

451. A record to show the receipt, issue and usage of revenue stamps for passports was not kept for 1997. Consequently, it was difficult to ascertain whether all revenue stamps were accounted for.

452. A register of controlled forms, which is required to be kept to show the receipt and issue of receipt and cheque books, was not maintained for the period under review. It is recommended that a record be introduced to properly account for such books.

GUYANA EMBASSY - BRAZIL

453. The Sub-Accountant's Cash Book reflected a balance of US\$35,644.94 at 31 December 1997. However, included in this amount was the sum of US\$23,182.24 which was held for payment to scholarship students studying in Brasil. The difference of US\$12,246.70 equivalent to G\$1,837,005 should have been refunded to the Consolidated Fund.

454. In order to exercise budgetary control the Ministry of Foreign Affairs had allocated to the Embassy specific sums to be spent under each subhead. Although the total amount allocated for the year was not overspent, several subheads had exceeded the allocations at the 31 December 1997, as shown below:-

SUB HEAD	DESCRIPTION	AMOUNT ALLOCATED	EXPENDITURE INCURRED	EXCESS EXPENDITURE
----	-----	-----	-----	-----
		G\$ '000	G\$ '000	G\$ '000
105	- Semi-Skilled Oper.	996	1,249	252
201	- Other Direct Lab.Cost	600	757	157
302	- Off. Materials.	388	622	224
303	- Fuel & Lub.	700	1,159	366
304	- Maint. of Build.	2,700	4,419	1,716
306	- Electricity Charges	550	826	399
307	- Travel & Subs.	650	1,563	913
308	- Telephone	3,000	3,947	946
309	- Other Service	575	1,093	518
314	- Other	400	924	524

455. According to the allocation letter dated 20/03/98 a total amount of G\$30.783M was allocated to the Embassy in Brasilia in 1997. However, the total remittances made to this Mission were far in excess of that allocation. Remittances to this Mission

totalled US\$382,603.50 equivalent to G\$54.330M, that is, approximately 76% more than the amount stated in the allocation letter. It is therefore recommended that the financial needs of this Mission be reviewed with a view to ensuring that the allocations made are realistic.

456. All revenue collected were deposited into the local currency account No. 32-1167-09 and were used to defray expenses relating to the upkeep of the Embassy. The remittances to the Accountant General for revenue collected by the Embassy were made from the US Dollar Account No. 869-1-3-3657. In fact, the revenue was met from the remittances received from the Head Office. It was explained that this arrangement was put in place because of the difficulty in obtaining foreign exchange.

HEAD 07-02

MINISTRY OF HOME AFFAIRS (POLICE)

Current Expenditure

Employment Costs

457. The old salaries bank account No. 542, which became non-operational in April 1996, reflected a balance of \$6.464M as at 31 December 1997. Efforts should be made to close this account and transfer the balance to the Consolidated Fund.

458. The new salaries bank account No. 3032 reflected a balance of \$6.776M as at 31 December 1997. However, the cash book was not cast and balanced for the period under review and therefore reliance could not be placed on the reconciliation statement which was prepared to December 1997.

459. An examination of the bank statements revealed that the account was overdrawn by significant amounts at the end of the following months:-

MONTH -----	OVERDRAT ----- \$	MONTH -----	OVERDRAFT ----- \$
March	28,405,294	July	27,487,807
April	107,359,670	August	13,693,930
May	10,380,789	September	51,691,963
June	8,252,319		

Other Charges

460. The old main bank account No. 834, which became non-operational in April 1996, reflected a balance of \$27.362M as at 31 December 1997 compared with 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 \$5.366M being left in the account.

461. Amounts totalling \$81.231M were expended on materials, equipment and supplies. An analysis of the purchases under the various authority limits is given below:-

AUTHORITY LIMITS -----	NO. OF PURCHASES -----	AMOUNT -----
		\$
Below \$90,000	602	22,434,142
\$90,000 - \$180,000	52	6,925,162
\$180,000 - \$600,000	86	49,476,990
	---	-----
TOTAL	740	78,836,294
	===	=====

Based on sample checks carried out, the items purchased were verified as having been received and brought to account.

462. Excess expenditure totalling \$2.273M was incurred in respect of Subhead 303 - Fuel & lubricants. This excess was met out of an advance from the Contingencies Fund which was cleared in June 1998 by a supplementary estimate.

463. Amounts totalling \$67.754M were expended on rental and maintenance of buildings. The following gives a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehab. of Police Station - Whim	4,468,421
" " " " - Sisters	2,562,250
" " Transport Workshop	2,417,260
" " Police Station - Springlands	2,044,504
" " " " - Fort Wellington	1,521,040
" " Quartermaster's Store	1,502,605
" " Police Station - Suddie	1,410,585
" " Administrative building	1,210,588
" " Narcotics building	1,075,880

"	"	fourteen(14) Other Police Stations	9,514,990
"	"	twenty(22) Officers' Quarters	14,546,767
Miscellaneous repairs (\$180,000 - \$450,000)			6,641,054
"	"	(below \$180,000)	13,700,056
Purchases			5,138,435
TOTAL			67,754,435
			=====

464. Except for certain interior locations, the works were physically verified while the items purchased were verified as having been received and properly brought to account. However, there was evidence of apparent subdivision of contracts to bring them within the limits of the Departmental Tender Board, thereby avoiding public invitation to tender and adjudication by the Central Tender Board. The following are examples:-

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$
05/02	4/97	Officer's quarters - Parika	422,040
-do-	16/97	-do- -do- -do-	598,300
-do-	17/97	-do- -do- -do-	451,420
TOTAL			1,471,760
			=====

05/02	9/97	Roof of library-Adventure	401,675
-do-	24/96	Roof of station- -do-	581,825
-do-	31/96	Officer's quarters--do-	230,505
TOTAL			1,214,005
			=====

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$
09/05	40/97	Officer's qtr's - Wismar	417,584
-do-	41/97	-do- -do- -do-	495,888
TOTAL			913,473
			=====

465. In addition, several contracts were awarded on "selective" tendering basis which is not the approved procedure. Similar observations were made in my previous reports and it is disappointing to note that the apparent circumvention of the Tender Board Regulations continued to be repeated.

466. As in previous years, the Accounting Officer contended that the contracts were awarded as per quarters and not by locations and having regard to the urgency of having them completed for occupation by the officers. He also explained that since the monthly release of funds by the Ministry of Finance was limited, it was not possible carry out the works as suggested since these were done on a needs basis. 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.

467. The sum of \$108.322M was provided for expenses relating to Transport, Travel & Postage of which amounts totalling \$132.930M were expended. The excess expenditure of \$24.608M was met from three(3) advances totalling \$31.2M from the Contingencies Fund. These advances were cleared in June 1998 by way of a supplementary estimate. Given below is an analysis of the expenditure incurred:-

PARTICULARS -----	AMOUNT -----
	\$
Local travel and subsistence	106,009,126
Purchase of spares	24,933,588
Postage	1,987,676

TOTAL	132,930,390 =====

Based on sample checks carried out, the items purchased were verified as having been received and brought to account while the other expenditure was verified as having been properly incurred.

HEADS 08-01 TO 08-06 AND DIVISIONS 508, 510 & 512

MINISTRY OF AGRICULTURE

Current Expenditure

Employment Costs

468. 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 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. This matter was drawn to attention in my 1996 Report.

469. 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.

470. The old salaries bank account No. 940 was overdrawn by \$4.968M as at 31 December 1997, and at the time it ceased to be operational in May 1996, the overdraft was \$2.717M, giving an increase in overdraft of \$2.251M between the period June 1996 to December 1997. In my previous reports, mention was made of the continuous overdraft on this account, a situation which continued in 1997. In addition, the account was not reconciled since October 1991.

471. In 1996, it was also reported that the old wages deductions account No. 941 showed a large positive 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.

472. 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 account became non-operational in May 1996, the balance was \$2.999M, and at December 1997 this balance was reduced to \$2.753M. The account was also last reconciled to December 1992.

473. 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 1997. 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.

474. An examination of the Register of Contributors to the National Insurance Scheme revealed that there were 194 names without NIS numbers at the time of the audit. 100 of these relate to persons who were in the employ of the Ministry prior to 1997. 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.

475. Out of a sample of thirty-five(35) travelling files of officers in receipt of commuted travelling and mileage allowances, nine(9) were not presented for audit examination. However, alternative auditing procedures were adopted in the verification of payments to these persons.

Other Charges

476. At the time reporting, the new main bank account No. 3054 was reconciled to only November 1996 and reflected a balance of \$247.674M as at 31 December 1997 while the cash book balance at this date was \$50.261M. Investigations revealed that 787 cheques valued at \$148.207M were drawn in January 1998 but were backdated to 31 December 1997. This represents a manipulation of the budgetary allocations in that the voted provisions for any particular year lapse at the end of the year, as provided for by Section 36 of the FAA Act.

477. The old main bank account No. 938, which became non-operational in May 1996, reflected an overdraft of \$6.554M as at 31 December 1997, compared with an overdraft of \$5.840M as at 31 December 1996. In addition, this account was reconciled on a yearly basis instead of on a monthly basis, the last reconciliation being for 1995.

478. In my 1996 Report, it was stated that 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 while 37 cheques valued at \$142,314 were in favour of the National Insurance Scheme. The Accounting Officer had explained that most of these cheques relate to payments which were unclaimed by the respective payees.

479. 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.

480. Another main bank account No. 705, which was not operational since July 1991, reflected a large balance of \$40.428M as at 31 December 1997, and it could not be determined when last it was reconciled. In my previous reports, 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. 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.

481. Amounts totalling \$7.712M were expended on 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 two(2) 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.

482. The sum of \$16.535M was expended on the rental and maintenance of buildings. The following is a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Purchase of materials	4,797,785
Rental of buildings	1,460,000
Repairs to Timehri Meteorological Office	2,908,609
" " twelve(12) sub-offices	3,547,824
" " Agri. Field Assistant quarters	1,049,307
" " Head Office buildings	1,889,154
Other miscellaneous repairs	882,591

TOTAL	16,535,270
	=====

483. The maintenance works at the sub-offices in the various

Regions were executed by the Regions by way of inter departmental warrants and financial returns were seen to attest to the expenditure incurred. The works were also physically verified while the purchases were verified as having been received and properly brought to account.

484. Amounts totalling \$3.620M were expended on the maintenance of infrastructure. The following gives a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Construction & repairs to six(6) fences	2,194,955
" of three(3) bridges	593,847
Weeding & cleaning of Hydromet Compound	269,098
Miscellaneous	561,998

TOTAL	3,619,898 =====

The works were physically verified.

485. Amounts totalling \$6.984M were expended on electricity charges. However, the Electricity Charges Register was not maintained for the period under review. Efforts should be made to update this record so that the charges against each meter can be properly monitored.

486. The sum of \$30.749M was expended on Transport, Travel and Postage. The following is a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Travelling & subsistence	23,478,506
Purchase of spares	1,949,505
Hire of vehicles	1,304,572
Repairs to vehicles	3,070,646
Miscellaneous	945,949

TOTAL	30,749,178 =====

487. The spares purchased were verified as having been received and properly brought to account while, based on test-checks carried out, the other expenditures were verified as having been

properly incurred.

488. Amounts totalling \$334.784M were expended as contributions to local and international organisations, of which sums totalling \$264.720M were granted as subventions to the following state agencies:-

NAME OF ORGANISATION	AMOUNT
National Agricultural Research Institute	\$152,012,000
Guyana School of Agriculture	38,608,000
Guyana Marketing Corporation Ltd	19,000,000
National Dairy Development Project	17,100,000
Pink Mealy Bug Coordinating Unit	38,000,000
TOTAL	264,720,000

489. The National Agricultural Research Institute (NARI) was last audited in respect of 1993. Draft financial statements for the years 1994 - 1997 were received and at the time of reporting the audit was in progress. The amount of \$152.012M was, however, verified as having been received by NARI.

490. The Guyana School of Agriculture (GSA) was last audited to 1993. Financial statements had not been received for the years 1994 - 1997 and therefore the School was in arrears in terms of financial reporting for four(4) years. The amount of \$38.608M was, however, verified as having been received by the GSA but in the absence of audited accounts, it could not be determined whether it was properly utilised.

491. In relation to the Guyana Marketing Corporation Ltd., the last set of audited accounts was in respect of 1995. Financial statements for the year 1996 were received and at the time of reporting, the audit was in progress. The amount of \$19M was verified as having been received by the Corporation but in the absence of audited accounts, it could not be determined whether it was properly utilised.

492. 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. Re-submission was made on 23 October 1998 in respect of these years.

However, a scrutiny of these statements again revealed incomplete financial reporting since no balance sheets were prepared. The amount of \$17.1M was nevertheless verified as having been received by NDDP but in the absence of audited accounts, the proper utilisation of this amount could not be determined.

493. The Pink Mealy Bug Coordinating Unit was established by a Cabinet decision in 1997. The amount of \$38M was transferred to the bank account of the Unit on 31 December 1997 and therefore no expenditure could have been incurred. Therefore, the Appropriation Account was overstated by this amount which should have been refunded to the Consolidated Fund as required by Section 36 of the FAA Act.

494. The following is a breakdown of the other expenditure incurred under Subsidies and Contributions to Local & International Organisations:-

DESCRIPTION -----	AMOUNT -----
	\$
Caribbean Meteorological Institute	35,120,000
C'bean Agri. Research Dev. Institute	10,002,000
Food & Agriculture Organisation	7,578,000
United Nations Development Programme	3,766,000
Caribbean Conservation Association	3,076,000
Inter'l Inst. for Cooperation in Agriculture	1,510,000
REPAHA	3,585,077
Others	5,426,604

TOTAL	70,063,681 =====

These amounts were verified as having been received by these organisations.

Revenue Accounting & Control

495. Amounts totalling \$1.045 billion were collected as revenue by the Ministry, of which sums totalling \$1.010 billion represented royalties received from Omai Gold Mines Ltd. An examination of the monthly returns submitted by the Bank of Guyana to the Ministry of Finance revealed that for the period January to December 1997 amounts totalling \$821.989M were received from Omai. There was, however, an opening balance \$250.345M which was received by the Bank of Guyana but was not paid over to the Consolidated Fund, giving a total receivable amount of \$1.072 billion. Therefore, an amount of \$61.9M was not transferred to the Consolidated Fund as at 31 December 1997, resulting in a corresponding understatement of revenue.

496. A revenue chart was not kept by the Ministry 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 previous reports and it is disappointing that no action was taken to introduce these records.

497. An examination of the Register of Licence Books kept at Head Office revealed that it was not subject to periodic checks. Requisition and issue note numbers were also not quoted in the Register. These lapses should be corrected as early as possible.

Other Matters

498. According to the records of the various deposit accounts kept by the Ministry, balances at 31 December 1997 totalled \$202.905M, compared with \$161.192M at the end of 1996. The following are the details:-

DESCRIPTION	AMOUNT	AMOUNT
	1996	1997
	\$	\$
Wildlife - General	79,238,380	108,515,893
Wildlife - Fish	43,844,281	52,236,152
Block Sundry (fishing licences)	36,732,101	36,793,051
Wildlife - Duck	1,166,201	1,373,067
Works for Private Parties	210,79	3,986,883
	-----	-----
TOTAL	161,191,754	202,905,046
	=====	=====

499. Given that the greater portion of the above amounts represent revenue which has been accumulating over the years, it is

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Capital Expenditure

Division 508 - Ministry of Agriculture

Subhead 13002 - Agriculture Sector Loan

500. The sum of \$170M 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 \$33.063M were expended.

501. 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. The last set of audited accounts was in respect of 1997.

502. An examination of these audited accounts revealed an expenditure of \$75.099M, giving a difference of \$42.036M. This difference resulted from three(3) disbursements made by the IDB

which had yet been brought to account in the Public Accounts. The following gives a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Institutional strengthening of D & I PEU	26,709,478
Land administration & regularisation tenure	14,192,111
Financial costs	3,025,010
Operating costs of Coordinating Unit	22,372,041
Purchase of equipment	3,769,330
Purchase of maps	5,030,631

TOTAL	75,098,601
	=====

Subhead 13003 - Rehabilitation of D & I Areas

503. The sum of \$365M was voted for (a) on-going construction of reinforced concrete sluice at Devonshire Castle, head regulators at Mainstay and Capoey, excavation of the Torani Canal, new self acting kokers at Wakenaam and reinforced concrete sluices at Craig and Letter Kenny and (b) purchase of a new pump and rehabilitation of pump station at Cozier. Amounts totalling \$357.385M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Constr. of concrete sluice Devonshire Castle	18,622,169
" " head regulators at Mainstay	4,903,227
Excavation of Torani Canal	83,852,374
Constr. of self acting koker at Wakenaam	803,843
" " concrete sluice at Craig	13,640,746
" " " " Letter Kenny	8,898,723
Purchase of three(3) new pumps	48,989,048
Design and supervision costs	2,403,570
Rehab. of Manarabisi & Seaforth Canals	24,510,867
Construction of sluice at Garden of Eden	1,187,517
Emergency D & I works in Regions 2,3,5 & 6	30,819,220
Purchase of one(1) low bed prime mover	5,850,000
Emoluments for D & I staff	69,274,251
Purchase of spares	4,540,413
" " stationery & office supply	9,320,512
Other services purchased	16,662,753

Repairs to vehicles & equipment	3,562,548
Fuel & Lubricants	9,543,395

TOTAL	357,385,176
	=====

504. The contract for the construction of sluice at Devonshire Castle was awarded in the sum of \$26.641M. However, the basis of the award could not be determined because of the fire at the Ministry of Finance which reportedly destroyed most of the records of the Central Tender Board. As can be noted, amounts totalling \$18.622M were expended to 31 December 1997 and the works were rebudgeted for in 1998. At the time of inspection in August 1998, the sluice was completed.

505. In relation to the rehabilitation of head regulators at Mainstay, the contract was awarded to the second lowest bidder in the sum \$5.994M on the grounds that the lowest bid of \$2.485M did not comply with the tender instructions and was unrealistic compared with the Engineer's Estimate of \$5.436M. As at 31 December 1997, amounts totalling \$4.903M were paid to the contractor. However, the work was not rebudgeted for in 1998 but the balance of the contract sum was met out of the 1998 voted provision under this subhead. The work was physically verified.

506. The contract for the rehabilitation of the Torani Canal was awarded in March 1996 in the sum of \$174.760M. A variation of \$52.888M was approved on 29 September, 1997, giving a revised contract sum of \$227.648M. As at 31 December 1997, amounts totalling \$195.991M were expended. The work was also not rebudgeted for in 1998 although amounts totalling \$21.924M were paid out of the 1998 voted provision under this subhead at the time of reporting. The rehabilitation work was physically verified.

507. In relation to the construction of a self acting koker at Wakenaam, the contract was awarded in the sum of \$5.359M. The amount of \$803,843 represented a mobilisation advance granted to the contractor. However, because of the slow progress of the work, it was decided to terminate the contract. Up to the time of reporting, the value of the work done was not ascertained so as to be able to determine whether any portion of the mobilisation advance is recoverable.

508. The contract for the construction of a reinforced concrete outfall sluice at Craig was awarded in the sum of \$22.339M.

However, the basis of the award could not be determined since most of the records of the Central Tender Board were reportedly destroyed as a result of the Ministry of Finance fire. As at 31 December 1997, amounts totalling \$13.641M were expended. The work was, however, not rebudgeted in 1998 although the balance of the contract sum was met out of the 1998 voted provision under this subhead. The work was physically verified.

509. In relation to the construction of a concrete outfall sluice at Letter Kenny, the contract was awarded in 1996 in the sum of \$18.824M. As at 31 December 1997, amounts totalling \$17.624M were paid to the contractor. The work was, however, not rebudgeted in 1998 although the balance of the contract sum was met out of the 1998 voted provision under this subhead. The work was physically verified.

510. The contract for the supply of three(3) pumps was awarded in the sum of \$54.432M, of which amounts totalling \$48.989M were paid to the supplier. The pumps were received in November 1997 and were installed at Triumph, Tarlogie and Andrew's Sluice in Region 2.

511. In relation to the rehabilitation of the Manarabisi and Seaforth Canals, the contract was awarded in 1996 in the sum of \$24.973M and as at 31 December 1997, amounts totalling \$23.791M. The work was physically verified.

512. The contract for the construction of concrete sluice at Garden of Eden was awarded in 1996 for \$16.371M. As at 31 December 1997, amounts totalling \$12.080M were expended. The contract was terminated because of the failure of the contractor to complete the works. A new contract valued at \$1.805M was awarded in 1998 to complete the construction works which were physically verified.

513. The amount of \$30.819M expended on emergency D & I works represented inter departmental warrants issued to the various regions and financial returns were seen attesting to the expenditure incurred.

514. The other items and equipment purchased were verified as having been received while based on test-checks carried out the other expenditure was verified as having been properly incurred.

Subhead 13005 - Agriculture Sector Hybrid Programme

515. The sum of \$378M was allocated for the upgrading and maintenance of farm access roads in Regions 2 to 6, of which amounts totalling \$119.037M were shown as having been expended.

516. 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 1997, however, revealed that expenditure totalling \$394.924M was incurred, giving a difference of \$275.887M. This difference was due to (a) the charging of \$240.290M to Division 519 Subhead 15002 - Sea Defences (Corentyne and Essequibo) as a result of the transfer of the Hydraulics Division to the Ministry of Public Works and (b) disbursements totalling \$35.597M by the IDB which had not been brought to account in the Public Accounts.

517. The following is a breakdown of the audited expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Access roads between Charity and Supernaam	27,686,367
Farm access road at MMA/ADA	34,666,711
No. 71/71 Sideline Dam	27,848,754
Repairs to sea defences at Mon Repos	47,963,824
Repairs to sea defences at Nos 77-79	140,086,943
Engineering and Administration	54,443,935
Acquisition of equipment etc.	50,005,580
Financial costs	11,424,654
Miscellaneous	797,552

TOTAL	394,924,320
	=====

Subhead 13006 - Purchase of Equipment

518. The sum of \$42M was voted for the purchase of ten(10) excavators to execute drainage and irrigation works throughout the Country. Amounts totalling \$37.170M were expended in the purchase of ten(10) used hymacs. The equipment purchased were verified as having been received and properly brought to account. However, at the time of inspection in August 1998, three(3) hymacs located at Triumph, East Coast Demerara, Region 3 and Friendship, East Bank Demerara were not in working order.

Subhead 13007 - Flood Control (Mahaica/Mahaicony)

519. The sum of \$25M was allocated for the improvement to the flood control systems in the Mahaica/Mahaicony areas. Amounts totalling \$18.469M were expended in the purchase of four(4)

reconditioned draglines. The equipment were verified as having been received and properly brought to account.

Subhead 17004 - National Agricultural Research Institute

520. The sum of \$30M was voted for (a) the restoration of the Soil Microbiology Laboratory (b) rehabilitation of buildings at Ebini (c) infrastructure development for research purposes and (d) modification to post harvest laboratory. According to the Appropriation Account, amounts totalling \$29.2M were expended. However, an examination of the records of NARI revealed that \$25.979M was expended, giving a difference of \$3.221M which should have been refunded to the Ministry for credit to the Consolidated Fund. A similar observation was made in 1995 and 1996 where there were unspent amounts of \$19.606M and \$8.403M respectively which were not refunded to the Consolidated Fund.

521. The following is a breakdown of the expenditure of \$25.979M:-

DESCRIPTION -----	AMOUNT -----
	\$
Restoration of Soil Microbiology Lab.	3,892,386
Infrastructure development	2,574,640
Modification to Post Harvest Laboratory	1,381,800
Purchase of tractor & accessories	6,153,166
Rehabilitation of nurseries	7,810,786
" " duck unit	2,566,200
Purchase of truck	1,600,000

TOTAL	25,978,978 =====

522. As can be noted, no rehabilitation works were undertaken at Ebini. It was explained that because of the remoteness of the area, it was decided not to proceed with the works. Approval was granted for a change in programme to accommodate the other expenditure not reflected in the Capital Profile.

523. The items purchased were verified as having been received and properly brought to account while the works were physically verified. However, the basis for the award of the various contracts could not be determined, as the relevant tender board minutes could not be located for audit inspection.

Subhead 17005 - Guyana School of Agriculture

524. The sum of \$7M was allocated for (a) the purchase of three(3) computers (b) rehabilitation of upper wall and the construction of

soils laboratory in the Plant Science building and (c) construction of main access bridge, poultry pens and livestock farms and renovation of dormitory and ablution block. The full amount was shown as having been expended.

525. The following gives a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Purchase of three(3) computers	1,233,000
Rehabilitation of sanitary block & upper wall	4,272,000
Repairs to main access bridge	1,497,000

TOTAL	7,002,000 =====

526. As can be noted, not all the works reflected in the programme was undertaken, and it was explained that this was due to the inadequacy of funds. The works undertaken were physically verified while the computers were verified as having been received and properly brought to account.

Subhead 17009 - National Dairy Development Programme

527. The sum of \$7.6M was voted for the purchase of a rectangular hay builder, establishment of pastures and purchase of office equipment. According to the Appropriation Account, the full amount was shown as having been expended. The records of NDDP, however, revealed an expenditure of \$5.904M, giving a difference of \$1.696M which should have been refunded to the Consolidated Fund.

528. The following gives a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Establishment of nine(9) pastures	2,872,000
Purchase of hay builder	2,523,000
" " office equipment & furniture	509,000

TOTAL	5,904,000 =====

The items purchased were verified as having been received and properly brought to account while the other expenditure was

verified as having been properly incurred.

Subhead 17011 - Rural Support Project

529. The sum of \$25M was allocated for (a) rehabilitation works for drainage, irrigation and related roads infrastructure and (b) upgrading of basic support services/facilities in rural communities. Amounts totalling \$20M were expended.

530. The Project is funded by the UNDP and is subject to separate financial reporting and audit. An examination of the audited accounts for 1997 revealed an expenditure of \$32.648M, giving a difference of \$12.648M representing disbursements by the UNDP which had not been brought to account in the Public Accounts because of inadequate funds in the voted provision.

Subhead 17019 - Extension Services

531. The sum of \$2.9M was voted for the purchase of a computer, video camera, one(1) outboard motor and solar panel for St. Ignatius. Amounts totalling \$279,000 were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 21001 - Hydrometeorology

532. The sum of \$12.6M was allocated for the rehabilitation of the National Hydromet Station network and the purchase of two(2) motor cycles and electronic communication system for real-time data dissemination. Amounts totalling \$7.049M were expended. The rehabilitation works were physically verified while the items purchased were verified as having been received and properly brought to account.

Subhead 24001 - Land Transport

533. A supplementary provision was approved in 1997 for the purchase of a vehicle for the Minister of Fisheries, Crops & Livestock. Amounts totalling \$2.675M were expended. The vehicle was verified as having been received and properly brought to account.

Subhead 25001 - Project Evaluation and Equipment

534. The sum of \$1M was allocated for the purchase of 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

535. The sum of \$5.8M was voted for the reproduction of maps of Guyana and the ten(10) administrative regions, printing of the Gazetteer and institutional strengthening, of which amounts totalling \$4.425M were expended in the production of 6,000 maps and in the payment of consultancy services. These maps were verified as having been properly brought to account in the records of the Ministry.

Subhead 33003 - National Land Registration

536. The sum of \$20M was allocated for (a) the issuing of freehold titles in land development schemes (b) provision of occupational and final surveys and (c) large scale topographic survey and land information for the establishment of two(2) land development schemes from Marrisa to Aliko and Potosi to Hopetown in Region 3. Amounts totalling \$19.319M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Provision of occupational and final surveys	16,692,197
Purchase of survey equipment	1,501,040
" " office furniture	1,125,265

TOTAL	19,318,502 =====

The items purchased were verified as having been received and properly brought to account while the other expenditure was verified as having been properly incurred.

Division 510 - Ministry of Agriculture (MMA III)

537. The sum of \$40M was voted for (a) civil works to the Abary Conservancy and the rehabilitation of roads and bridges (b) agricultural development such as realignment, land titling, cadastral surveys, land registration and (c) general administration at the Mahaica Mahaicony Abary Agricultural Development Authority. Amounts totalling \$30M were shown as having been expended.

538. 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 1997 revealed that operating revenue, inclusive of the subvention of \$36.632M from Central Government, totalled \$108.151M while actual expenditure, excluding depreciation, was \$125.177M, giving a cash flow deficit of \$17.026M. The accumulated deficit of the Authority as at 31 December 1997 was \$486.010M.

539. 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

540. The sum of \$3.5M was voted for the completion of an action plan for sustainable development in the fisheries sector. Amounts totalling \$2.297M were expended on (a) fees to a consultant who was engaged in preparing the action plan (b) the purchase of office equipment and (c) final payment for the purchase a vehicle. The furniture was verified as having been received and properly brought to account.

Subhead 12005 - CARICOM Resource & Management Programme

541. The sum of \$6.5M was allocated for (a) developing the capability to manage marine fisheries resources (b) distribution, collection and summarisation of log sheets (c) collection of data at all landing sites and (d) provision of management, consultancy and technical assistance. A supplementary provision of \$17.128M was approved in 1997, giving a revised allocation of \$23.628M. The full amount was expended as follows:-

DESCRIPTION AMOUNT -----	----- \$
Consultancy services	21,000,000
Contribution to CARICOM	1,878,000
Salaries of local employees	750,000

TOTAL	23,628,000 =====

These expenditures have been verified as having been properly incurred.

Subhead 12006 - Agricultural Development

542. The sum of \$800,000 was allocated for the promotion of aquaculture in schools, of which amounts totalling \$631,000 were expended on the construction of fish ponds at Annandale Secondary School and Bygeval Multilateral School. The works were physically

verified.

HEADS 09-01 TO 09-03 & DIVISION

516

MINISTRY OF HEALTH

Current Expenditure

Employment Costs

543. 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.

544. 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 several months after they ceased to be employed. This undue delay in processing of pay changes can lead to irregularities. The Accounting Officer is therefore again advised to ensure that all pay change directives are promptly forwarded to the CAU to enable the speedy adjustment to the payrolls.

545. The salaries bank account No. 945, which became non-operational in July 1996, continued to be overdrawn and as at 31 December 1997 the overdraft was \$6.984M. The cash book was also not cast and balanced and it could not be determined when last the account was reconciled.

546. Nineteen(19) 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.

547. Amounts totalling \$9.369M were expended on uniform allowances. However, details of the distribution of the allowances totalling \$2.440M were neither appended to the related vouchers nor were they provided for audit examination. The Accounting Officer is advised to investigate this apparent discrepancy.

Other Charges

548. The Main Bank Account No. 946, which became non-operational in July 1996, was overdrawn by \$102.899M as at 31 December 1997, compared with a positive balance of \$8.073M as at 31 December 1996. The account was also last reconciled in November 1996.

549. A new main bank account No. 3079 was opened in July 1996. This new account reflected a large balance of \$484.4M as at 31 December 1997, compared with a similarly large balance of \$346.271M as at 31 December 1996.

550. 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 1997. Steps should be taken to close this account and to transfer the balance to the Consolidated Fund.

551. According to the appropriation accounts, amounts totalling \$522.915M were expended on the materials, equipment and supplies, of which sums totalling \$461.889M relate to the purchase of drugs and medical supplies. Included in the latter figure, were amounts totalling \$2.653M representing unpaid liabilities for 1996. However, there was no evidence that approval was granted from the Secretary to the Treasury to discharge these liabilities using the 1997 voted provision.

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

LIMIT	ADJUDICATION 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.

553. 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	229	7,990
Above \$90,000 and below \$180,000	54	7,534
Above \$180,000 and below \$600,000	19	5,186
Above \$600,000 and below \$6M	28	281,620
Above \$6M	7	159,559
	---	-----
TOTAL	337	461,889
	===	=====

554. As can be noted, 54 purchases valued at \$7.534M 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. A similar observation was made in relation to the purchases falling within the limits of \$180,000 and \$600,000 in that there was no evidence of the involvement of the Ministerial Tender Board.

555. 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.

556. 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.

557. In my 1996 Report, it was stated that 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. For the period under review, some measure of improvement was observed. However, the following shortcomings still remained:-

- . No RTP's were raised and hence no Purchase Orders were prepared;
- . There were no expeditors and therefore a vital aspect of internal control was not exercised;
- . 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; and
- . Although, a physical verification of stocks was carried out in April 1997 no 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.

558. 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;
- . 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. 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; and
- . 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 the circumstances, any stock count would be an extremely difficult and time-consuming exercise; and
- . 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.

559. Amounts totalling \$41.022M were expended on fuel and lubricants, of which sums totalling \$24.110M relate to fuel and lubricants purchased for the thirty-four(34) vehicles and fifty-six(56) motor cycles under the control of the Ministry.

560. Of the thirty-four(34) vehicles for which log books were required to be maintained, log books were not presented in respect of twenty(20) vehicles. In addition, an examination of the log books presented revealed that they were not properly maintained

and there were partial submissions in respect of nine(9) vehicles. 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.

561. The sum of \$25.739M was expended on Rental & Maintenance of Buildings. The following gives a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Construction work at Mortuary Building	882,000
" of concrete drains	880,000
Rehabilitation of fire escape at PHG	585,000
Installation of windows at Doctors' Quarters	560,000
Miscellaneous works (180,000 - \$450,000)	1,022,948
" " (below \$180,000)	20,755,880
Purchases of building material	1,053,572

TOTAL	25,739,400
	=====

562. As can be noted, four(4) of the works undertaken fell within the limits of the Ministerial Tender Board. However, there was no evidence of either a system of competitive bidding being adhered to or adjudication by the Ministerial Tender Board. The works undertaken were physically verified while the purchases were verified as having been received and properly brought to account.

563. Amounts totalling \$57.192M were expended on Transport, Travel & Postage, as follows:-

DESCRIPTION AMOUNT -----	-----
	\$
Travelling & subsistence	40,183,241
Repairs to vehicles	16,852,411
Postage	156,348

TOTAL	57,192,000
	=====

Based on test-checks carried out, the expenditure incurred was verified as having been properly incurred.

564. The sum of \$42.071M was expended on electricity charges. An

examination of the Electricity Charges Register revealed that the locations of the meter numbers were not stated. As a result, the charges could not be traced to the relevant buildings owned by the Ministry.

565. Amounts totalling \$2.521M were expended on telephone charges. However, an overseas telephone register was not maintained for the period under review. As a result, it could not be determined whether all overseas telephone calls were made in the public interest and whether recoveries should have been in respect of private calls.

566. The sum of \$131.323M was expended on Other Services Purchased. The following gives a breakdown of the expenditure:-

DESCRIPTION AMOUNT -----	----- \$
Maintenance of equipment	40,952,277
Security services	42,373,376
Cleaning & extermination services	12,813,591
Other services rendered	35,183,756

TOTAL	131,323,000
	=====

567. Included in the amount of \$42.373M shown as security services were sums totalling \$23.559M which were paid to three(3) security services firms. However, the contracts for rendering the service had not been renewed since 1995 although there was provision for annual renewal.

568. In respect of Head 09-01 (Subhead 312) Subsidies and Contributions to Local and International Organisations, amounts totalling \$294M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
National Parks Commission	70,000
Wismar/McKenzie Hospital	95,747
Fort Canje Mental Hospital	10,000
Ptolemy Reid Rehabilitation Centre	5,000
National Blood Transfusion	6,414
AIDS Secretariat	9,816
Caribbean Food and Nutrition Institute	19,341
World Health Organisation	3,088
Caribbean Environmental Health Institute	17,763
Caribbean Epidemiology Surveillance Centre	34,304
Pan American Health Organisation	1,711
Caribbean Regional Drug Testing Lab.	4,580
Others	2,568

TOTAL	294,000
	=====

569. 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 1997. The amount of \$70M was verified as having been received by the National Parks Commission.

570. 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 expenditure of \$95.747M was verified as part of the verification of the expenditure of the Ministry.

571. 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 Audit Office, in contravention of the FAA Amendment Act. Apart from this breach of the Law, no audited accounts for 1997 was received. As a result, it could not be determined whether the amount transferred to the Hospital was properly expended.

572. The Ptolemy Reid Rehabilitation Centre has been functioning as a Non-Governmental Organisation since December, 1992 as a result of a Cabinet Decision in 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.

573. 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

574. 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 previous reports and it is disappointing that no action was taken to ensure compliance with these instructions.

575. 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 09-01 - Administration were received. These lists were also incomplete since buildings were not included and the locations of the assets were not stated.

576. 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. These matters were drawn to attention in my 1996 Report.

Other Matters

577. The imprest bank account No. 944, which became non-operational in July 1996, reflected a balance of \$25,434 as at 31 December 1997 and it could not be determined when last it was reconciled.

Capital Expenditure

Subhead 12003 - Georgetown Hospital Health Care II

578. The sum of \$110M was voted for the completion of construction

works and provision for final payment on the Georgetown Hospital Health Care II Project. Amounts totalling \$109.934M were shown as having been expended.

579. The Project is funded jointly by the Government of Guyana and the Inter-American Development Bank and is subject to separate financial reporting. An examination of the audited accounts of the Project for 1997 revealed that actual expenditure incurred was \$119.846M, giving a difference of \$9.912M. This difference resulted from IDB disbursements made in 1997 which were not brought to account in the Public Accounts. As a result, the Appropriation Account was understated by the latter amount.

580. The following gives a breakdown of the audited expenditure of \$119.846M:-

DESCRIPTION AMOUNT -----	-----
	\$
Design & Administration	9,308,700
Construction costs	109,628,118
Drugs & Medical supplies	230,040
Incremental personnel	609,606
Interest	70,006

TOTAL	119,846,470
	=====

Subhead 12014 - Buildings (Health)

581. The sum of \$90M was voted for (a) the construction and rehabilitation of surgical block, medical block, chest clinic, library at the Georgetown Hospital, Campbellville Health Centre and New Amsterdam Nursing School (b) the completion of drug bond in Region 6 and Block B, AC and DC building and (c) the rehabilitation of underground sewerage lines and replacement of electric lines. Amounts totalling \$66.801M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of Surgical Block	432,860
" " Campbellville Health Centre	225,033
" " New Amsterdam Nursing School	100,000

Completion of Drug Bond in Region 6	11,633,344
" " Block B, AC and DC Building	3,954,323
Rehab. of maternity wing at PHG	43,221,049
" " Mc.Kenzie Hospital & Nursing School	6,263,720
" " Doctors' Flats	455,038
" " Industry Health Centre	345,625
" " GAHEF building	170,000

TOTAL	66,800,992
	=====

582. As can be noted, no work was undertaken in respect of the medical block, chest clinic and library at the Georgetown Hospital nor were the underground sewerage lines rehabilitated. Similarly, no electric lines were replaced. In addition, rehabilitation works valued at \$50.455M were undertaken on five(5) other buildings but there was no evidence that approval was granted for a change in programme to accommodate this expenditure.

583. No physical work was done on the Surgical Block, the Campbellville Health Centre, New Amsterdam Nursing School, Block B, AC and DC Building, Doctors' Flats and GAHEF building, and the amounts totalling \$5.337M expended represented consultancy fees. In addition, there was no evidence that a system of competitive bidding was applied before the consultants were selected.

584. The construction of the drug bond in Region 6 was undertaken through the issue of an inter departmental warrant to the Region. However, the basis of the award of the contract could not be determined as most of the records of the Central Tender Board were destroyed as a result of the Ministry of Finance fire. The works were nevertheless physically verified.

585. The rehabilitation of the maternity wing commenced in 1996 through the award of seven(7) contracts valued at \$42.482M. Seven(7) variations totalling \$45.194M were approved, giving revised contract sums of \$87.676M. Physical verification of the works revealed that the main contractor did not supply 63 pull handles, 63 finger plates and 126 kick plates for which he was paid the sum of \$5.452M.

586. The rehabilitation of the Mc. Kenzie Hospital, the Upper Demerara Hospital and the Nursing School was undertaken through the issue of an inter departmental warrant. Four(4) contracts valued at \$5.009M were awarded. There were variations totalling \$1.366M, giving a revised contract total of \$6.375M. In relation to the rehabilitation of the McKenzie Hospital, the contract was awarded to the fifth lowest tenderer in the sum of \$2.147M on the grounds that he was more reliable. However, no reasons were stated

why the other lower bids were not considered. The lowest bid was \$1.502M. A similar situation was observed in repairs to the morgue where the contract was awarded to the third lowest bidder. The works were nevertheless physically verified.

Subhead 12015 - Mortuary

587. An amount of \$8M was allocated for carpentry and plumbing works, installation of electrical cables/lights and outlets and construction of autopsy table and walk-way. Amounts totalling \$7.901M were expended. The works were physically verified.

Subhead 19001 - Sector Programme (Health)

588. The sum of \$65M was voted for (a) the completion of the Moruca District Hospital (b) construction of BV Health Clinic, National Dental Clinic and Mahdia District Hospital and (c) rehabilitation of Blood Transfusion Unit. The full amount was shown as having been expended.

589. The Project is funded by the European Community General Import Programme and is subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1996. Financial statements for 1997 have not yet been received. Notwithstanding this, the amount of \$65M was verified as having been received by the executing agency, Caribbean Engineering & Management Company (CEMCO).

590. An examination of the records of CEMCO revealed an expenditure of \$59.761M as shown below:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of Moruca District Hospital	7,247,455
Construction of BV Health Clinic	7,911,421
National Dental Clinic	24,934,111
Construction of Madhia District Hospital	10,948,349
Rehabilitation of Blood Transfusion Unit	6,629,583
Installation of oxygen system - Suddie Hosp.	2,089,998

TOTAL	59,760,917
	=====

Subhead 24001 - Land & Water Transport

591. The sum of \$8M was allocated for the purchase of ambulances for Regions 2 and 4. Amounts totalling \$7.919M were expended. The

vehicles were received on 28 July 1998. However, at the time of delivery, payment was not released to the supplier because certain accessories were not in place.

Subhead 25001 - Office Furniture and Equipment

592. The sum of \$10M was provided for the purchase of radio communication for ambulances in Regions 1 and 9, and fire extinguishers. A supplementary provision of \$465,000 was approved in 1997, giving a revised allocation of \$10.465M. Amounts totalling \$7.398M were expended. Approval was also granted to utilise the savings to purchase photocopiers, computers and other office equipment. The items purchased were verified as having been received. However, they were not inventoried.

Subhead 25002 - Equipment

593. The sum of \$32M was voted for the purchase of (a) an elevator for the maternity ward and baby cots for the Georgetown Hospital (b) x-ray machine for Lethem (c) auto processor for West Demerara and micro-biological and other equipment for the FDA. Amounts totalling \$9.934M were expended in the purchase of the following:-

DESCRIPTION -----	AMOUNT -----
	\$
Twenty-eight(28) baby cots	1,000,000
Micro-biological equipment	1,677,532
Four(4) refrigerators	632,490
Fourteen(14) air conditioning units	1,540,000
Laboratory equipment	5,083,577

TOTAL	9,933,599 =====

594. The baby cots, refrigerators and the airconditioning units were verified as having been received but were, however, not inventoried. In addition, at the time of the audit in August 1998, the airconditioning units had not been installed while the micro-biological equipment and the laboratory equipment had not been received.

HEADS 10-01 TO 10-09 & DIVISIONS 542 & 543

MINISTRY OF EDUCATION AND CULTURAL DEVELOPMENT

Current Expenditure

Employment Costs

595. The salaries bank account No. 927, which became non-operational with effect from May 1996, was overdrawn by \$3.634M at 31 December 1997. 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.

596. A new salaries bank account No. 3060 was opened in May 1996. However, this account was also overdrawn on several occasions by significant amounts and as at 31 December 1997, it reflected a positive balance of \$12.873M. In addition, at the time of reporting, the account was only reconciled to December 1997 and there was no evidence of supervisory checks.

597. Six(6) instances were noted of an apparent misappropriation of funds totalling \$136,637. These relate to the arrears of salaries. It is understood that the Police were investigating the matter and that two(2) officers had been interdicted from duty.

598. 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.

599. 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 1997. It is again recommended that this account be closed and the balance transferred to the Consolidated Fund.

Other Charges

600. Based on sample checks carried out, thirty-eight(38) payment vouchers totalling \$15.402M were not presented for audit examination. Thirty-seven(37) of these valued at \$15.377M represented payment for Other Charges while the remainder relate to Employment Costs. 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.

601. 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. At the time of reporting, 214 cheque orders totalling \$27.503M still remained outstanding. The Accounting Officer is therefore advised to

investigate this discrepancy with a view to ensuring that value was received by the Ministry.

602. 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 1997, it was overdrawn by \$78.213M. This matter was drawn to attention in my previous report. Efforts should be made to investigate the reason(s) for the overdraft with a view to clearing it.

603. The new main bank account No.3061 reflected a positive balance of \$76.771M as at 31 December 1997. However, on several occasions it was observed that this account was overdrawn by large amounts. In addition, at the time of reporting, the account was only reconciled to December 1997 and there was no evidence of supervisory checks.

604. The sum of \$7.927M was expended on fuel and lubricants. However, of the twenty-six(26) vehicles in use by the Ministry, log books in respect of twelve(12) 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.

605. Amounts totalling \$25.195M were expended on Rental & Maintenance of Buildings. An analysis of this expenditure revealed that of the nine(9) contracts which were awarded and falling within the limits of \$450,000 and \$900,000, 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" which is not an approved procedure.

606. The sum of \$20.911M was expended on electricity charges. However, the Electricity Charges Register was not written up for the period under review. In the absence of this record, a proper verification of this expenditure could not have been undertaken.

607. Amounts totalling \$450.352M were expended on Education Subvention, Grants etc. The following gives a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Grants to schools	206,380
Subvention to University of Guyana	96,619

Printing & purchase of text & exercise books	76,283
CXC subsidy	48,440
Department of Culture	8,137
N.C.E.R.D	6,757
Adult Education Association	5,038
National Archives	1,064
Others	1,634

TOTAL	450,352
	=====

608. 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 1997. The amount of \$96.619M was verified as having been received by the University.

610. In my 1996 Report, it was stated that 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 had 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 had explained that an investigation was being carried out in relation to this discrepancy.

611. In relation to the text books ordered from Trinidad, three(3) months after the shipment was received, the Ministry was advised by the publishers that the books were being resold in Trinidad. This prompted the Ministry to request the Audit Office to

investigate the matter, which investigation confirmed a shortage of 1000 books valued at \$1.972M. Because of inadequate supervision and control at the Book Distribution Unit, it was difficult to ascertain at which point the shortage emanated. The Audit Office's report dated 26 March 1998 recommended Police investigation into the matter.

612. The sum of \$192.393M was expended on Subsidies and Contributions to Local & International Organisations, as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Caribbean Examinations Council	73,689
National Sports Commission	42,000
National Library	44,834
National Museum	6,300
Trade Union Congress	3,500
International Organisations	7,470
Central Mashramani Committee	3,500
Walter Roth Museum	1,252
Department of Culture	8,460
Others	1,388

TOTAL	192,393
	=====

613. 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 1997 were received and at the time of reporting, the audit was in progress. The amount of \$42M was verified as having been received by the Commission.

614. 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 audited and reported on was in respect of 1991. No financial statements have been submitted for audit for the years 1992 to 1997 and therefore the entity was six(6) years in arrears in terms of financial reporting. The amount of \$44.834M was verified as having been received by the National Library but in the absence of audited accounts for 1997, it could not be determined whether this amount was properly expended.

615. 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 1997. As a result, there was a lack of financial reporting for the last seventeen(17) years. The amount of \$6.3M was verified as having been received by the Museum but in the absence of audited accounts for 1997, it could not be determined whether this amount was properly expended.

616. Excess expenditure totalling \$2.838M was incurred under five(5) heads of expenditure. 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

617. 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;
- (c) The store situated at 68 Brickdam was not properly secured as there were no grills to the windows and doors;
- (d) A permanent stores/asset register was not kept. As a result, it could not be determined whether all fixed assets under the Ministry's control were duly accounted for. Also, many of the office furniture and equipment were not marked for easy identification as the Ministry's property; and
- (e) A goods received book was not kept at the Book Distribution Unit.

Capital Expenditure

Subhead 12001 - Nursery, Primary and Secondary Schools

618. The sum of \$130M was allocated for the rehabilitation of (a) Lianas and East Street Nursery schools (b) St. Stephens, Redeemer and Rama Krishna Primary schools and (c) St. Joseph High, East Ruimveldt Secondary and Sophia Special schools and the extension of Happy Hearts Nursery School. Amounts totalling \$108.278M were expended, as follows:-.

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of Lianas Nursery School	4,544,084
" " East Street Nursery School	803,675
" " St. Stephens Primary School	12,886,052
" " Rama Krishna Primary School	639,400
" " St. Joseph's High School	2,815,140
" " Sophia Special School	4,759,581
" " Stewartville Sec. School	3,777,056*
" " Tutorial High School	9,646,860*
" " Friendship Community High	3,000,000*

"	"	Book Distribution Unit	2,619,568*
"	"	68 Brickdam Building	9,146,290*
"	"	Golden Grove Primary	500,000*

Sub-Total			55,137,706
Rehabilitation of	Cummings Lodge Primary		1,670,535
"	Houston Community High		3,206,129
"	Houston Nursery School		5,749,922
"	Allied Arts Building		2,364,255
"	Exams. Division Bldg.		1,832,630
"	Bishop's High School		4,786,435
"	fence at Head Office		2,952,378
"	21 Brickdam Building		3,614,105
"	Queens College		7,000,000
"	Cyril Potter College		803,844
"	East Ruimveldt Primary		671,683
"	Book Distribution Unit		356,924
"	St. Peters Nursery		2,304,734
"	Christ Church Secondary		10,689,620
Consultancy Services			2,953,172
Emoluments of Project Officer			932,602
Miscellaneous			1,251,286

TOTAL			108,277,960
			=====

619. Of the nine(9) schools programmed to be rehabilitated and/or extended, rehabilitation works were not undertaken in respect of East Ruimveldt Secondary, Happy Hearts Nursery and Redeemer Primary schools. The Redeemer Primary School was being rehabilitated by the Primary Education Improvement Programme while work on the East Ruimveldt Secondary School was to be undertaken by the Secondary Schools Reform Project(SSRP) However, discussion with officials of the SSRP revealed that this school was not listed among those earmarked for its pilot project. In relation to the Happy Hearts Nursery School, it was decided to forego the rehabilitation works on the grounds that a larger school was required to be built to accommodate students in the Sophia area.

620. Approval was granted for a change in programme to undertake rehabilitation works at six(6) other schools shown by asterisks. However, no such approval was seen in respect of fourteen(14) other rehabilitation works valued \$47.985M. In addition, the contract for the rehabilitation of East Street Nursery School was awarded based on a system of selective tendering which is not an approved procedure.

621. In relation to the construction of Stewartville Secondary School, the contract was awarded in September 1997 in the sum of \$69.565M. However, no physical work was done as at 31 December 1997, and the amount of \$3.777M represented payment for consultancy services. The works were rebudgeted to be undertaken in 1998.

622. The contract for the rehabilitation of Tutorial High School was awarded in 1996 for \$3.813M and as at April 1997, amounts totalling \$2.069M were paid to the contractor. Because of unsatisfactory performance, the contract was terminated. A new contract was awarded, and as at 31 December 1997, amounts totalling \$8.759M were expended. The works were physically verified.

623. The Friendship Community High School and the Golden Grove Primary were rehabilitated by Region 4 through the issue of an inter departmental warrant for \$3.5M. Financial returns were seen attesting to an expenditure of \$2.737M, leaving an unspent balance of \$763,000 which should have been refunded to the Ministry.

624. The rehabilitation works at 68 Brickdam involved two(2) buildings and the contract was awarded for \$9.185M. As at 31 December 1997, amounts totalling \$9.146M were expended. However, only one building was rehabilitated. The Accounting Officer explained that it was necessary for additional work to be undertaken on the building in question. However, there was no evidence that approval was sought for a variation to the original works.

625. In relation to Bishop's High School, two(2) contracts valued at \$8.713M were awarded and as at the end of 1997. However, amounts totalling \$9.164M were expended. The Accounting Officer explained that the additional works were necessary. Evidence was seen of a request for covering approval to pay the additional amount but at the time of reporting, it could not be determined whether such approval was granted.

626. The contract for the Christ Church Secondary School was awarded in 1996 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 and was physically verified.

627. 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.

Subhead 12002 - Primary Education Project

628. The sum of \$1.024 billion was voted for (a) development of human resources (b) curriculum development and education technology and (c) improvement of physical infrastructure of primary schools. Amounts totalling \$772.262M were shown as having been expended.

629. 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. An examination of the audited accounts for 1997 revealed an expenditure of \$996.427M, giving a difference of \$224.165M. This difference was due to four(4) disbursements made by the IDB which were not brought to account in the Public Accounts. As a result, both capital revenue and capital expenditure have been understated by this amount. It should also be noted that up to the time of reporting these transactions had not yet been reflected in the Public Accounts.

630. The following gives a breakdown of the audited expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Development of human resources	6,971,320
Curriculum dev. & education technology	169,554,246
Physical infrastructure of primary schools	604,001,178
Design & supervision	173,099,751
Incremental operational costs	2,431,655
Credit fee & interest	40,369,179

TOTAL	996,427,329 =====

Subhead 12003 - Development of Sports

631. The sum of \$40M was voted for the upgrading of sports grounds and the purchase of equipment for all Regions. The full amount was shown as having been expended. This amount was transferred to the National Sports Development Council which is subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1996. Financial statements for the years 1997 were received in September 1998 and at the time of reporting, the audit was in progress. The amount of \$40M was verified as having been received by the Council.

Subhead 12004 - Building (Cultural Centre)

632. The sum of \$7.6M was voted for upholstering of seats, acquisition of sound equipment and installation of A/c units at the National Cultural Centre. Amounts totalling \$7.453M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Supply & installation of standby generator	4,608,000
Purchase of curtains	2,272,777
Construction of generator hut	540,000
Miscellaneous	32,400

TOTAL	7,453,177
	=====

633. As can be noted, none of the proposed works listed in the Capital Profile were undertaken nor was there evidence that approval was granted for a change in programme to accommodate the above expenditure.

634. In respect of the supply and installation of the generator, up to the time of reporting the generator was not operational although it was installed. Explanations obtained revealed that the supplier had not yet handed over the keys to the generator hut which was also constructed by the supplier. When contacted, the supplier contended that an exhaust system had to be fitted first along with some electrical wiring in order to make the generator operational and that payment had not yet been made to him for the additional work to be undertaken.

635. In addition, the contract provided for parts of the walls of the generator hut to be constructed with vent blocks. However,

physical inspection revealed that the entire walls were constructed with hollow blocks. No lamps were installed around the hut although the contract provided for the installation of four(4) 2 feet lamps.

636. In relation to the purchase of the curtains, there was no evidence that a system of competitive bidding was followed and adjudication done by the Central Tender Board. The Accounting Officer explained that these were special curtains and previous purchases were made from the supplier in London. However, a waiver of the Tender Board procedures should have been sought from the Secretary to the Treasury to facilitate the purchase. The curtains were nevertheless verified as having been received and properly brought to account.

Subhead 12007 - Building (National Library)

637. 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.

638. In 1996, 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.

639. For the period under review, the sum of \$25M was allocated for the extension of the Georgetown Library, rewiring of the main building in Georgetown, rehabilitation of the drive-way and fence, acquisition of photocopier for New Amsterdam Library and the rehabilitation of fence at Linden. Amounts totalling \$2.511M were shown as having been expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$

Rehabilitation of drive-way	771,734
" " fence	745,010
Purchase & installation of photocopier	669,160
Consultancy Services	324,672

TOTAL	2,510,576
	=====

640. As can be noted, no extension work was undertaken at the Georgetown Library nor was any rewiring done to the Main Building. However, the expenditure of \$294,999 represented consultancy services for these works which were rebudgeted to be undertaken in 1998. Similarly, no fence was rehabilitated at Linden although an amount of \$29,672 was paid as consultancy fee. There was, however, no provision in the 1998 Estimates for the rehabilitation of the fence.

641. The National Library is subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1991. No financial statements for the years 1992 to 1997 were presented for audit examination and certification and therefore the entity was six(6) years in arrears in terms of financial reporting.

Subhead 12009 - Critchlow Labour College

642. The sum of \$1.3M was voted for the purchase of one(1) computer and accessories and the construction of bridge and concrete pavement. Amounts totalling \$440,375 were expended on the purchase of computer and accessories.

643. The College is subject to separate financial reporting and audit which is undertaken by a private auditor. However, an examination of the audited accounts for 1997 revealed that no balance sheet was prepared and therefore the items purchased could not be traced to these accounts. The computer and accessories were, however, verified as having been purchased and received by the College.

Subhead 12011 - Teacher's Training Complex

644. The sum of \$10M was voted for the completion of the dormitories and the Principal's residence at Turkeyen, rehabilitation of the Multi-purpose Hall and the purchase of a tractor and slasher. Amounts totalling \$9.812M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of dormitories	1,918,348
" " Principal's Residence	2,404,829
" " Multi Purpose Hall	1,391,040
Purchase of tractor & slasher	3,450,912
Design & supervision	501,925
Honorarium	145,000

TOTAL	9,812,054
	=====

645. The contract for the rehabilitation of the washroom facilities of the dormitories was awarded in 1996 in the sum of \$3.055M. There was a variation of \$436,886, giving a revised contract sum of \$3.492M. As at 31 December 1996, an amount of \$699,923 was paid to the contractor in December 1996 as mobilisation advance and for the period under review, the remainder of the contract sum of \$2.792 was paid to the contractor. However, only \$1.918M was reflected as expenditure under this subhead. The difference was met from Subhead 12001 - Nursery, Primary & Secondary Schools. Had the correct charge been made, the voted provision under this subhead would have been exceeded and it is evident that charging part of the expenditure on the rehabilitation of the dormitories, was done to avoid overrunning the votes. This represents a manipulation of budgetary allocations.

646. The contract for the Principal's residence was awarded in 1996 in the sum of \$3.156M. There was a variation of \$196,000, giving a revised contract sum of \$3.352M. As in the case of the dormitory facilities, an amount of \$946,735 was paid to the contractor as at the end of 1996 as mobilisation advance and the remainder was met out of the 1997 voted provision under this subhead.

647. The works were physically verified and conformed generally to the specifications as contained in the respective bills of quantities while the equipment purchased were verified as having been received and properly brought to account.

Subhead 12012 - University of Guyana

648. The sum of \$50M was voted for (a) upgrading of the Library and technology laboratories (b) construction of south lecture

theatre and section of perimeter fence and (c) enclosure of Law and Management building and provision of facilities for students' admission. Amounts totalling \$6.378M were shown as having been expended.

649. The University's accounts were last audited to August 1997 and an examination of the records of the University revealed that the full amount was expended on the repairs to the roof of the Technology and Social Sciences buildings and in the purchase of fire extinguishers. The works were physically verified while the items purchased were verified as having been received and properly brought to account.

Subhead 19001 - Sector Programme (Education)

650. The sum of \$40M was voted for (a) the completion of Lodge and Triumph Nursery schools (b) rehabilitation of science facilities in selected secondary schools (c) training of hinterland and deep riverain teachers and (d) rehabilitation of Archives building. The full amount was shown as having been expended.

651. The Programme is funded by the European Union under the General Import Counterpart Programme and is subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1996. At the time of reporting, financial statements for 1997 had not been submitted for audit examination and certification. The amount of \$40M was verified as having been received by the executing agency, Caribbean Engineering & Management Company (CEMCO).

652. An examination of the quarterly reports for 1997 submitted by CEMCO revealed an expenditure of \$71.763M as shown below:-

DESCRIPTION -----	AMOUNT -----
	\$
Construction of nursery schools	32,450,559
Acquisition of school furniture	6,464,811
Libraries & language programmes	2,635,510
National Archives	12,740,226
Science equipment & materials	9,457,265
Hinterland Teachers' Training Programme	6,869,000
Remedial work at Kato	1,145,721

TOTAL	71,763,092
	=====

Subhead 24001 - Department of Culture

653. The sum of \$7M was voted for (a) repairs to the Secretariat building and the purchase of equipment (b) purchase of generator for the Archives and (c) the purchase of equipment for the National School of Dance. Amounts totalling \$5.612M were expended.

654. The National School of Dance was rehabilitated at a cost of \$1.483M but there was no evidence that approval was granted for a change in programme to accommodate the expenditure. The works were physically verified while the items purchased were verified as having been received and properly brought to account.

Subhead 25003 - Museum Development

655. The sum of \$3M was voted for the rehabilitation of the Walter Roth Museum of which amounts totalling \$2.998M were expended. The contract was awarded for \$3.145M. However, by letter dated 4 December 1997, the Accounting Officer wrote the Central Tender Board for approval to pay a variation in the sum of \$2.218M. However, there was no evidence that approval was granted but the completion of the Museum was rebudgeted for in 1998. At the time of inspection in May 1998, the work was still in progress.

Subhead 26001 - Secondary Schools Reform Project

656. The sum of \$58.2M 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, amounts totalling \$46.945M were expended.

657. The Project is financed by the Government of Guyana and the International Development Association (IDA) and is subject to separate financial reporting and audit. Prior to 1997, the Audit Office were the auditors of the Project. However, upon the insistence of the IDA, the Project contracted a private auditing firm based on a system of competitive bidding.

658. The IDA was apparently not satisfied with the quality and timeliness of the previous year's audit, hence the decision to have private auditors. As mentioned elsewhere in this report, the Audit Office is faced with serious staffing problems and unless action is taken to remedy this unfortunate situation, there is danger that private auditing firms may be asked to carry out the audits of other foreign funded programmes without the involvement of the Audit Office.

659. According to audited accounts for 1997, amounts totalling \$63.660M were expended, giving a difference of \$16.715M. This difference was due to disbursements made by the IDA which had not yet been brought to account in the Public Accounts. The following gives a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Procurement of equipment and other goods	13,442,311
Payments to consultants	30,621,724
Training of teachers etc.	4,522,689
Operating expenses of PEU	15,073,178

TOTAL	63,659,902 =====

Subhead 26003 - New Amsterdam Technical Institute

660. The sum of \$2.6M was voted for the purchase of a four(4) disc ploughs and the resurfacing of the driveway and walkway. Amounts totalling \$530,000 were expended in the purchase of the plough which was verified as having been received and properly brought to account. It was explained that the resurfacing of the driveway was to be done using asphalt but the contractor had removed his hot-mix plant to Georgetown, hence the reason for not resurfacing the driveway and walkway.

Subhead 26004 - Other Equipment

661. The sum of \$3.5M was allocated for the purchase of equipment for the Inspectorate, Finance, Examination, Building and Administration divisions of the Ministry and the replacement of equipment for the Books Distribution Unit. A supplementary provision of \$465,000 was approved in 1997, giving a revised allocation of \$3.965M. Amounts totalling \$3.963M were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 26005 - Government Technical Institute

662. The sum of \$8M was allocated for the rehabilitation of the electrical system in the Quadrangular Building, of which amounts totalling \$3.986M were expended. The system was acquired at a cost of \$3.378M and was verified as having been received and installed. The difference of \$507,980 represents payment for consultancy services.

Subhead 26007 - Guyana Industrial Training Centre

663. The sum of \$1.5M was voted for the rewiring of shops and installation of security doors. Amounts totalling \$1.383M were expended. However, the security doors which had been acquired at a cost of \$555,000 had not yet been installed up to the time of reporting.

Subhead 26008 - Carnegie School of Home Economics

664. The sum of \$4.8M was voted for the rehabilitation of building and the purchase of fans and furniture. Amounts totalling \$4.739M were expended. The rehabilitation works were physically verified while items purchased were verified as having been received and properly brought to account.

Subhead 26010 - Resource Development Centre

665. The sum of \$300,000 was voted for the purchase of computer tables, chairs and laboratory equipment. Amounts totalling \$280,000 were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 26011 - Development of Text Books

666. The sum of \$20M was voted for the printing of text books in order to provide improved educational materials. Amounts totalling \$19.385M were expended on the printing of 68,000 text books for secondary schools. These were verified as having been received and properly brought to account. In addition, amounts totalling \$151,301 were expended on the purchase of a UPS and computer parts. This represents a misallocation of expenditure.

Subhead 44002 - Burrowes School of Art

667. The sum of \$1M was voted for the purchase of equipment, of which amounts totalling \$939,000 were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 45001 - National Trust

668. The sum of \$2M was voted for (a) the restoration of Kyk-Over-Al and the 1763 Monument and (b) the preservation of arches. Amounts totalling \$268,000 were expended. However, no work was done at Kyk-Over-Al and on the preservation of arches. The expenditure was verified as having been properly incurred.

HEAD 11-01 & DIVISIONS 502, 503, 504, 517 & 518

MINISTRY OF LABOUR, HUMAN SERVICES
AND SOCIAL SECURITY

Current Expenditure

Employment Costs

669. 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.

670. The new salaries bank account No. 3037 reflected a balance of \$4.556M as at 31 December 1997. It was, however, not being reconciled promptly, as at the time of the audit in June 1998, the reconciliation was only to November 1997.

671. An examination of the Unclaimed Salaries Register revealed that sums totalling \$449,455 could not be traced as having been refunded to the main bank account nor was there evidence of subsequent pay out to the officers concerned. The Accounting Officer gave the assurance that the matter would be investigated.

Other Charges

672. Amounts totalling \$695.574M were expended on Subsidies & Contributions etc. The following is a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Georgetown sewerage & Water Commissioners	162,792
Guyana Water Authority	484,000
Central Housing & Planning Authority	27,000
International labour Organisation	6,190
Commonwealth Youth Programme	1,600
Others	13,992

TOTAL	695,574
	=====

673. The Georgetown Sewerage & Water Commissioners is subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1997. An examination of these audited accounts revealed a net surplus of \$21.157M, compared with a surplus of \$44.081M in 1996.

674. The Guyana Water Authority is also subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1997. An examination of these accounts revealed a net deficit of \$144.7M compared with a deficit of \$268.8M in 1996.

675. The Central Housing and Planning Authority was last audited to 1990. Financial statements for the period 1991 to 1995 were received and at the time of reporting, the audit was in progress. The amount of \$27M was verified as having been received by the CH & PA. However, in the absence of audited accounts for 1997, it could not be determined whether the amount was properly expended.

676. The ordinary imprest account No. 943 ceased operations in May 1996. This account was, however, continuously overdrawn during the year and at 31 December 1997 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.

677. The Public Assistance imprest bank account No. 902 was overdrawn by \$282.586M as at 31 December 1997, compared with an overdraft of \$381.746M as at 31 December 1996. This state of affairs was 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 still involved in examining payments made over the years with a view to seeking reimbursements from the Accountant General in order to clear the overdraft.

678. A new public assistance imprest bank account No. 3039 was established in May 1996 with an allocation of \$66M. In addition, at the time of the audit in June 1998, it was only reconciled to December 1997 and an examination of the reconciliation statement revealed several items remaining uncleared for a considerable period of time without any evidence of action taken to clear them. The matter was drawn to the attention of the Accounting Officer.

679. A physical count of the stock of old age pension books in August 1998 revealed an apparent shortage of 795 books valued at \$10.2M. The stock records reflected a balance of 4,521 while the physical count showed 3,726. Evidence was also seen of the loss of

203 old age pension books reported by beneficiaries. Although these books were replaced, there was no evidence that the Post Office Corporation was informed of these losses so that stop payments could be placed on them.

Capital Expenditure

Division 502

Subhead 28001 - Georgetown Remedial And Sewerage Project

680. The sum of \$375M was voted for (a) the rehabilitation and maintenance of critical works, including drilling of three(3) wells at Sophia and Ruimveldt (b) construction of two reservoirs, laying of ring mains and replacement of pipelines and (c) the development of permanent maintenance programme for sewerage and water systems in Georgetown. A supplementary provision of \$369M was approved in 1997, giving a revised budgetary allocation of \$744M. According to the Appropriation Account, amounts totalling \$710.049M were expended.

681. 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. An examination of the audited accounts for 1997 revealed that amounts totalling \$649.650M were actually expended, giving a difference of \$60.399M. This difference resulted mainly from disbursements made by the IDB in 1996 which were brought to account in the Public Accounts in 1997.

682. The following gives a breakdown of the audited expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Pipes & accessories	219,208,782
Water meters	38,464,725
Equipment & spares	203,818,749
Vehicles & office equipment	5,369,859
Engineering & administration	167,946,867
Project coordinator support	1,970,744
Financial costs	12,869,487

TOTAL	649,649,213 =====

Division 503

Subhead 19001 - SIMAP

683. The sum of \$1.158 billion was allocated for (a) the rehabilitation and construction of economic and social infrastructure (b) the provision of technical and vocational training (c) the provision of basic commodities under a food-for-work programme and (d) provision of quick response activities. A supplementary provision of \$348M was approved in 1997, giving a revised allocation of \$1.506 billion. Amounts totalling \$1.501 billion were shown as having been expended.

684. The Project is funded jointly by the Government of Guyana, the Inter American Development Bank, the International Development Association and the World Food Programme. The last set of audited accounts was in respect of 1995. Financial statements for 1996 were received in August 1998 and at the time of reporting the audit was in progress.

685. An examination of the records of SIMAP, however, revealed an expenditure of \$1.294 billion, giving a difference of \$206.914M. As a result, the Appropriation Account has been overstated by this amount. A similar observation was made in 1996 where there was a difference of \$128M observed.

686. It is again 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.

687. The following is a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Community development projects	446,671
Drainage & irrigation	175,953
Rehabilitation of schools	224,662
Health & nutrition	136,116
Water & sanitation	148,111
Training	53,823
Administrative costs	105,050
Others	3,698

TOTAL	1,294,084
	=====

Subhead 19002 - IDB Phase II

688. An amount of \$25M was allocated for (a) rehabilitation of economic and social infrastructure (b) community-managed and designed projects in Amerindian areas (c) emergency infrastructural works and (d) technical and vocational training and nutritional programmes. However, no expenditure was incurred. It was explained that a number of conditions precedent to the first disbursement by the funding agency had not yet been fulfilled. It is understood that these conditions were fulfilled in February 1998 at which point in time the first disbursement was made.

Division 504

Subhead 12001 - Buildings

689. The sum of \$15M was voted for (a) the construction of revetment at the northern and southern perimeters of the Palms Hospital (b) rehabilitation of fences at the Palms (c) repairs to Palms catwalk and sewing room and (d) rehabilitation of Head Office building. Amounts totalling \$14.475M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Palms: constuct. of revetment, rehab. of	
fences & repairs to catwalk and sewing room	4,492,245
Rehabilitation of Head Office building	9,982,570

TOTAL	14,474,815
	=====

690. Rehabilitation works at the Palms were completed and the works were physically verified and conformed generally to the specifications contained in the bill of quantities.

691. The rehabilitation works at the Head Office building were also completed and were physically verified. However, the basis of the award of the contract could not be determined because most of the records of the Central Tender Board were destroyed as a result of the Ministry of Finance fire.

Subhead 12003 - Youth

692. An amount of \$4M was provided for skills training of youth

groups in areas such as dress making, sewing, carpentry, cake making, plumbing and joinery through the NDC's. The full amount was expended. However, payments were made to Youth Coordinators based on the estimated cost of conducting the programme. At the time of audit inspection, bills were not attached to the relevant payment vouchers in support of the payments made. It was explained that this was not done since some of the bills were still outstanding. In the circumstances, it could not be satisfactorily determined whether the funds were properly expended.

Subhead 24001 - Land Transport

693. The sum of \$7M was allocated for the purchase of two(2) vehicles for the Ministry. Amounts totalling \$5.581M were expended. However, one of the vehicle purchased was transferred to Region No.9 - Upper Takatu/Essequibo.

Subhead 25001 - Office Equipment

694. An amount of \$1.5M was budgeted for purchase of office equipment and furniture for the Palms, Matron's office and the central Ministry. Expenditure totalling \$1.503M was incurred. The items purchased were verified as having been received and properly brought to account. However, one computer and accessories valued at \$216,960 were reported stolen but there was no evidence that a losses report was filed with the Secretary to the Treasury.

Subhead 25002 - Equipment

695. The sum of \$3.5M was voted for the purchase of equipment for the Night Shelter, Occupational Safety & Health Division, Mahaica Hospital, Madewini kitchenette and Palms Hospital. A supplementary provision was approved in 1997, giving a revised allocation of \$4.382M. Amounts totalling \$4.243M were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 28001 - GUYWA Water Supply Improvement Project

696. The sum of \$1.029 billion 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 to the Appropriation Account, amounts totalling \$950.680M were expended.

697. 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 was in respect of 1997.

698. An examination of the audited accounts of the project revealed an expenditure of \$514.678M, giving a difference of \$436.002M. This difference resulted mainly as a result of overseas disbursements made in 1996 which were brought to account in the Public Accounts in 1997. In addition, of the amount of \$203.957M received to meet counterpart expenditure, sums totalling \$90.746M were expended, giving a difference of \$113.211M which should have been refunded to the Consolidated Fund. As a result, the Appropriation Account was overstated by the latter amount.

HEADS 12-01 & DIVISION 526

MINISTRY OF FINANCE

Current Expenditure

Other Charges

699. Amounts totalling \$15.559M were expended on Material, Equipment & Supplies. However, adequate control was not exercised over the receipt and issue of stores items as the stores ledger was not updated with all the purchases and issues. Consequently, the receipt, issues and balances of stock could not be verified. It was explained that this situation resulted from staff constraints.

700. A difference of \$19.7 million was observed between the expenditure of \$1.258 billion shown in the Appropriation Account as Contribution to Local and International Organisations and the balance of \$1.278M billion recorded in the vote account. A satisfactory explanation was not given for this difference. The following gives a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
LOCAL ORGANISATIONS	\$'000

Guyana Rice Development Board (GRDB)	1,048,508
Berbice Anti Smuggling Squad (BASS)	18,270
Customs Anti Narcotics Unit (CANU)	17,904
Bauxite Industry Development Company (BIDCO)	20,000
Customs Operations Monitoring Unit (COMU)	9,824
State Planning Unit	49,555
Guyana Financial Services Ltd	12,500
Statistical Bureau	40,246
Privatisation Unit	25,342
NICIL	9,878

	1,252,027
INTERNATIONAL ORGANISATIONS	
African, Caribbean and Pacific Countries	25,732

TOTAL	1,277,759
	=====

701. According to the Estimates of Expenditure, an amount of \$50M was budgeted as contribution to GRDB. A supplementary estimate of \$1 billion was approved to facilitate the processing of payments pertaining to Rice Levy A. This amount is normally refunded to the Accountant General for credit to a Rice Levy Account. As a result, the amount of \$1 billion should not be considered as expenditure but as a recoverable amount. In the circumstances, the Deposits Fund should have been used for this transaction.

702. The amounts shown as expenditure in respect of BASS, CANU, COMU, the Privatisation Unit and State Planning Unit represent the cost of operations of these units. These are not separate legal entities and in principle the expenditure should have been provided for and categorised under the various subheads of expenditure e.g. employment costs and other charges. This present arrangement therefore does not lend itself to a proper analysis of the various categories of expenditure as approved by Parliament.

703. Guyana Financial Services Ltd. and NICIL are separate legal entities subject to separate financial reporting and audit. Financial statements have not been received in respect of GFSL since its establishment in 1995 while in respect of NICIL the audits for the years 1991-1997 were in progress at the time of reporting. Notwithstanding this, the amounts shown as contribution were verified as having been received by the entities.

704. BIDCO is also subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1994 while at the time of reporting the audit for 1995 was in progress. Notwithstanding this, the amount of \$20 million was verified as having been received by BIDCO.

705. The inventory record was not updated with all the assets acquired during the year. In addition, there was no evidence of internal periodic verification of assets during the year. It was explained that this situation resulted from staff constraints.

Revenue Accounting and Control

Current Revenue

706. The amount of \$1.936 billion shown as Rice Levy represents refund of the releases received by the GRDB from the Ministry of Finance. The releases were made to the GRDB facilitate the processing of rice levy cheques in respect of rice exports to Europe. However, the levy is refundable to exporters. The amount of \$1.936 billion therefore does not represent revenue and, as mentioned above, the transaction could have been more appropriately dealt with using the Deposits Fund.

707. Also in relation to the Rice Levy, a revenue control account was not kept and personal ledger accounts were not maintained in respect of each exporter. As a result, it was difficult to determine from the Ministry's records the amount collectible and the balance outstanding. However, according to the records of GRDB, amounts totalling US\$950,691 equivalent to G\$137.498M were collectible from exporters for the year 1997. Having regard to the amount of G\$31.791 million which was collected, it would appear that a total of \$105.707 million remained uncollected in respect of 1997.

708. Included in the amount of \$1.545 billion shown as Miscellaneous Receipts were the following items:-

DESCRIPTION -----	AMOUNT -----
	\$
Private Sector Adjustment Credit (a)	1,052,727
Loan adjustments (b)	178,983
Non-Sub-Accounting Ministries (c)	154,667
Non Performing Loan Receipts (d)	85,000
Supply of Equipment - Timehri Airport (e)	55,187
Unclaimed Prizes (f)	2,067

IBRD Loan No7650 GUA - Refund	(g)	1,555

TOTAL		1,530,186
		=====

709. Receipt vouchers in support of the items at (a), (b) (e) and (g) above were not produced for audit examination. As a result the accuracy, validity and classification of the balances could not be determined. It was also drawn to the Accounting Officer's attention that Private Sector Adjustment Credits and Loan Adjustments relate to loans in the Public Debt Statements and the balances would therefore represent capital revenues. Hence these items should have been reflected in the Ministry's capital revenue statement.

710. In addition, the Accounting Officer was informed that audit tests of Collectors Cash Book Statements in relation to Non-Sub-Accounting Ministries revealed that receipts under this item included revenues, and non revenue items, for example, deposit fund transactions and expenditure credits. The revenues were included in the revenue statement of the relevant ministry/department and therefore, their inclusion in the Ministry of Finance's revenue statement would represent a duplication and hence an overstatement of the revenues.

Capital Revenue

711. Amounts totalling \$225.756M were shown as proceeds from divestment. However, sums totalling \$1.968 billion were received during the year and placed in the Deposit Fund Bank Account instead of the Consolidated Fund. Similar observations were made in respect of previous years and as at 31 December 1997 the balance held in the Deposit Fund Account in respect of proceeds from divestment was \$3.159 billion. In the circumstances, revenue for 1997 was understated by the latter amount.

712. No amounts were shown as having been collected and paid over to the Consolidated Fund in respect of the Guyana Lottery, although the Government of Guyana is entitled to 24% of the proceeds. Enquiries revealed that the Government's share of the lottery was being paid into a special account at the Bank of Guyana and payments were made to meet certain expenditure. For example, Cabinet approved of a payment of \$400M to resurface the tarmac of the National Park. The failure to pay over to the Consolidated Fund the proceeds from the Lottery appears to be a

violation of the FAA Act. Secondly, any expenditure out of the proceeds would have lacked parliamentary approval and would result in an understatement of expenditure. It should also be mentioned that the Lotteries Agreement provided for an annual audit by the Audit Office. However, up to the time of reporting, no financial statements were submitted for audit since the establishment of the Lotteries Commission.

713. The Audit Office's audit of UNDP projects for the year ended 31 December 1997 revealed that a total of US\$1.493 million equivalent to G\$215.986 million was disbursed by UNDP in respect of seventeen (17) projects. However, no amounts were recorded in the revenue statement of the Ministry. As a result, the amounts shown as revenue from external grants was understated by the latter amount.

714. Significant differences were observed between the amounts shown as receipts in respect of external loans and those recorded in the Public Debt Statement (PDS), as shown below:-

LENDING AGENCY	TOTAL RECEIPTS PER PDS	BALANCE PER REVENUE STATEMENT	DIFFERENCE
-----	-----	-----	-----
	\$'000	\$'000	\$'000
Inter American Dev. Bank	4,516,072	4,170,124	345,948
International Dev. Assoc.	2,815,801	3,371,710	(555,909)
Caribbean Dev. Bank	244,280	10,735	233,545
IFAD	-	177,844	(177,844)
European Commission	2,571	376,913	(374,342)
USAID	2,361,663	1,414,004	947,659
China	34,192	188,809	(154,617)
	-----	-----	-----
TOTAL	9,974,579	9,710,139	264,440
	=====	=====	=====

715. In addition, disbursements totalling RMB 23,150,012

equivalent to G\$395.777 million were made by the Bank of China to the Bank of Guyana on a loan for the Moco Moco Hydro Power Project but this amount was not recorded in the Public Debt Statement and was not traced to the Revenue Statement. It was explained that this situation resulted from the failure to process in a timely manner the transactions in relation to the loans.

Capital Expenditure

Subhead 12001 - Buildings

716. The sum of \$25M was voted for the rehabilitation of the Ministry of Finance, Customs and Excise Department, Inland Revenue Department buildings and the Valuation Office, of which amounts totalling \$16.758M were expended as follows:-

DESCRIPTION	AMOUNT
	\$
Rehabilitation of Ministry of Finance building	8,232
" " Customs & Excise building	695
" " Inland Revenue building	7,759
Miscellaneous	72
	16,758
	=====

The rehabilitation works were physically verified.

Subhead 19001 - Basic Needs Trust Fund

717. The sum of \$204.370M was allocated for (a) the completion of projects under Basic Needs III such as the rehabilitation of the Suddie mortuary, Bartica hospital, Bush Lot Village road, Letter Kenny/Bloomfield water supply and construction of Lethem marketing centre and (b) the commencement of Basic Needs IV in areas of health, education, water, sanitation, drainage, roads and bridges. The Project is funded jointly by the Caribbean Development Bank and the Government of Guyana.

718. A supplementary provision of \$12.284M was approved in 1997, giving a revised allocation of \$216.654M. Amounts totalling \$144.992M were shown as having been expended. However, an examination of the records of the Project revealed an expenditure of \$103.544M, giving a difference of \$31.448M. As a result, the

Appropriation Account was overstated by the latter amount. The following gives a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$'000
Rehabilitation of roads	18,862
Provision & rehabilitation of health facilities	34,611
" " " " water facilities	7,477
" " " " education facilities	36,189
Other basic needs infrastructure works	6,405

TOTAL	103,544
	=====

Subhead 24001 - Land Transport

719. The sum of \$10M was voted for the purchase of two(2) vehicles, of which amounts totalling \$8.929M were expended. The vehicles acquired were verified as having been received.

Subhead 25001 - Equipment

720. The sum of \$20M was provided for the purchase of office equipment for the Ministry of Finance, Valuation Division, Planning and Customs & Excise Department. Amounts totalling \$15.135M were expended. The items purchased were verified as having been received. However, they were not inventorised.

Subhead 25002 - Infrastructure Rehabilitation Programme

721. An amount of \$85M was allocated for the improvement to the New Amsterdam Water Supply System, including laying of pipes, purchase and installation of generators and construction of elevated water towers. A supplementary provision of \$68.503M was approved in 1997, giving a revised allocation of \$153.503M. Amounts totalling \$151.932M were shown as having been expended.

722. The Project is financed by the Government of Guyana and the European Union and is subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1995,

and at the time of reporting financial statements for the years 1996 and 1997 were not received by the Audit Office. In the circumstances, it could not be determined how much was expended in respect of each of the aforementioned activities since information in this regard was not available from the Project Executing Unit (PEU).

Subhead 26001 - Statistical Bureau

723. The sum of \$10M was provided for (a) the rehabilitation of building, purchase of two(2) computers and installation of network system (b) re-mapping and (c) execution of visitor' exit survey and labour force survey. Amounts totalling \$9.986M were shown as having been expended. However, according to the records of the Bureau, amounts totalling \$9.749M were expended, as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Rehabilitation of building & purchase of equipment	1,926
Execution of Labour Force Survey	7,665
Remapping	158

TOTAL	9,749
	=====

The rehabilitation works were physically verified while the items purchased were verified as having been received. The other expenditure were also verified as having been properly incurred.

Subhead 27005 - Guyana/Suriname Ferry Project

724. The sum of \$301.490M was allocated for the construction of a ferry vessel, ferry terminal and related facilities on the Corentyne river for the Guyana/Suriname Ferry. The Project is funded by the Government of Guyana and the European Union. A supplementary provision of \$305.386M was approved in 1997, giving a revised allocation of \$606.876M. Amounts totalling \$340.850M, were expended. At the time of reporting, the Project was completed and the service became operational.

Subhead 44002 - Technical Assistance

725. An amount of \$5M was allocated for the provision of consultancy services. However, no expenditure was incurred.

Subhead 44003 - Student Loan Fund

726. 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.

727. The records of the University, however, revealed that loans totalling \$410.108M were granted to students during the year and a balance of \$254.046M remained on the bank account relating to previous years. As a result, the Appropriation Accounts for those years were overstated by this amount. 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

728. An amount of \$5M was allocated for the finalisation of the Development Plan. Amounts totalling \$2.318M were expended.

Subhead 44006 - Poverty Programme

729. The sum of \$440M 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 \$348.770M were expended by Ministries and Departments, as follows:-

DESCRIPTION -----	AMOUNT -----
	\$'000
Ministry of Labour & Human Services	226,600
Ministry of Education	80,672
Ministry of Local Government	5,953
Regions 2 to 10	31,539
Others	4,006

TOTAL	348,770
	=====

730. However, according to the records kept by State Planning Unit, which had responsibility of monitoring the programme, expenditure totalling \$423.61M was incurred, giving an unexplained difference of \$74.840M. It is recommended that a reconciliation be carried out between the records kept at the Ministry of Finance and those kept by State Planning Unit.

731. Test-checks carried out revealed that payments were made in most cases to various social organisations based on the estimated cost of conducting the programmes. However, bills and receipts were not seen in support of the expenditures. In the circumstances, it could not be determined whether the amounts

shown as having been expended were properly incurred.

Subhead 45001 - Caribbean Development Bank

732. The sum of \$50M was provided for capital contribution to the Caribbean Development Bank. However, no expenditure was incurred.

Subhead 45004 - IADB

733. An amount of \$40M was allocated as capital contribution to the IDB. Actual expenditure incurred amounted \$63.112M, giving an excess expenditure of \$23.112M. A satisfactory explanation was not obtained why a supplementary estimate was not sought to cover the excess expenditure.

Subhead 45005 - NGO/Private Sector Support Programme

734. The sum of \$210M was allocated for the establishment of an industrial estate at Eccles, implementation of community programmes by the Peace Corps and institutional support to PL 480 projects. Amounts totalling \$133.124M were shown as having been expended. However, according to the records of the Project, sums totalling \$154.315M were actually expended, giving a difference of \$21.191M which should have been refunded to the Consolidated Fund. The following gives a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Rehabilitation of Ministry of Finance Building	36,610
Ministry of Agriculture	632
Ministry of Trade	32,119
Ministry of Public Works	1,500
PL 480 Admin. Office	2,340
PL 480 Staff - Legal Affairs	210
Bank Charges	80,904

TOTAL	154,315
	=====

735. The rehabilitation of the Ministry of Finance building was not specifically stated as an activity in the project profile of the NGO/ Support Programme and there was no evidence that approval was granted for a change in programme to undertake the works.

736. Tender board files in respect of a three(3) contracts (for which payments totalling \$8.979M were made) were not produced for audit examination. Vouchers in support of payments totalling

\$36.610 million were also not produced. It was explained that because of the fire which destroyed part of the Ministry of Finance building in April 1998, difficulties were being encountered in locating the files. In relation to the vouchers, the Accounting Officer explained that these were being processed for reimbursement from USAID and would be produced as soon as the exercise is completed. However, up to the time of reporting, the vouchers were not made available.

737. The nature of the expenditure of \$80.904M shown as bank charges could not be determined since the supporting voucher was not presented for examination and efforts to obtain information relating to this transaction were unsuccessful.

Subhead 45008 - Loans to Public Corporations

738. A supplementary provision of \$258.509M was approved in 1997 for a loan to Linden Mining Enterprise. Actual payments amounted to \$472.962M, giving an excess expenditure of \$214.453M. This excess was met out of an advance from the Contingencies Fund. It should be noted that in 1996 loans of \$439.170M and \$15M were granted to LINMINE and the Guyana Broadcasting Corporation respectively. However, these two(2) amounts were not reflected in the Statement of Loans and Advances from the Consolidated Fund.

Subhead 45010 - Guyana Electricity Corporation

739. The sum of \$710M was allocated for the improvement of electricity supply by the Guyana Electricity Corporation. A supplementary provision of \$600,000 was approved in 1997, giving a revised allocation of \$1.310 billion. Amounts totalling \$1.354 billion were shown as having been expended, giving an excess expenditure of \$44.005M.

740. 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 of this programme was in respect of 1995.

Subhead 45040 - IFC

741. The sum of \$48M was allocated as capital contribution to IFC. However, no expenditure was incurred.

Other Matters

742. In 1995, a review of the operations of the Central Tender Board was carried out, the results of which reflected a number of shortcomings. Arising out of the review, several recommendations had been made with a view to strengthening the operations of the Central Tender Board. However, the following recommendations still remained to be implemented:-

- (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 also be desirable to have the records fully computerised; and
- (b) 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.

743. In relation to (a) it should be noted that a manager was appointed in mid 1996. Since then, there have been significant improvements in record keeping and filing. In addition, draft legislation on public procurement had been prepared with the assistance of a consultant, and at the time of reporting, it was still being considered by the Government. However, the Minister of Finance gave the assurance that as soon as the National Assembly reconvened new legislation on public procurement would be enacted.

HEAD 12-02

ACCOUNTANT GENERAL'S DEPARTMENT

Current Expenditure

Employment Costs

744. 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 1997, it was overdrawn by \$4.028M, compared with an overdraft of \$3.991M at the end of 1996.

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.

745. 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

746. Several discrepancies in accounting for conference advances were observed and brought to the attention of the Accounting Officer. These include material understatement of the expenditure for transport and travelling because of the failure of public officers to clear advances promptly, significant differences between the liabilities recorded in the vote account and the schedule of outstanding liabilities, inadequacy of information recorded in the Personal ledger accounts, absence of periodic reconciliation of accounts, and unavailability of files. This situation, if not urgently remedied, could result in loss of funds to the Treasury and inaccurate financial reporting.

747. Substantial payments were made in respect of compensation claims and the attention of the Accounting officer was drawn to cases where several claims in respect of interest could have been avoided if the matters were dealt with expeditiously. In addition, in a particular case, judgement was obtained by the claimant for \$1.5M for goods wrongly seized. However, the goods were found to be missing from the State Warehouse after over one year of their seizure.

748. Audit tests revealed that several receipts relating to refunds by the GRDB were not promptly brought to account and deposits of cheques made into the bank account could not be traced to the bank statements. These discrepancies, which were drawn to the attention of the Accounting Officer, would have a material affect on the balances recorded in the Cash book and the bank statements.

749. The main bank account No. 402 (Non-Sub-Accounting Bank Account), which became non-operational in May 1996, was overdrawn by \$5.410 billion as at 31 December 1997, compared with a positive balance of \$8.893 billion at the end of 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.

750. The new Main Bank Account No. 3001 was not reconciled since it was established June 1996 and reflected a large balance of \$13.215 billion as at 31 December 1997, compared with a balance of \$9.253 billion at the end of 1996. 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 bank account is 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.

751. 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.

Other Matters

752. The imprest bank account No. 910, which became non-operational in May 1996, was overdrawn by \$21,248 as at 31 December 1997. The overdraft should be investigated with a view to clearing it.

HEAD 12-03

CUSTOMS AND EXCISE DEPARTMENT

Current Expenditure

Employment Costs

753. The salaries bank account No. 460, which became non-operational in May 1996, was continuously overdrawn by significant amounts over the years. However, as at 31 December 1997, it reflected a positive balance of \$30.187M, compared with an overdraft of \$11.893M as at the end of 1996. Audit checks revealed that this positive balance resulted from an unidentified deposit of \$42.710M which was incorrectly credited to this account. 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.

754. The new salaries bank account No. 3013, which was opened in June 1996, reflected a balance of \$457,270 as at 31 December 1997. However, the cash book balance as at this date could not be determined since it was not cast and balanced for the period under review. In addition, the account was only reconciled for the first month that it became operational and the reconciliation was only in draft.

755. 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 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.

756. For the period under review, amounts totalling \$11.625M were paid to thirty-one(31) officers who were sent on special leave and/or interdicted from duty for alleged misconduct. Some of these officers have been on leave since 1993 and unless there is an early determination of their matters, the State will continue to pay for services not rendered.

Other Charges

757. Amounts totalling \$2.168M were expended on fuel and lubricants. Included in this figure, were sums totalling \$314,297 representing the purchase of fuel in 1996. There was, however, no evidence that approval from the Secretary to the Treasury was granted to discharge this liability out of the 1997 voted provision. In addition, according to the records of the Guyana Oil Company Ltd., as at 31 December 1997, the Department was indebted to the Company in the sum of \$1.379M. This amount would have had to be met out of the 1998 voted provision.

758. Of seven (7) vehicles for which log books were required to be maintained, log books were presented for only four(4) vehicles. An examination of the log books revealed that they were not written up to show amount of fuel received. In the circumstances, it could not be determined whether there was effective control over the use of these vehicles and whether the journeys undertaken were properly authorised.

759. Amounts totalling \$10.611M was expended on Transport, Travel & Postage, of which sums totalling \$2.232M represented the hire of two(2) vehicles to transport officers from Georgetown to Timehri and back. However, fourteen(14) vehicles were observed to be non-operational and there was no evidence of any action taken to have them repaired. Had efforts been made to do so, the Department would have had additional vehicles at its disposal, thereby obviating the need to hire vehicles.

Revenue Accounting and Control

760. The approved estimates for revenue collection for the Customs & Excise Department for the period under review was \$16.934 billion. Actual collections amounted to \$15.156 billion. The Department therefore fell below its targeted performance by \$1.778 billion. The main areas of the shortfall are shown below:-

DESCRIPTION	BUDGET	ACTUAL	AMOUNT
-----	-----	-----	-----
	\$'000	\$'000	\$'000

Import duties	4,055,198	3,702,901	352,297
Export "	236,669	11,136	225,533
Consumption tax			
- Imported	8,823,927	7,903,309	920,618
Consumption tax			
- Local	3,441,593	3,324,995	116,598
Consumption tax			
- services	224,850	-	224,850
	-----	-----	-----
TOTAL	16,782,237	14,942,341	1,839,896
	=====	=====	=====

761. With regard to the shortfall of revenue in relation to import duties and consumption tax (imported) the Comptroller of Customs explained that this was due to the unstable political climate in the Country during the latter part of the year. In respect of export duties and consumption tax (Local), the shortfall was due to the abolishment of taxes on the export of fish and shrimp and consumption tax on locally manufactured goods.

762. An amount of \$3.252M was not paid over to the Consolidated Fund and represented sums collected from outstations. Transfers were, however, made to the Consolidated Fund in March 1998.

763. The Revenue bank account No. 489, which became non operational in May 1996, reflected a balance of \$169.165M as at 31 December 1997, compared with \$165.480M as at 31 December 1996. It could not be determined, however, when last this account was reconciled. It is recommended that this amount be transferred to the Consolidated Funds without delay and steps be taken to close the account.

762. The new revenue bank account No.3014, which was established in June 1996, reflected a large balance of \$220.310M as at 31 December 1997, compared with \$95.624M at the end of 1996. However, this account was not reconciled since the account was established.

763. An examination of the Dishonoured Cheques Register for the years 1996 and 1997 revealed that 213 cheques totalling \$167.236M for 1996 and 269 cheques totalling \$220.124M for 1997 were dishonoured. At the time of the audit in July 1998, nine(9) cheques totalling \$8.922M and thirteen(13) cheques totalling \$3.904M were still not cleared for the respective years. This matter was brought to the attention of the Comptroller of Customs, and at the time of reporting, the matter was engaging the attention of the Police.

764. The sum of \$7.614M was provided to be collected as Merchant Overtime of which amounts totalling \$15.261M were collected. 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 Wharves;
- (b) 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
- (c) According to the Votes Ledger, amounts totalling \$20.415M 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. Furthermore, only \$15.261M was collected as revenue for overtime work, resulting in a shortfall of \$5.154M.

765. 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.

766. 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 \$3.675 billion 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.

767. In relation to one(1) shipping agent, an arrangement was made whereby entries processed through the PID system and revenue collected is to be paid in at Customs Head Office on a daily basis. However, it was observed that this procedure was not followed by the agent. As a result, revenue totalling \$20.637M collected for the period under review was paid over to the Comptroller of Customs between the period January to April, 1998. In addition, no independent record was maintained by Customs Resident Section at the Transit Shed to show the amount of duties collected by this agent on a daily basis.

768. 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 considered unsatisfactory and therefore action should be taken to have one central storage site.

769. The system provides for deposits made by way of provisional entries to be cleared and perfected within three(3) months. If such entries are not perfected within this stipulated period, all the deposits are treated as revenues and should be paid into the Consolidated Fund. However, out of 167 deposits totalling \$33.657M made for the year, only four(4) deposits totalling \$5.347M were cleared during the stipulated period. The rest were not perfected until July 1998. This has resulted in an understatement in revenue for the period under review.

770. The Old Deposit Bank Account No. 839, which became non-operational in May 1996, reflected an overdraft of \$1.025M as at 31 December 1997, compared with an overdraft of \$715,490 at the end of 1996. It could also not be determined when last this account was reconciled.

771. 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.

772. On 1995-10-18 a deposit of \$431,290 was made by an importer for mining equipment. 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 \$863,580 which was twice the amount deposited. At the time of reporting, this apparent irregularity was still being investigated by the Police.

773. Statements 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 six(6) of these files revealed that consumption tax totalling \$51.188M remained outstanding at the end of 1997. Evidence was seen that legal action was taken to have the amounts recovered. Further, 114 manufacturers did not submit statement of sales and consumption tax returns for various periods during the year and there was no evidence of any action taken to have them to comply with the law or to have their bonds forfeited.

774. Remission of duties totalling \$6.011 billion were granted to various sectors as listed below:-

ITEM	DUTY	C/TAX	TOTAL
-----	-----	-----	-----
	\$'000	\$'000	\$'000
Computer	25,551	11,723	37,274
Petrol	1,393,031	1,500,779	2,893,810
Forestry	239,630	106,672	346,402
Mining	88,735	216,666	305,401
Other	1,245,518	1,182,473	2,427,991
	-----	-----	-----
Total	2,992,465	3,018,413	6,010,861
	=====	=====	=====

This represents 39.67% of actual collections by the Department.

775. An examination was carried to determine the number of vessels that arrived in the Country for the period under review. Resulting from this exercise, the following observations were made:-

- (a) Examination of the records kept at the Transport and Harbour Department revealed that 916 vessels came into Port Georgetown from various overseas ports. A comparison with Customs and Excise rotation book, however, revealed that 551 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 1208 vessels came into Port Georgetown. However, 232 of these vessels were not recorded in the Transport and Harbour record kept at the Lighthouse;
- (c) Out of the total of 1208 incoming ship files, it could not have been determined how many were examined by the Internal Audit Division since a register was not maintained by that section; 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 five (5) numbers were used twice.

776.. An examination was carried on the Rotation Book kept at Customs Head Office to determine the accuracy of the information entered therein. A comparison was carried out with the information

provided with five(5) wharves where Customs Officers were stationed full time. The following discrepancies were observed:-

- (a) One hundred and sixteen(116) vessels were recorded in the Rotation Book as going to these five(5) transit sheds but according to the records of the transit shed, these vessels were not cleared by them; and
- (b) One hundred and thirty six(136) vessels were shown as having been cleared by these transit sheds but were not reflected in the Rotation Book.

Other Matters

777. The imprest bank account No. 663, which became non-operational in May 1996, reflected an overdraft of \$166,756 as at 31 December 1997. 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.

778. A new imprest bank account No. 3015 was opened with effect from June 1996. As at 31 December 1997, this account was also overdrawn by \$150,721, compared with an overdraft of \$453,502 at the end of 1996. Effort should be made to investigate the reason(s) for the overdraft with a view to clearing it.

779. 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.

780. The Revenue Protection Bank Account No. 840, which became non-operational in May 1996, reflected an overdraft of \$1.264M as at 31 December 1997. In addition, no cash book was maintained for this account and therefore the account could not have been reconciled.

781. A remittances register was not maintained for the 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.

HEAD 12-04

INLAND REVENUE DEPARTMENT

Current Expenditure

Employment Costs

782. An examination of the Unclaimed Salaries Register revealed that for the period under review amounts totalling \$2.626M were reflected as unclaimed salaries. Further examination, however, revealed that when officers left the employment, their names were not removed from the payroll until several months later and in five(5) instances, salaries for persons whose services were terminated in 1996 and 1997 remained on the payroll on average six(6) months later. The Accounting Officer explained that this was due to delays in obtaining the necessary authority to have the names removed from the payroll. This matter was drawn to attention in my 1996 Report.

783. 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	415,572	18/03/97	36
October	26,499	29/12/97	49
November	441,438	23/12/97	13

784. The new salaries bank account No. 3024, which was opened in May 1996, was not reconciled for the period March to December 1997. Efforts should be made to bring the reconciliation up-to-date.

Other Charges

785. Amounts totalling \$20.879M 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, which rendered the exercise tedious and time-consuming. Efforts should be made to comply with the Stores Regulations.

786. Amounts totalling \$887,000 were expended on the Maintenance of Infrastructure. The following sets of contracts were, however, awarded to the same individual for works undertaken at the Smyth Street Office, apparently to avoid a system of quotations being followed:-

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$
02/06	44/97	Concrete work to floor	156,100
04/06	51/97	" " " "	139,550

TOTAL			295,650
			=====
18/07	68/97	Repairs & painting of roof	176,100
23/07	72/97	" " " " "	147,360

TOTAL			323,460
			=====

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

787. A register was not maintained to record overseas telephone calls and there was evidence of private telephone calls being made which were not paid by the Department. It is recommended that such a record be introduced so as to monitor all overseas telephone calls. A format of the register has been made available to the Department.

788. An examination of the expenditure of \$16.897M incurred under Subhead 309 - Other Services Purchased also revealed sub-division of contracts apparently to avoid the application of a system of quotations being followed. For example, the following sets of contracts were awarded to the same individuals without any form of competitive bidding:-

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$
02/04	20/97	Making of filing cupboards	77,180
03/04	21/97	" " " "	149,045

TOTAL			226,225
			=====
21/05	36/97	Refurbishing writing desks	103,031
21/97	37/97	" " " "	115,566

TOTAL

218,597
=====

789. According to the Appropriation Account, amounts totalling \$125.611M 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	100,809,896
Income Tax - Individuals	12,492,632
Withholding Taxes	6,481,712
Capital Gains Tax	2,915,000
Property Taxes	1,258,214
Purchase Tax	742,188
Income Tax - Companies	884,033
Miscellaneous	26,759

TOTAL	125,610,434
	=====

790. 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 overpayment are refunded. In this regard, a total of 40 companies received refunds to the value of \$100.810M.

791. Although a bank account (Account No. 112) was kept 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.

792. An examination of the bank statements relating to this account revealed that the balance as at 31 December 1997 was \$70.257M. However, this account was not reconciled for the period March to December 1997 and an examination of the reconciliation statements for January and February revealed that they could not be relied upon in the absence of a properly maintained cash book.

793. 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 previous reports, and despite this, there was no evidence of any action taken to remedy this deficiency.

794. 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 and 1996, 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

795. The following sets out the position with regard to revenue collections by the Inland Revenue Department:-

PARTICULARS	BUDGET	ACTUAL	VARIANCE
-----	-----	-----	-----
	\$'000	\$'000	\$'000
Corporation Tax	7,268,903	5,937,483	1,331,420
Income Tax	5,932,398	5,162,116	770,282
Travel Voucher Tax	572,382	272,329	300,053
Net Property Tax	562,240	468,591	93,649
Purchase Tax - Cars	538,364	442,327	96,037
	-----	-----	-----
	14,874,287	12,282,846	2,591,441
Others	2,125,713	2,120,262	5,451
	-----	-----	-----
TOTAL	17,000,000	14,403,108	2,596,892
	=====	=====	=====

796. As can be noted there was a shortfall in revenue collections by \$2.597 billion, representing 15.27% of the budgeted amount. The main area of shortfall was in corporation tax.

797. Amounts totalling \$5.937 billion were collected as corporation tax for the period under review. In addition, of the 3,141 companies which were registered, only 601 had submitted returns for the year of assessment 1998. Further analysis revealed that only 800 of the registered companies were active.

798. Several instances were noted where companies continued to make late payments of advanced corporation tax. In this regard, evidence was seen that 240 companies were taken to Court for the non-payment of corporation taxes.

799. A total of 26,307 self-employed taxpayers were registered with the Department, of which 14,227 paid income tax totalling \$581,487M for the year of assessment 1998.

800. As shown above, Travel Voucher Tax collected amounted to \$272.329M, compared with a budgeted figure of \$572.382M, giving a difference of \$300.053M. This revenue subhead was understated by \$192.249M due to miscoding between Travel Tax Tickets and Travel Voucher Tax.

801. From a total of 331 professionals registered 102 did not renew their tax practice certificates for the year 1997 and evidence was seen of action being taken by the Department to ensure compliance.

802. The sum of \$63.755M was collected as hotel accommodation tax. However, from a total of 41 hotel registered for 1997 only 37 paid taxes. In addition, there was no evidence that periodic inspections were carried out at the various hotels to ascertain the accuracy of the returns submitted to the IRD.

803. From a total of 40 cases selected, 12 instances were noted where motor vehicle licences for lorries were sold at a lower price than the prescribed rate, resulting in a short collection of revenue. This matter was drawn to the attention of the Commissioner.

804. It was noted that two(2) cinemas were irregular in their payments of Entertainment Tax, resulting in a total of \$265,700 outstanding as at 31 December 1997. Evidence was seen of legal action taken against these defaulters and one cinema was ordered closed.

805. From a sample of 70 cards selected for 1997 in respect of Trading Licences, approval from the central housing & Planning Authority was not seen for 22 new licences issued for 1997. In addition, only 33 licences out of the 70 cases selected were recorded in the Licences Register.

Other Matters

806. Taxes held in abeyance totalling \$1.748B for 238 cases in respect of Objection to Assessments remained unsettled for the year 1997. This figure does not include those objections which were registered prior to 1997 and remained unsettled.

807. The revenue bank account No. 490, which became non-operational in May 1996, reflected a balance of \$968.925M as at 15 September 1997. This balance was transferred to the new bank account No. 3025. However, no cash book was maintained for this account as a result of which the account was not reconciled for the period under review.

808. The new revenue bank account No. 3025, which reflected a balance of \$876.871M as at 31 December 1997, was augmented as a result of the balance of \$968.925M which was transferred to this account. However, a cash book was also not kept in respect of this account as a result of which the account was also not reconciled.

809. The Licence Revenue Office revenue bank account No. 491 was overdrawn by \$76,811M as at 15 September 1997. This overdrawn balance was transferred to the new bank account No. 3018. However, a cash book for this new account was not maintained and the account was not reconciled since it was established.

HEAD 13-01 & DIVISION 528

MINISTRY OF TRADE, TOURISM AND INDUSTRY

Current Expenditure

810. Amounts totalling \$81.333M 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	23,500
Guyana National Bureau of Standards	27,000
Guyana Consumers' Association	500
Consumer Advisory Bureau	900
Tourism Advisory Board	2,100
World Trade Organisation	4,281
UNIDO	1,327
CTO Regional Marketing	2,610
CTO	6,115

TOTAL	81,333
	=====

811. 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 1997 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 but in the absence of audited accounts for 1997, it could not be determined whether the amount was properly expended.

812. 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 \$23.5M 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.

813. 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 1996 and at the time of reporting the audit of the 1997 accounts was in progress. The amount of \$27M was verified as having been received by GNBS.

Capital Expenditure

Subhead 12001 - Building

815. A supplementary estimate of \$5M was approved in 1997 for the remodelling of the Ministry's building. However, no expenditure was incurred.

Subhead 41001 - Tourism Development

816. The sum of \$10M was voted for the development of eco-tourism of which \$9.502M was expended. It was observed that amounts totalling \$2.513M were paid to one(1) supplier for organising a tourism fiesta but tender procedures were not followed. As a result, it could not be determined whether the service could have been obtained more economically taking into consideration efficiency and other pertinent factors.

Subhead 47002 - Guyana Office for Investment

817. The sum of \$825,000 was voted for the acquisition of computers and a fire proof safe for the Guyana Office for Investment. The full amount was shown as having been expended. The computer and the safe were verified as having been received and properly brought to account.

Subhead 47003 - Guyana National Bureau of Standards

818. The sum of \$4M was allocated for the acquisition of air conditioning units, computers, laser printer and construction of laboratory. Amounts totalling \$3.1M were released to the Bureau of which \$2.383M was expended. The items purchased were verified as having been received and properly brought to account. However, the balance of \$716,553 was not refunded.

HEAD 14-01 AND DIVISIONS 519, 520 & 521

MINISTRY OF PUBLIC WORKS AND COMMUNICATIONS

Current Expenditure

Employment Costs

819. 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.

820. The staffing situation in all areas of the Ministry as reflected in the payrolls for December 1997 is shown below:-.

SUBHEAD	DESCRIPTION	AUTHORISED	ACTUAL	VACANT
101	Administration	29	16	13
102	Senior Technical	35	11	24
103	Other Tech & Craft	93	42	51
104	Clerical & Support	90	51	39
105	Semi Skilled	48	33	15
016	Other Employees	17	7	10
	TOTAL	312	160	152
		===	===	===

821. The actual staffing was therefore 51% 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.

822. 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.

823. 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 of \$309,492 continued through out 1997 despite the recommendation in my 1996 Report that a corresponding amount be re-transferred to Account No. 931 in order to liquidate the overdraft.

824. In addition, there is an old salaries bank account No. 824 which reflected a balance of \$460,860 as at 31 December 1997. It is recommended that the balance on this account be transferred to the Consolidated Fund and steps be taken to close it.

825. An examination of the reconciliation statement for December 1997 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) Nineteen(19) cheques valued at \$36,389 were stale-dated. These transactions should be cancelled and an equivalent amount transferred to the Main Bank Account;
- (c) Included in the list of 178 unpresented cheques totalling \$8,421,295 were 19 cheques with a total value of \$6.478M which had become staledated. It is recommended that prompt action be taken to clear these from the reconciliation statement by writing them back in the cash book 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

826. The operation of the Main Bank Account No. 929 ceased on 5 March 1996 and the bank statement balance of \$692.667M as at 6 March 1996 was transferred to the new bank account No. 1010. However, as at 31 December 1996, the former account was overdrawn by \$8.264M and at 31 December, 1997 it was overdrawn by \$8.268M. This means that cheques totalling \$4M were encashed in 1997 although this account was not in operation in 1997. In addition, it could not be determined when last the bank account was reconciled. 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.

827. The new Main Bank Account No. 1010 reflected a large balance of \$1.151 billion as at 31 December 1997 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 \$164.298M representing the adjusted cash book balance at the end of 1997 was, however, paid over to the Consolidated Fund at 31 December 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 end of each financial year.

828. An examination of the reconciliation statement for Account No. 1010 for December 1997 revealed the following unsatisfactory features:-

- (a) An amount of \$10.069M 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 \$450,785 was shown as "receipts understated in the cash book". This resulted from deposits received and not brought to account in the cash book;
- (c) Included in the list of 647 unpresented cheques totalling \$1.065B, were 475 cheques with a total value of \$1.046B shown as having been drawn on 31 December 1997 i.e. the last day of the fiscal year;

- (d) Also included in the list of unrepresented cheques were fifteen (15) staledated cheques valued at \$1,206,227. Efforts should be made to clear these from the reconciliation statement; and
- (e) There was no evidence of checking and certification of the reconciliation statement.

829. 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, as at 31 December 1997, 89 cheque orders valued \$74.580M were outstanding, of which nineteen(19) valued \$51.239M 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.

830. The sum of \$62.869M was expended under subhead 304 - Maintenance of Building as follows:-

DESCRIPTION -----	AMOUNT ----- \$
Rental of Building	42,818,607
Purchases	606,631
Contracts awarded	19,443,368

TOTAL	62,868,606 =====

831. The figure of \$42.819M shown as rental of building relates to 60 payments made to several Agencies and individuals including the Post Master General, Jainarine Singh, Bank of Guyana and Clico. However, no records were kept by the Ministry to indicate which buildings were rented and for what purpose. In addition, rental agreements were not presented for audit examination to verify whether the payments were made in accordance with the terms of the related agreements.

832. It was explained that the payments were made on the presentation of invoices. This practise is however unsatisfactory as fictitious payments could be made if records are not maintained to verify the completeness accuracy and validity of the invoices.

833. It is recommended that a register be maintained for the buildings rented indicating the name of the landlord, location of the building, purpose and rate per month. It is further recommended that all rental agreements be made available for audit examination.

834. The purchases totalling \$606,631 were verified with the appropriate records.

835. A total of 143 contracts totalling \$19,443,368 were awarded under subhead 304 -Maintenance of Buildings as follows:-

TENDER LIMITS	CONTRACT NO.	VALUE
-----	-----	-----
-		\$
Below \$180,000		123
9,737,364		
Over \$180,000 but below \$450,000		13
3,673,208		
Over \$450,000 but below \$6M		7
6,032,796		

-		
TOTAL		19,443,368

=====

836. The award of the thirteen (13) contracts totalling \$3.673M required the Ministry to follow the three (3) quote system. However, the quotations were not presented for audit examination in relation to these contracts. As a result, it could not be determined whether the Ministry had received full benefit in respect of the items or services purchased.

837. The seven (7) contracts totalling \$6,032,796 were required to be adjudicated by the Ministry of Public Works Tender Board. However minutes of these tender meetings as well as the related tender documents were not presented for audit examination. Consequently, it could not be determined whether the lowest tenderers were awarded the contracts and whether the Ministry of Public Works had received full value for the sums expended.

838. It was observed that a particular contractor was awarded ten (10) contracts totalling \$19,117,069 for patching critical and strategic roads in Georgetown, East Bank and East Coast. However, the following were noted in relation to these contracts:-

- (a) there was no evidence that the jobs were publicly advertised;

(b) for seven of these jobs totalling \$10,649,233 this contractor was the only tenderer. It appears therefore that he was awarded these contracts on the basis of selective tendering;

(c) in relation to six of the ten contracts as shown below the contractor was paid the full contract sum as s "first and final payment". Consequently, the Ministry expended the sum of \$9.035M without verifying whether the contractor had first completed the works; and

DATE	CONTRACT NO.	CONTRACT SUM	DATE OF PAYMENT	AMOUNT
-----	-----	-----	-----	-----
		\$		\$
20/02/97	45/97	1,650,500	01/02/97	1,650,500
13/03/97	53/97	1,662,000	07/03/97	1,662,000
04/04/97	61/97	1,303,800	04/04/97	1,303,800
30/05/97	102/97	1,913,050	30/05/97	1,913,050
20/06/97	116/97	2,911,783	07/06/97	2,111,783
31/12/97	327/97	394,000	31/12/97	394,000

				9,035,133

=====

(d) three (3) payments totalling \$5,424,282 were made to the contractor long before the contracts were entered into as shown at paragraph (c) above. It would appear therefore, that the contracts were a mere formality. It is recommended that Government's tendering procedures be strictly followed.

839. Amounts totalling \$7M were expended on fuel and lubricants. However, of the forty-two(42) vehicles and equipment for which log books were required to be maintained, log books were not presented in respect of thirty-one(31) vehicles. As a result, it could not

be determined whether effective control was exercised over the use of these vehicles.

840. Amounts totalling \$6,939,329 were made to Guyoil for the bulk purchase of fuel. However, no records were kept by the stores for the receipt and utilisation of the fuel. The Transport Section maintained some records, however, these records were not adequate to enable a proper verification of the actual receipt, issues and balances on hand during the period under review. It is recommended that the storekeeping functions be handed over to the storekeeper.

841. The Ministry of Public Works and Communication have several divisions for which contracts are awarded. However, a contract control register was not maintained by the Central Accounting Unit to indicate the following:-

- (a) the total number of contracts awarded and the related contract sum;
- (b) the total payments effected on each contract awarded; and
- (c) the balances or outstanding payments due on each contract

As a result, much difficulties were experienced by the auditors when carrying out an examination of the contractual works undertaken by the Ministry. It is recommended that such a record be introduced immediately to effectively monitor all contractual works.

842. 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	4,000,000
Mayor & City Council - rates & taxes for Government properties	49,999,483

TOTAL	53,999,483
	=====

843. The Mayor & City Council had submitted a demand notice for \$146,979,276 for general rates for the year 1997. However, only \$30,123,856 was paid by the Ministry for the year 1997 and the difference of \$19,876,627 related to rates and taxes for prior years. The outstanding liability at 31 December, 1997 in respect of rates and taxes owing to the M&CC was therefore \$116,855,420.

844. 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.

845. It is recommended that the Ministry takes urgent steps to inventories 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.

846. Amounts totalling \$38.720M were expended on Subsidies & Contributions to Local and International Organisations. The following is a break-down of the expenditure:-

DESCRIPTION -----	AMOUNT ----- \$'000
INTERNATIONAL ORGANISATIONS:	
Commonwealth Telecommunications Bureau	16,867
Caribbean Telecommunications Union	3,653
International Telecommunications Union	18,200

TOTAL	38,720 =====

847. 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 1997. This Project is financed by the International Development Agency (IDA), and the Government of Guyana.

848. 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 last set of audited accounts was in respect of 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 - Project Executing Unit & Emergency Works

Subhead 15001 - Essequibo and West Demerara

849. The sum of \$252M was voted for the completion of sea defences on the Essequibo Coast and the West Coast Demerara. The full amount was shown as having been expended. The Project was funded by a grant from the European Union. The following gives a breakdown of the expenditure according to areas:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Anna Regina to Richmond Hill	17,165,929
Aberdeen to Mainstay	22,398,203
Barnwell to Vergenoegen	29,452,244
La Jalousie to Ruby	51,104,220
Settlement of claims to the contractor	115,030,030
Consultancy services	16,879,374

TOTAL	252,000,000
	=====

850. According to the 1997 Annual Report of the Project Executing Unit, the works under this Programme comprised the reconstruction of 3.5 kilometers of sea defences at West Demerara/East Essequibo and 2.7 kilometers on the Essequibo Coast. This programme also included the supply of 1,200 tonnes of steel sheet piles and 17,000 square metres of geotextile filter fabric. The sea defences work were completed and the contractor had supplied all of the materials required. However, the contracted work in Essequibo had suffered two slip failures of 100 metres each in length at Anna Regina and Henrietta. At the end of 1997 the cost of the Project including construction supervision had amounted to US\$12.04M.

Subhead 15002 - Corentyne and East Coast Demerara

851. The sum of \$280M was allocated for the reconstruction of 5,742 metres of sea defences in Regions 4 and 6 including Nos. 76-83 Villages, Corentyne and Clonbrook/Greenfield and Mon Repos, East Coast Demerara. A supplementary provision of \$38M was approved in 1997, giving a revised allocation of \$318M. Amounts totalling \$240.290M were expended.

852. The Project is financed by the Government of Guyana and the Inter American Development Bank under the Agriculture Sector

Hybrid Programme and is subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1997. According to the audited accounts, amounts totalling \$394.924M were expended, giving a difference of \$154.634M. This difference was due to (a) the charging of \$119.037M to Division 508 Subhead 13005 - Agri Sector Hybrid Programme as a result of the transfer of the Hydraulics Division to the Ministry of Public Works and (b) disbursements totalling \$35.595M by the IDB which had not been brought to account in the Public Accounts.

853. The following is a breakdown of the audited expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Access roads between Charity and Supernaam	27,686,367
Farm access road at MMA/ADA	34,666,711
No. 71/71 Sideline Dam	27,848,754
Repairs to sea defences at Mon Repos	47,963,824
Repairs to sea defences at Nos 77-79	140,086,943
Engineering and Administration	54,443,935
Acquisition of equipment etc.	50,005,580
Financial costs	11,424,654
Miscellaneous	797,552

TOTAL	394,924,320 =====

Subhead 15003 - East Coast Demerara

854. In 1996, 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 on fees and purchase of computer equipment.

855. The Project is funded by the Government of Guyana and the International Development Association and is subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1997.

856. For the period under review, the sum of \$280M was again allocated to reconstruct 3,300 metres of sea defences at Hope/Enmore, Turkeyen and Annandale. However, only \$11.031M was expended on director's fees, office equipment and consultancy services. The items purchased were verified as having been received and properly brought to account.

Subhead 15004 - West Coast Berbice

857. In 1996, the sum of \$130M was voted for the rehabilitation of 4,570 metres of sea defences on the West Coast Berbice. However, no physical works were done, and the amount of \$19.268M was expended on consultancy fees. The project is funded by the Caribbean Development Bank.

858. In 1997, the sum of \$220M was again voted for the rehabilitation of 5,800 metres of sea defences on the West Coast Berbice in such areas as Brahn, Mon Choisi, No. 41 and Trafalgar. However, only \$10.216M was expended on the purchase of radio sets which were verified as having been received and properly brought to account.

Subhead 15005 - Emergency Works

859. The sum of \$700M was allocated for the rehabilitation of sea and river defences at Leguan, Ogle, Parika, Hague, Wakenaam, Sparta, Zeelandia, Charity, and La Belle Alliance. Amounts totalling \$699.4M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$'000
Wages, salaries & Allowances	92,774
Rehabilitation of sea and river defences	510,424
Purchases of construction items	53,521
Hire of equipment	16,802
Purchase of spares	7,863
Fuel & lubricants	7,851
Security	3,041
Other	7,124

TOTAL	699,400
	=====

860. The items purchased were verified as having been received and properly brought to account. The rehabilitation works related to the reconstruction:-

- (i) of 400M of sea defences at Nos. 77 and 78 villages, Corentyne;
- (ii) the reconstruction of 640M of sea defences at Nos. 78 and 79 villages Corentyne; and
- (iii) reconstruction of 375M of sea defences at Mon Repos, East Coast Demerara.

861. According to the 1997 Annual Report of the Project Executing Unit the works at Nos. 77 and 78 villages were completed. In relation to Nos. 78 and 79 villages 448M or 70% of sea defences were built in 1997 and the 375M of sea defences at Mon Repos were completed on 15 August, 1997.

Subhead 15006 - Shorezone Management

862. The sum of \$10M was voted for the preparation and implementation of a programme of beach and structure condition survey, setting up of a data base for inventory of coastal structures and other coastal data including land use planning, mangrove management and shorezone stabilisation. Amounts totalling \$4.244M were expended on salaries, survey costs and the purchase of stationery and office supplies. These expenditures were verified as having been properly incurred.

Subhead 47001 - Administration & Management

863. An amount of \$28M was allocated for the provision of administrative and supervision support for the Sea Defence Programme. Amounts totalling \$25.795M were expended, as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Salaries of 32 staff members	13,478,720
Vehicle expenses	2,965,354
Stationery & office supplies	1,785,709
Security	2,484,684
Other	5,082,768

TOTAL	25,795,235 =====

These expenditures were verified as having been properly incurred.

Division 520 - Ministry of Public Works

Subhead 11001 - Demerara Harbour Bridge

864. The sum of \$231.220M was voted for (a) the complete rehabilitation of the Demerara Harbour Bridge, replacement of 103 pontoons and rehabilitation of 14 pontoons (b) mechanical and electrical maintenance of the bridge and (c) installation of navigational aids and traffic lights. A supplementary provision of \$48.591M was approved in 1997, giving a revised allocation of \$279.811M. The full amount was shown as having been expended.

865. The Project is funded by the Government of Guyana and the European Union and is subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1996. Financial statements for 1997 have not been submitted for audit examination. Notwithstanding this, the amount of \$279.811M was verified as having been received by the Project.

866. An examination of the records of the Harbour Bridge revealed the following expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Technical Assistance by Sociedad Limitada De Consultores Espanoles	19,439,140
Supply of Spares by Damen Shipyard	80,372,147
Bridge Rehabilitation and other Infrastructure Improvement Works	152,039,659
Counterpart salaries and other administrative costs	27,946,731

TOTAL	279,797,677
	=====

Subhead 12001 - Government Buildings

867. The sum of \$60M was voted for the rehabilitation of selected Government buildings and the construction of markets. Amounts totalling \$39.697M were expended. The following gives a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Construction of market facilities at Mon Repos	7,498,398
" " " " " Rosignol	6,820,291
Repairs to Accounts Bdg. - Min. of Works	4,747,525
Construction of community centre at Region 6	6,840,676

Installation of transformer at CARICOM Bdg.	2,251,607
" " intercom system at Timehri	913,211
Construction of market at Port Mourant	365,572
Other works	1,658,554
Consultancy services	8,601,566

TOTAL	39,697,400
	=====

868. A contract for \$12,164,950 was awarded by the Central Tender Board in August, 1997 for construction of market facilities at Mon Repos, East Coast Demerara. The sum of \$7,498,398 was expended in 1997 and works continued in 1998 when the facility was completed.

869. A contract for \$6,822,984 was awarded by Central Tender Board for the construction of market facilities at Rosignol. The amount of \$6.820M was expended and the work was completed and physically verified.

870. A contract to the value of \$4,748,220 was awarded by the Ministry of Works Tender Board for the rehabilitation of Ministry of Works, Accounts Building. The amount of \$4,747,525 was expended and the building was completed and the work physically verified.

871. The Ministry entered into a contract with G.T. & T for the Northstar Intercom System at a contract price of \$1.826M. Of this amount \$913,211 was charged to this subhead and the difference of \$913,211 was charged to Civil Aviation Department subhead 16002. No explanation was obtained for dividing the cost of the contract and the misallocation of the expenditure to this subhead. However, the installation of the equipment were physically verified and brought to account.

872. A warrant for \$8M was sent to Region 6 for the construction of a Community Centre. The contract was not awarded to the lowest bidder by the Regional Tender Board of Region 6 but to the fourth lowest bidder. However, no reasons were seen in the Tender Board minutes why the contract was not awarded to this particular contractor. In addition, the total expenditure was \$7.3M, however, only \$6.841M was reflected in the Appropriation Account.

873. A warrant for \$8M was sent to Region 6 for the construction of a market at Port Mourant. This contract was adjudicated by the Regional Tender Board of Region 6 and was not awarded to the lowest bidder who had tender for \$7,161,999 but was awarded to the

fourth lowest bidder whose price was \$7,699,903. However no reason was seen in the minutes of the Regional Tender Board for not awarding the contract to the lowest bidder. The actual expenditure amounted to \$7,680,300 however, the Appropriation Account only reflected an amount of \$365,572. Therefore the Appropriation Account was understated by \$7,314,728.

874. An amount of \$2,251,607 was paid to the Guyana Electricity Corporation for the purchase and installation of a transformer at Caricom's new building at High Street. The installation of the transformer was physically verified.

Subhead 12007 - Timehri Airport

875. The sum of \$215M was budgeted for the extension of the new check-in area at the Timehri Airport and the rehabilitation of the sewerage system. Amounts totalling \$190.361M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Extension of the new out-going area	139,504,580
Rehabilitation of Building at Timehri	23,856,968
Extension of Customs Baggage Area	9,945,779
Salaries and honorium	4,337,580
Payment of 1996 liabilities	1,500,066
Other works	1,597,268
Consultancy services	9,618,804

TOTAL	190,361,045 =====

These works were physically verified.

Subhead 12008 - Regional Airport Project

876. The sum of \$107M was allocated for (a) the purchase of auxilliary traffic control equipment and meteorological systems for Timehri (b) installation of communications systems and (c) construction of periphery fence at Timehri International Airport. The Project is funded by the Government of Guyana and the European Union. Amounts totalling \$59.186M were expended as follows:-

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

-----	-----
	\$
Purchase of traffic control equipment	55,486,496
Construction of periphery fence	3,421,404
Consultancy services	578,596

TOTAL	59,186,496
	=====

877. Investigations at Timehri revealed that total expenditure relating to the purchase of the traffic control equipment was \$79,361,811. However, the Ministry had only recorded the expenditure totalling \$55,486,496. The amount of \$23,875,315 was disbursed by the lending Agency and was not yet brought to account. The acquisition of the equipment were physically verified.

Subhead 14001 - Mabura/Lethem Road

878. The sum of \$20M was voted for the rehabilitation of the Mabura Hill/Lethem Road. A supplementary provision of \$25M was approved in 1997, giving a revised allocation of \$45M. Amounts totalling \$44.641M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Repairs to Lethem/Mabura Road	14,597,064
Purchase of materials	14,465,059
Wages and salaries	9,660,628
Meal allowances	5,591,282
Other	326,967

TOTAL	44,641,000
	=====

Physical verification of the Lethem/Mabura road was not undertaken due to the remoteness of the location. The items purchased were verified as having been received and properly brought to account.

Subhead 14004 - Black Bush Polder Road

879. The sum of \$40 was allocated for the completion of the rehabilitation of the Black Bush Polder Road, of which amounts totalling \$38.912M were expended. 60.649M.

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

	\$
Rehabilitation of Black Bush Polder Road	37,557,933
Consultancy services	1,354,326

TOTAL	38,912,259
	=====

Physical verification in October, 1998 revealed that the road was completed but had began to show signs of deterioration.

Subhead 14005 - Bartica/Issano/Mahdia Road

880. An amount of \$30M was allocated for the rehabilitation of the Bartica/Issano and Bartica/Mahdia roads. Amounts totalling \$29.263M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of the Bartica/Mahdia road	22,766,142
Construction of timber bridge	2,561,333
Other works	277,850
Consultancy services	3,657,186

TOTAL	29,262,511
	=====

Physical verification could not been undertaken due to the remoteness of the location.

Subhead 14006 - Bridges

881. The sum of \$20M was voted for the rehabilitation of Garraway Stream Bridge and public road bridges, including Vryheid's Lust and Little Diamond and construction of box culverts in Region No. 5. Amounts totalling \$18.769M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehab. of Garraway Stream Bridge	3,181,980
" " South Vryheid's Lust bridge	2,750,945

"	"	Madewini bridge	8,085,492
"	"	Liliendaal bridge	2,350,292
"	"	Clonbrook bridge	1,380,050
"	"	Cemetery Road bridge	269,023
"	"	Grove bridge	273,800
		Other repairs	26,146
		Consultancy services	451,570

		TOTAL	18,769,298
			=====

882. In relation to the South Vryheid's Lust Bridge a contract for \$4,417,695 was awarded by the Ministry of Works Tender Board to Atlas Construction in 1997. The bridge was completed at the cost of \$4,886,252 however, only \$2,750,945 of the expenditure was charged to this subhead. The difference of \$2,135,307 was deliberately charged to the subhead 14007 Miscellaneous Roads to avoid exceeding the voted provision of this subhead.

The construction of the bridges was physically verified with the exception of Garraway Stream Bridge.

Subhead 14007 - Miscellaneous Roads

883. An amount of \$660M was allocated for (a) the completion of ongoing and commencement of new roads at Wakenaam, Leguan, Canal Polder, Mara, Friendship/Buxton, Golden Grove School Road, Enmore, Bushby Dam, Ogle Airstrip and (b) the rehabilitation and construction of two(2) wharves to support the road construction programme. Amounts totalling \$589.662M were expended as follows:-

DESCRIPTION

AMOUNT

-----	-----
	\$
Completion of twenty eight (28) roads	109,157,517
Installation of weigh bridge at Parika	2,781,645
Installation of pipe culverts at Enmore	2,319,920
Construction of road signs	222,300
Consultancy services (1996)	5,409,921

Completion of works for 1996	119,891,303
Rehabilitation of Wakenaam roads	44,094,107
" " Leguan "	30,285,964
" " Mara "	20,575,382
" " Friendship/Buxton road	4,372,611
Transfer of funds to 521-14002 for	
Kingston wharf dredging	28,284,272
Other roads in Region 4	173,022,449
" " " " 5	49,588,890
Construction of roads in other Regions	93,022,347
Other	1,174,349
Rental of Caricom building	1,000,000
Consultancy Services	24,350,326

TOTAL	589,662,000
	=====

884. In relation to the construction of roads in other Regions warrants totalling \$154,437,750 were issued to several Regions. However, the expenditure recorded in the Appropriation Account was \$93,022,347 as shown above. The difference of \$61,415,403 was outstanding at the end of 1997. Therefore the Appropriation Account relating to the subhead was understated by an undetermined amount.

885. Physical verification was carried in relation to the following roads:-

NAME OF ROAD	AMOUNT
-----	-----
	\$
Rehabilitation of Buxton/Friendship road	4,372,611
" " Kuru Kuru Colleague road	19,213,700
" " Murphy Dam Region 5	5,051,743
" " Hope Town School Street	5,142,498
" " Maloney Street Region 5	2,673,081
" " Bush Lot Community road	11,187,486
" " Car Baba Street Bush Lot	14,654,133

Subhead 14008 - Urban Roads/Drainage

886. The sum of \$60M was voted for the completion of selected roads, clearing of outfall channels and rehabilitation of drains in Georgetown. A supplementary provision of \$40M was approved in 1997, giving a revised allocation of \$100M. The full amount was expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of Lamaha Street	1,192,987
" " Independence Boulevard	778,245
" " Princes Street	403,984
" " Brutus Street/ Agricola	1,852,550
" " Alexander Street	619,397
" " Aubrey Barker Street	3,969,799
" " Croal Street	228,288
Desilting channels and drains	3,506,840
Consultancy services	1,778,596

Completion of works in 1996	14,330,686
Rehabilitation of G/Town roads	9,160,672
" " Hunter Street	4,800,000
" " Liliendaal bridge	288,743
" " Alexander Street	4,153,350
" " Sussex Street	460,451
" " Guyhoc Park	840,878
" " Middle road La Penitence	1,206,748
" " Princes Street	5,301,660
" " Queenstown/Albertown roads	4,577,136
Purchase of bitumen and asphalt	52,333,831
Desalting channels and drains	2,546,500

TOTAL	100,000,655
	=====

The construction of these roads was physically verified.

Subhead 14009 - Hinterland Airstrip

887. The sum of \$30M was provided for the rehabilitation of airstrips at Aishalton, Mahdia, Imbaimadai and Kurupung. The full amount was expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of Aishalton Airstrip	12,544,664
" " Mahdia Airstrip	3,805,850
" " Imbaimadai Airstrip	650,000
" " Kurupung Airstrip	10,025,085
Charter of flights	2,043,306
Other	721,095

TOTAL	30,000,000
	=====

Physical verification could not be carried out due to the remoteness of the location of these airstrips.

Subhead 14010 - Dredging

888. The sum of \$150M was allocated for (a) dredging the Demerara channel and the mouths of the Mahaicony, Mahaica and Berbice rivers (b) reconditioning of two(2) pilot launches and (c) removal of wrecks. The full amount was expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Repairs to MV Steve N	25,000,000
Rehabilitation of Crane Barge Seamang	124,998,000

TOTAL	149,998,000
	=====

However no work was carried out in relation to the Project Profile. The full amount was expended on the rehabilitation of the vessels which carry out the dredging of the channels. However there was no evidence of a change in programme for these transactions. The expenditures would therefore appear to be unauthorised.

Subhead 16002 - Equipment (Civil Aviation)

889. The sum of \$170M was provided for (a) the acquisition of a baggage x-ray machine/metal detector (b) installation of a new baggage conveyor belt for the check-in area and security alarm system and (c) purchase of search and rescue equipment and

airfield signs. Amounts totalling \$146.680M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Purchase of monitor & visual display units	20,459,636
Installation of conveyor system	116,888,015
" " security alarm system	6,499,984
" " Northstar & PA system	2,272,221
Other	560,200

TOTAL	146,680,056
	=====

The purchase and installation of all equipment were physically verified and accounted for.

Subhead 16003 - Stellings

890. The sum of \$30M was voted for the rehabilitation of stellings at New Amsterdam and Wakenaam. The full amount was paid over to the Transport and Harbour Department and included in the Appropriation Accounts. However, according to the records of Transport and Harbours Department the expenditure for 1997 was \$38.7M which was \$8.7M in excess of the amount transferred to that Department by the Ministry of Works. It was explained by the Chief Accountant of Transport and Harbour Department that the excess expenditure of \$8.7M related to the releases for 1996 which was paid over to Transport in January, 1997. The following are the details of the expenditure of \$38.7M according to the records of Transport and Harbours Department.

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of New Amsterdam stelling	20,478,075
" " Wakenaam stelling	4,797,585
" " Adventure "	6,775,575
" " Parika	6,648,765

TOTAL	38,700,000
	=====

Subhead 17001 - Minor Works

891. An amount of \$10M was provided for the implementation of minor programmes and projects of which amounts totalling \$7.976M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Contribution to Monsterrat Relief Fund	3,600,000
Carpentry works at State House	381,545
Repairs to Prime Minister's Residence	1,341,361
Purchases of building material	1,700,381
Contribution to funeral expenses	510,000
Other	442,713

TOTAL	7,976,000
	=====

Subhead 19001 - Infrastructure Development & Buildings

892. The sum of \$125M was voted for the development of new housing areas and upgrading of selected squatting areas in Regions 2-7 and 10. Amounts totalling \$54M was shown as having been expended. The amount was transferred to the Central Housing and Planning Authority which is subject to separate financial reporting and audit.

893. The last set of audited accounts in respect of CH&PA was in respect of 1990. Financial statements for the period 1991 to 1997 were submitted and the audit is now in progress. The amount was verified as having been received by the Authority but in view of the fact that the audit for the year 1997 has not been completed it could not be determined whether the amount transferred was properly expended.

Subhead 24001 - Land Transport

894. An amount of \$5M was allocated for the purchase of one(1) vehicle. The full amount was expended on the purchase of one(1) Toyota Land Cruiser for the Ministry of Public Works and Communication. The vehicle was verified as having been received and properly brought to account.

Subhead 25001 - Office Equipment

895. The sum of \$3M was voted for the purchase of steel cabinets, chairs, computers and office equipment. Amounts totalling \$2.999M were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 26001 - Navigational Aids

896. An amount of \$20M was allocated for the purchase and placing of buoys along the major river-ways of Guyana. The full amount was expended.

DESCRIPTION -----	AMOUNT -----
	\$
Purchasing & installation of equipment for Harbour Master's Office	6,149,002
Purchasing & installation of equipment for MV Steve N	13,850,979

TOTAL	19,999,981 =====

The expenditures were not in accordance with the Project Profile. However, there was no evidence that a change in programme was approved for these transactions. As a result, the above expenditures would appear to be unauthorised.

Subhead 27001 - Reconditioning of Ships

897. The sum of \$95M was provided for (a) the completion of the rehabilitation of MV Northcote and Barima (b) docking and repairs to MV Sandaka and (c) repairs to the Dock Gate and acquisition of spares. The full amount was expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of MV Barima	28,996,276
" " Lady Northcote	37,003,724
" " MV Kimbia, Malali, Torani & Makouria	29,000,000

TOTAL	95,000,000
	=====

The rehabilitation of the M.V Kimbia, Malali, Torani and Makouria were not programmed for in the 1997 Estimates, and there was no evidence that a change in programme was approved for these expenditures.

Subhead 27003 - Reconditioning of Ferry Vessels

898. An amount of \$90M was allocated for (a) the repairs to MV Makouria, Malali, and Torani (b) installation of turn table and (c) acquisition of spare parts. The full amount was expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Repairs to MV Torani	23,604,298
" " MV Makouria	10,270,819
Purchase of spares for ferries	56,125,192

TOTAL	90,000,309
	=====

Provision was made under this subhead for the rehabilitation of the vessel Malali. However, the vessel was rehabilitated and the cost was incorrectly charged to subhead 27001.

Subhead 27004 - Ferry Services

899. The sum of \$75M was provided for the construction of a passenger cargo vessel for the Berbice River. However, no expenditure was incurred.

Division 521

Ministry of Public Works

Subhead 14001 - Essequibo Coast Road

900. The sum of \$384M was allocated for the rehabilitation of the Charity/Supenaam Road. A supplementary provision of \$120M was approved in 1997, giving a revised budgetary allocation of \$504M. According to the Appropriation Account, amounts totalling \$503.920M were expended.

901. The Project is funded by the Government of Guyana and the International Development Association (IDA) and is subject to separate financial reporting and audit. The last set of audited

accounts was in respect of 1997 and an examination of these accounts revealed an expenditure of \$539.744M on the Essequibo Road. The difference of \$35.824M resulted from disbursements made by the IDA which had not been brought to account in the Public Accounts.

Subhead 14002 - Georgetown/Timehri/Rosignol

902. The sum of \$1.050 billion was voted for the rehabilitation of (a) the roadway from Timehri to Rosignol (b) Main Street from Pegasus Hotel to Ruimveldt Police Station and (c) city streets within Georgetown, including Prashad Nagar, Campbellville and Kitty. A supplementary provision of \$525M was approved in 1997, giving a revised budgetary allocation of \$1.575 billion. According to the Appropriation Account, amounts totalling \$1.575 billion were expended.

903. The Project is financed jointly by the Government of Guyana and the Inter American Development Bank under the Loan Agreement No. 890/SF-GY. The last set of audited accounts was in respect of 1997. An examination of these audited accounts, however, revealed an expenditure of \$1.464 billion, giving a difference of \$111M. This difference resulted mainly from IDB disbursements made in 1996 which were brought to account in the Public Accounts in 1997.

904. The following gives a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$'000
Engineering & Administration	124,259
Direct Costs - Georgetown/Timehri	350,696
" " - Georgetown/Mahaica	233,880
" " - City Streets	753,477
Vehicles & equipment	2,028

TOTAL	1,464,340
	=====

Subhead 14003 - Soesdyke/Linden Highway

905. An amount of \$200M was allocated for the rehabilitation of the Soesdyke/Linden Highway and the replacement of wooden bridges with concrete bridges and culverts. The project is financed by the Government of Guyana and the Caribbean Development Bank. A supplementary provision of \$73M was approved in 1997, giving a revised allocation of \$273M. Amounts totalling \$250.903M were expended, as follows:-

DESCRIPTION		AMOUNT
-----		-----
	\$'000	\$'000
Foreign payments:-		
payments to contractors	172,577	
consultancy fees	49,345	
Interest charges	1,078	
	-----	223,000
Local Payments:-		
Consultancy Services	27,381	
Others	522	
	-----	27,903
TOTAL		----- 250,903 =====

Subhead 14009 - Technical Assistance CTPU

906. The sum of \$14M was voted for the institutional strengthening of the Transport Planning Unit. The full amount was shown as having been expended. The Project is financed by the Government of Guyana and the International Development Association and is subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1997 and an examination of these accounts revealed an expenditure of \$12.352M.

Subhead 14010 - Supervision & Administration

907. An amount of \$47.2M was provided for the administration and supervision costs for road projects. A supplementary provision of \$4.8M was approved in 1997, giving a revised allocation of \$52M. Amounts totalling \$51.997M were shown as having been expended. The Project is financed by the Government of Guyana and the International Development Association and is subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1997 and an examination of these accounts revealed an expenditure of \$56.671M.

Subhead 14011 - Internal Audit

908. The sum of \$20M was allocated for the strengthening of the internal audit office of the Ministry of Public Works. The Project is financed by the Government of Guyana and the International Development Association and is subject to separate financial

reporting and audit. However, no expenditure was incurred.

Subhead 14012 - Weight Control Programme

909. An amount of \$15M was allocated for the purchase of scales and the provision of management expertise for the vehicular weight management programme on the main highways. Amounts totalling \$13.964M were expended.

Subhead 14013 - Road Maintenance Fund

910. The sum of \$50M was provided for the establishment of a road maintenance fund, of which amounts totalling \$5.9M were expended.

Subhead 19001 - Secondary Towns

911. An amount of \$80M was allocated for the design of (a) an urbanisation programme for Charity, Supernaam, Bartica and Parika and the upgrading of Anna Regina and (b) secondary roads, including Parika to Makouria and Patentia to Kamuni. A supplementary provision of \$41.5M was approved in 1997, giving a revised allocation of \$121.5M. Amounts totalling \$121.015M were shown as having been expended.

912. The Project is financed by the Government of Guyana and the International Development Association and is subject to separate financial reporting and audit. The last set of audited accounts was in respect of 1996.

HEAD 14-02 AND DIVISION 522

MINISTRY OF LOCAL GOVERNMENT

Current Expenditure

913. The old salaries bank account No. 1014 which became non-operational in May 1996, reflected a balance of \$1.023M as at 31 December 1997. However, this account was last reconciled to May 1997. In addition, the new salaries bank account No. 3074 reflected a balance of \$14.107M as at 31 December 1997 and was also not reconciled since it was established.

914. The imprest account No. 3075 was overdrawn by \$103,169 as at 31 December 1997 and was not reconciled since it was established.

Capital Expenditure

Subhead 14015 - Amerindian Development Fund

915. The sum of \$115M was voted for the establishment of an

Amerindian Fund to include such activities as (a) construction and rehabilitation of Amerindian hostels at Mahaicony, Mabaruma and Lethem (b) construction of craft centres (c) purchase of outboard motors and (d) purchase of radio sets and solar plants. Amounts totalling \$114.957M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of hostel at Mahaicony	4,538,155
" " " " Mabaruma	10,000,000
" " " " Lethem	10,000,000
" " " " New Amsterdam	4,538,366
Construction of two(2) craft centres	11,306,079
Purchase of ten(10) outboard motors	1,965,000
Survey of Amerindian lands	48,000,000
Purchase of two(2) trucks	4,500,000
" " tools for Amerindian settlements	5,844,565
" " 20 fogging machines	3,768,450
Transfer to Amerindian Fund	6,300,000
Transportation	1,289,200
Miscellaneous	947,793
Consultancy fees	1,959,489

TOTAL	114,957,097
	=====

916. The amounts of \$20M shown as rehabilitation of the hostels at Mabaruma and Lethem represents inter departmental warrants issued to the Regions 1 and 9. However, financial returns were not submitted to account for the amounts transferred, and an examination of the records of these Regions revealed expenditure of \$7.049M and \$9.926M. As a result, the Appropriation Account was overstated by \$3.024M.

917. Similarly, the amount of \$48M shown as having been expended on survey of Amerindian land represents an inter departmental warrant issued to the Lands and Surveys Department. However, no financial returns were submitted to the Ministry. Notwithstanding this, the full amount was verified as having been expended.

918. The items purchased were verified as having been received and properly brought to account while the rehabilitation and/or constructions were physically verified.

Subhead 19005 - Project Development & Assistance

919. The sum of \$380M was allocated for infrastructure and rehabilitation works in sixty-five(65) Neighbourhood Democratic

Councils and six(6) Municipalities. The full amount was shown as having been expended. The funds were transferred to the respective Regions and Municipalities. However, financial returns were only seen for \$256.095M in respect of NDC's which received amounts totalling \$325M. The majority of works undertaken were nevertheless physically verified.

920. As noted, however, elsewhere in this report, most of these local government bodies have been delinquent in the submission of financial statements for audit examination and certification.

Subhead 24001 - Land Transport

921. The sum of \$3M was voted for the purchase of one(1) vehicle. A supplementary provision of \$800,000 was approved in 1997, giving a revised allocation of \$3.8M. Expenditure totalling \$3.796M was incurred. The vehicle was verified as having been received. However, it was not inventorised.

Subhead 35001 - Office Furniture & Equipment

922. An amount of \$2.5M was allocated for the purchase of furniture and equipment, of which amounts totalling \$2.499M were expended. The items purchased were verified as having been received. However, they were not placed in the master inventory.

HEAD 14-03

CIVIL AVIATION DEPARTMENT

Current Expenditure

923. The cheque order system was utilised to make payments other than for salaries and wages. Such payments at 31 December 1997 amounted to \$91,442,401. Evidence was not seen to indicate that the approval of the Accountant General was obtained for this deviation.

924. The sum of \$11,500,000 included in the Appropriation Account as Electricity charges represent the value of a Inter-departmental Allocation Warrant raised in favour of the Regional Executive Officer, Region 4, based on an arrangement which has been in force for several years. An examination of the circumstances behind the arrangement indicated that billing for Electricity Charges are made to the Regional Administration, Region 4. Request were however, made for meters in the name of The Civil Aviation

Department to be installed as a means of control, but this request has not been satisfied. In the meantime, however, the Region 4 Administration bills the Civil Aviation Department annually by lump sum, without giving any details to substantiate the claim. The accuracy of the payment could not therefore be determined.

925. As shown in the Appropriation Account, \$7.5M was expended on the purchase of fuels and lubricants. These purchases were duly brought to account in the stock records of the Department.

926. The stock records revealed that the undermentioned quantities of the fuels and lubricants were utilised during the year.

DESCRIPTION	QUANTITIY (Gallons)
Gasolene	6,312.75
Dieselene	26,367.50
Lubricating Oil # 40	665.50
Lubricating Oil # 90	17.75

927. Monthly consumption reports were only submitted in respect of the consumption of Gasolene and Dieselene and these did not agree with the amounts shown as consumed during the year. The following differences were observed:-

DESCRIPTION	CONSUMPTION AS PER STOCK LEDGER	CONSUMPTION REPORT	DIFFERENCES
Gasolene	6,312.75	8,011.00	(1,698.25)
Dieselene	26,367.50	1,490.50	24,877.00

928. While the apparent over utilisation of gasolene was not explained, indications were that the substantiated utilisation of dieselene was as a result of the failure to properly report the monthly consumption of diesel generators operated at the country's Airports as standby and other Navigational Aid facilities.

929. The amount of \$5M was budgeted for contribution to International Organisations, the sum of \$4,222,878 was expended for contribution to the International Civil Aviation Organisation.

HEADS 14-04 TO 14-07 & DIVISION 531

REGION 1 - BARIMA/WAINI

Current Expenditure

Employment Costs

930. An examination of the Register of Contributors to the National Insurance Scheme revealed that sixty(60) employees were not registered with the Scheme. The Accounting Officer explained that these were casual employees who were stationed in remote areas and that efforts would be made to have them registered with the Scheme.

931. It is a requirement for the salaries cash book to reflect 'nil' balances at the end of each month as a control mechanism for the payment of wages and salaries. However, for the period under review, the cash book reflected significant balances, both positive and negative, as shown below:-

MONTH	AMOUNT	MONTH	AMOUNT
-----	-----	-----	-----
	\$		\$
January	(27,318)	July	(24,770)
February	4,984	August	718,640
March	207,033	September	207,856
April	(626,341)	October	(441,212)
May	(233,147)	November	183,891
June	187,374	December	(295,280)

932. This is a reflection of apparent lack of care in the monitoring of the payment of wages and salaries as well as the balances in the cash book, and can lead to irregularities. The Accounting Officer is therefore advised to ensure that strict controls are exercised over the payment of wages and salaries.

933. 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. In addition, account Nos. 674 and 860 reflected overdrafts of \$18,469 and \$896,060 respectively as at 31 December 1997. These matters were drawn to attention in my previous report and despite this there was no evidence of any action taken to investigate the overdrafts and to close the accounts.

934. The new salaries account No. 3084, which was opened because of the problems associated with the previous accounts, was reconciled up to December 1997 and reflected a balance of \$1.687M as at 31 December 1997. The cash book as at this date, as noted above, however, reflected a negative balance of \$295,280.

935. In addition, an examination of the bank statements relating to this account revealed 136 instances in which the account was overdrawn. The following gives the overdraft balances at the end the following months:-

MONTH -----	OVERDRAFT -----	MONTH -----	OVERDRAFT -----
	\$		\$
February	1,523,519	September	1,931,566
August	2,183,340	October	3,359,105

Other Charges

936. Amounts totalling \$19.549M were expended on fuel and lubricants. However, log books were not maintained for the vehicles and equipment under the control of the Region. In the absence of log books, it could not be determined whether effective control was exercised over the use of these vehicles and equipment.

937. The sum of \$16.840M was expended on the rental and maintenance of buildings. Included in this figure were amounts totalling \$12.888M representing the purchase of building materials for repairs to forty-three(43) buildings. The items purchased were verified as having been received and properly brought to account. The works were also physically verified in respect of the repairs to twenty(20) buildings.

938. Amounts totalling \$12.423M were expended on the maintenance of infrastructure. The following gives a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Repairs to Mabaruma/Hosororo Road	9,795,000
Clearing of twenty-one(21) creeks	1,985,300
Repairs to five(5) bridges	642,700

TOTAL	12,423,000
	=====

The works were physically verified, except in the case of two(2) bridges which were not inspected because of the inaccessibility of the area.

939. The sum of \$18.358M was expended on Transport, Travel and Postage, as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Repairs to power plant	1,664,390
" " land cruiser	1,374,440
Repairs to other vehicles & equipment	2,414,753
Travelling & subsistence	12,904,418

TOTAL	18,358,001
	=====

The works were physically verified while, based on test-checks carried out, the other expenditure was verified as having been properly incurred.

940. Amounts totalling \$2.502M were expended on Other Services Purchased. The following gives a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Transporting school children	1,620,000
Repairs to office equipment	511,700
Termite treatment	370,300

TOTAL	2,502,000
	=====

These expenditures were verified as having been properly incurred.

941. The sum of \$4.415M was expended on Education, Subventions, Grants etc. The expenditures included the training of officers and conducting of workshops/seminars within the Region. These were verified as having been properly incurred.

942. Amounts totalling \$1.320M were expended on Rates & Taxes and Subventions to Local Authorities, as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Subvention to Mabaruma/Kumaka/Hosororo NDC	660,000
" " Port Kaituma/Mathews/Arakaka NDC	660,000

TOTAL	1,320,000
	=====

These amounts were verified as having been received by the two(2) Neighbourhood Democratic Councils. However, since their establishments in September 1994, financial statements were not submitted for audit examination and certification.

943. The sum of \$13.436M was expended under Subhead 314 - Other. The following gives a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Meals and subsistence	7,254,222
Mashramani celebrations	2,625,000
Dietary items for Mabaruma Hospital	2,422,000
Miscellaneous	1,134,778

TOTAL	13,436,000 =====

Based on test-checks carried out, the expenditures were verified as having been properly incurred.

Stores and Other Public Property

944. Section 6(2) of the Stores Regulations of 1993 provides for the maintenance of a stores ledger by the Regional Accounting Unit to serve as an independent record of receipts and issues of stores items. This is in addition to bin cards being maintained by the Storekeeper. However, only bin cards were being maintained. This matter was drawn to attention in my previous report.

Other Matters

945. The Imprest Bank Account No. 992, which became non-operational in August 1996, was not reconciled since its establishment in 1994. There is also 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.

Capital Expenditure

Subhead 12001 - Buildings (Health)

946. The sum of \$3.6M was voted for the phased rehabilitation of the hostel and matron's quarters at Mabaruma Hospital and the construction of health huts at Baramita, Wauna and Hobedia. Amounts totalling \$3.598M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of hostel & matron's quarters	425,000
Construction of health hut at Baramita	260,000
" " " " " Wauna	252,000
" " " " " Hobedia	252,000
Purchase of building materials	2,409,000

TOTAL	3,598,000
	=====

Except for the health huts at Baramita and Hobedia, the works were physically verified.

Subhead 12002 - Buildings (Administration)

947. The sum of \$3M was allocated for (a) the rehabilitation of staff quarters and the Port Kaituma guest house and (b) the extension of the Moruca guest house. The full amount was expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of staff quarters	448,000
" " Port Kaituma Guest House	173,000
Extension of Moruca Guest House	260,000
Purchase of building materials	2,119,000

TOTAL	3,000,000
	=====

Except for the Port Kaituma Guest House, the works were physically verified.

Subhead 12003 - Buildings (Education)

948. The sum of \$6.5M was voted for (a) the construction of Headmaster's Quarters at Waramuri, Kokerite, Lower Waini and St. John and (b) the extension of Waramuri Primary School and the North West Secondary School dormitory. The full amount was expended as follows. Except for the Headmaster's quarters at

Waramuri and Kokerite and the Waramuri Primary School which were not inspected because of the inaccessibility of the area, the works were physically verified.

DESCRIPTION	AMOUNT
-----	-----
	\$
Construction of Waramuri Headmaster's quarters	270,000
" " Kokerite " "	220,000
" " Lower Waini " "	207,000
" " St. John " "	230,000
Extension of Waramuri Primary School	305,000
" " North West Sec. School dormitory	290,000
Purchase of building materials	4,978,000

TOTAL	6,500,000
	=====

Subhead 14001 - Roads

949. The sum of \$10M was allocated for the continuation of the rehabilitation works to the Mabaruma Road and the upgrading of Kumaka and Kwebanna roads. Amounts totalling \$9.994M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of Mabaruma Road	1,994,000
Upgrading of Kumaka Road	6,400,000
" " Kwebanna Road	1,600,000

TOTAL	9,994,000
	=====

Physical verification revealed that one(1) mile of the Mabaruma Road was rehabilitated and four(4) miles of the Kumaka Road was upgraded. However, no physical verification of the Kwebanna Road was undertaken because of the remoteness of the area.

Subhead 19001 - Agricultural Development

950. The sum of \$2.4M was voted for revetment works at Barabina and Morawhanna roads. The full amount was expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Revetment at Barabina	240,000
" " Morawhanna	180,000
Purchase of materials	1,980,000

TOTAL	2,400,000
	=====

Physical verification revealed that 300 ft. of revetment work was done at Morawhanna. However, no physical verification was carried out in respect of the revetment works at Barabina because of the remoteness of the area.

Subhead 24002 - Land & Water Transport

951. The sum of \$450,000 was voted for the purchase of two(2) boats for the Health and Administration departments. The full amount was expended. The items purchased were verified as having been received and properly brought to account.

Subhead 25001 - Equipment & Furniture (Administration)

952. The sum of \$1.5M was allocated for the purchase of one(1) grass cutter, radio set and office furniture. The full amount was expended. The items purchased were verified as having been received and properly brought to account.

Subhead 25002 - Furniture & Equipment (Education)

953. The sum of \$2.4M was voted for the purchase of desks and benches for schools in the Region. The full amount 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. A similar situation was observed in 1996 where amounts totalling \$1.950M were expended in the construction of desks, benches and cupboards for schools in the Region.

Subhead 25004 - Furniture (Staff Quarters)

954. The sum of \$200,000 was allocated and expended on the purchase of furniture for staff quarters. The items purchased were verified as having been received and properly brought to account.

Subhead 25005 - Furniture & Equipment (Health)

955. The sum of \$750,000 was voted for the purchase of furniture

for staff quarters. Amounts totalling \$749,000 were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 26003 - Power Plant

956. The sum of \$5M was allocated for the purchase of a generator, transformers, poles, radiator and spares for Mabaruma. The full amount was expended. However, no generator was bought as the Region received a generator from Region No. 2. The items purchased were verified as having been received and properly brought to account.

HEADS 14-08 TO 14-11 & DIVISION 532

REGION 2 - POMEROON/SUPENAAM

Current Expenditure

Employment Costs

957. 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 1997. 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 had explained that these overdrafts were coming forward for sometime and that the Bank was written to on several occasions on the matter. At the time of reporting, however, it could not be determined what action was taken by the Bank in respect of these overdrafts.

958. An examination of the Appointments Register for Head 14-09 (Education) revealed one(1) instance of overpayment of salaries totalling \$110,934. This matter was brought to the attention of the Accounting Officer. However, up to the time of reporting, recoveries had not been made from the officer concerned.

Other Charges

959. 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-nine(39) instances were noted where such orders were cleared on average thirty-eight(38) days later. In addition, at the time of the audit in May 1998, eighteen(18) cheque orders relating to purchases totalling \$1.491M and eight(8) cheque orders relating to the payment of salaries totalling \$313,450, had not been cleared. At the time of reporting, only the cheque orders relating to purchases had since been cleared.

960. The Accounting Officer explained the supporting documents relating to the payment of salaries could not be located and that these would have to be reconstructed. Notwithstanding this, every effort should be made to ensure that cheque orders are cleared within the specified period since failure to do so can lead to irregularities.

961. 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 gasoline 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.

962. A similar survey was carried out on 18 June 1997, the results of which reflected an apparent shortage of 4,069 gallons of gasoline 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 gasoline valued at \$605,045.

963. 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 gasoline 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
	=====

964. Between the period 13 June 1996 and 27 August 1997, there was therefore an apparent shortage of 3,793 gallons of gasoline 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.

965. Another survey was carried out on 12 March 1998, and the results revealed an additional shortage of 4,657 gallons of gasoline valued at \$1.025M. The cumulative shortage for the period 13 June 1996 to 12 March 1998 amounted to 10,468 gallons valued at \$2.303M. However, during this period, subsequent checks revealed that eight(8) purchases of fuel totalling 9,108 gallons and valued at \$2.004M were not brought to account in the Goods Received Book and Stock Ledger and were therefore not included in the computation of the apparent shortage. Taking these purchases into account, the apparent shortage of gasoline between the period 13 June 1996 and 12 March 1998 stood at 19,576 gallons valued at \$4.307M.

966. As a result of these surveys and investigations, the Regional Administration eventually decided to invite the Police to investigate the apparent shortage based on a recommendation made in my 1996 Report. Resulting from the Police investigation, the two(2) storekeepers and the expeditor were charged and at the time of reporting the matter was pending before the Courts.

967. According to the Appropriation Accounts, amounts totalling \$13.750M were expended 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 thirty-one(31) vehicles and equipment for which log books were required to be maintained, log books were not presented for the following while there were partial submissions in respect of eleven(11):-

EQUIPMENT	ASSIGNED TO	EQUIPMENT	ASSIGNED TO
-----	-----	-----	-----
Dawa Pump	Oper. & Maint.	Hymac No. 1	Oper. & Maint.
Dragline No.1	Oper. & Maint.	Light Plant	Workshop
GFF 7113	Oper. & Maint.	TR 14003	Oper. & Maint.
O/board 2	Admin.	Compressor	Workshop

968. 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 satisfactorily determined whether effective control was exercised over the use of the Region's vehicles and equipment.

969. Amounts totalling \$12.822M were expended on rental and maintenance of buildings. The following gives a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Repairs to Charity Secondary School	1,631,010
" " Education Office	1,222,965
Purchases of materials	3,578,098
St. Monica Primary School	600,030
VSO Quarters	450,000
Anna Regina Multilateral School	447,000
Nurses Hostel at Suddie	424,194
Supt. of Lands & Survey quarters	424,035
Riverstown Primary School	401,238
Others	3,643,388

TOTAL	12,821,950 =====

The various works undertaken were physically verified while the purchases were verified as having been received and properly brought to account.

970. Amounts totalling \$6.986M were expended on maintenance of infrastructure as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Construction of three(3) bridges at Charity	1,050,664
" " bridge at GIS compound	347,420
" " six(6) fences	1,917,694
" " two(2) garages	872,390
Fix boulders at Golden Fleece	357,500

Purchases	727,917
Weeding & cleaning of trenches	532,735
Revetment work in Pomeroun	500,000
Miscellaneous	679,688

TOTAL	6,985,988
	=====

The various works undertaken were physically verified while the purchases were verified as having been received and properly brought to account.

971. Amounts totalling \$7.795M were expended on electricity charges. However, the Electricity Charges Register reflected a balance of \$7.910M, giving a difference of \$115,000. In addition, in my 1996 Report, 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 had written the officers with a view to recovery of the above amount. However, up to the time of reporting, the amount was not recovered. A number of other officers living in the Suddie Hospital Compound were also enjoying free electricity since there were only two(2) meters in the Compound.

972. Amounts totalling \$13.228M were expended on Transport, Travel & Postage. The following gives a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Travelling expenses	9,387,789
Purchase of spares	2,387,626
Hire of vehicles	1,285,541
Repairs to vehicle	167,500

TOTAL	13,228,456
	=====

The purchases were verified as having been received and properly brought to account while the other expenditures were verified as having been properly incurred.

973. Amounts totalling \$3.025M were expended on Other Services Purchased. The following gives a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Repairs to equipment	206,710
Hire of vehicle	62,000
Wages to casual employees	1,814,991
Payment of water rates	776,700
Purchases	164,549

TOTAL	3,024,950 =====

These expenditure were verified as having been properly incurred.

974. Amounts totalling \$720,000 were paid to the Operations and Maintenance Section of the Region and charged to Subhead 312 - Subsidies & Contributions etc. This section maintained a separate bank account and revenues derived from its operations were paid into this account instead of the Consolidated Fund. Similarly, expenditures relating to the operations of this section continued to be met out of this account. As a result, both the statement of receipts and disbursements and the appropriation accounts of the Region were understated by \$21.274M and \$19.480M respectively. The bank account was also not reconciled for the period under review.

Stores and Other Public Property

975. 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; and
- (f) A physical verification of a sample of thirty-two(32) items on 8 June 1998 revealed apparent shortages in respect of sixteen(16) items.

976. 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.

977. Despite the disposal of a number of unserviceable items in early 1997, several unserviceable machinery and equipment 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.

978. In my 1996 Report, mention was made that according to the stock records, 7,747 gallons of dieselene were on hand at the time of inspection on 9 July 1997 but there was no calibrated dip stick which could be used to verify the quantity on hand. A calibrated dip stick had since been introduced. Physical verification on 21 September 1998, however, revealed as apparent shortage of 5,751 gallons valued at \$1.380M, as computed below:-

	GLNS

Stock ledger balance as at 9 July 1997	7,747
Add receipts from 9 July 1997 to 21 Sept. 1998	33,012

	40,759
Less issues from 9 July 1997 to 21 Sept. 1998	32,943

Dieselene to be accounted for	7,816
Physical balance at 21 September 1998	2,065

Apparent shortage	5,751
	=====

979. The Accounting Officer explained that in December 1996, a water tender collided with the fuel tank, causing a large amount of fuel to spill. However, there was no evidence that a losses report was submitted to the Secretary to the Treasury for consideration and for approval for the loss to be written off.

980. The following unsatisfactory features were observed based on an inspection of the records of the Suddie Hospital Ration Store:-

- (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 forty-seven(47) items on 5 May 1998 revealed discrepancies in respect of six(6) items, as shown below:-

DESCRIPTION	STOCK LEDGER BALANCE	PHYSICAL COUNT	SHORTAGE
-----	-----	-----	-----
Beef	106 lbs.	86 lbs.	20 lbs
Chicken	21 lbs.	9 lbs.	12 lbs.
Sugar	28 lbs.	3 lbs.	25 lbs.
Soap powder	97 pkts.	92 pkts.	5 pkts.
Air freshener	131 tins	103 tins	28 tins
15 amp. adapter	53	24	29

981. A physical verification of a sample of forty-six(46) items from the Suddie Hospital Drug Bond on 5 May 1998 also revealed discrepancies in respect of eighteen(18) items. This matter was brought to the attention of the Accounting Officer and at the time of reporting the Police were investigating it.

982. A large quantity of drugs were written off the stock records in April 1997 as being expired and were subsequently destroyed by the Analyst Department. However, a certified list of such drugs was not made available for audit examination in order to verify the extent of the write off. In any event, a losses report should have been submitted to the Secretary to the Treasury and approval should have been obtained for the loss to be written off.

983. In my 1996 Report, it was mentioned that an examination of the Loans Register revealed that seven(7) pieces of equipment were loaned to various agencies but had not been returned. There was also evidence that several other items which had been loaned prior to 1996 had not been returned to the Regional Administration. Up to the time of reporting, the items still remained outstanding.

984. A master inventory was not kept to record 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.

985. 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 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.

986. During the period under review, eighty-seven(87) officers were occupying Government quarters. However, only twenty(20) officers were paying rentals. A satisfactory explanation was not given why the others were not charged for the use of these state properties. In addition, only \$50 and \$60 were charged per month instead of 10% and 12% of the officers' salaries respectively.

Other Matters

987. The Imprest Bank Account No. 679, which became non-operational in July 1996, was overdrawn by \$395,209 as at 31 December 1997 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 and to ensure prompt reconciliation of this account.

988. Three(3) instances were observed where advances granted from the Imprest were cleared by installments. Several advances were also not cleared within the stipulated periods. Efforts should be made to avoid a recurrence of these lapses.

Capital Expenditure

Subhead 12001 - Buildings (Health)

989. The sum of \$10M was provided for (a) the rehabilitation of

the Suddie Hospital Theatre and the Public Health Building (b) extension of Nurses' Hostel (c) repairs to Matron's quarters (d) fencing of Doctors' quarters (e) rehabilitation of Charity Hospital Complex and Mainstay Health Centre and (f) reconstruction of Windsor Castle Health Centre Bridge. The full amount was expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of bridge to drugs bond	214,400
" " Suddie Hospital Theatre	322,700
" " Public Health Building	2,636,643
Extension to Nurses' Hostel	2,083,006
Repairs to Matron's Quarters	730,395
Construction of fence at Doctors' Quarters	529,800
Rehabilitation of Charity Hospital Complex	1,811,150
" " Mainstay Lake Health Centre	718,760
" " Supenaam Dispensary	600,315
Repairs to Nurses Quarters at Adventure	264,665
Miscellaneous	88,125

TOTAL	9,999,959
	=====

990. As can be noted, no work was done at the Windsor Castle Health Centre bridge. The Accounting Officer explained that the reconstruction of the bridge was done by self-help. In addition, the bridge to the drugs bond at the Suddie Hospital, the Supenaam Dispensary and the Nurses' Quarters at Adventure were rehabilitated at a cost of \$1.079M and for which approval was granted for a change in programme to accommodate the expenditure.

991. The following five(5) contracts were awarded to two(2) individuals for the rehabilitation of the Public Health Building:-

DATE	CONTRACT NO.	DESCRIPTION	AMOUNT
----	-----	-----	-----
			\$
16/04	6/97	Rehab. of public health bdg.	1,682,845
11/07	83/97	Additional repairs to bdg.	206,965
11/08	149/97	Electrical works	204,918
04/09	151/97	Construction of fence	299,095
22/09	185/97	Laying of tiles	242,820

TOTAL			2,636,643
			=====

992. The first contract was awarded to the ninth lowest bidder on the grounds that he was a new contractor who was being given an

opportunity to prove his capability. The lowest bid was \$1.454M. The second contract was in effect a variation which was awarded to the same individual without adherence to a system of quotations and it would have been more appropriate for a variation order to be issued. The works were nevertheless physically verified.

993. The contract for the extension of the Nurses' Hostel was awarded to eighth lowest bidder in the sum of \$2.108M on the grounds that three(3) of the lower bidders were engaged in other work while the lowest bidder did not have a satisfactory track record. However, no reason was stated why the third lowest bid of \$1.997M was not considered. The other two(2) bids of \$2.212M and \$2.286M were considered too high in relation to the Engineer's Estimate of \$2.108M. It should be noted that the eighth lowest bid was initially \$2.807M but the contractor agreed to undertake the works for at the Engineer's Estimate of \$2.108M. However, no reasons were stated why the two(2) lower bidders i.e. the sixth and the seventh lowest bidders, were not asked to undertake the works at the Engineer's Estimate. The works were nevertheless physically verified.

994. In relation to the rehabilitation of Charity Hospital, the contract was awarded to the fifth lowest tenderer in the sum of \$1.581M without any reasons being stated why the lower bids were not considered. The lowest bid was \$1.319M. Another contract was awarded to the same individual in the sum of \$229,850 for additional works undertaken without adherence to a system of quotations, and it would have been more appropriate for a variation order to be issued. The works were nevertheless physically verified.

995. The contract for the rehabilitation of Supenaam Dispensary was awarded to the sixteenth lowest tenderer in the sum of \$600,315 on the grounds that four(4) of the other lower tenderers were engaged in other works. However, in relation to the other lower bids, the Tender Board decided to award the contract to the sixteenth lowest tenderer, who is a new contractor, to enable him to demonstrate his competence. The lowest bid was \$536,000. The works were nevertheless physically verified.

Subhead 12002 - Buildings (Education)

996. The sum of \$20M was voted for (a) the construction of the District Education Officer's quarters at Charity, annex to Siriki Primary School and Anna Regina Nursery School (b) extension of

Lima Sand Primary School (c) construction of Maria's Lodge Nursery School and (d) rehabilitation of building to house athletes and visiting teams. The full amount was expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Construction of DEO's quarters at Charity	4,754,812
" " annex to Siriki Primary School	1,964,880
" " Anna Regina Nursery School	3,736,309
Extension to Lima Sand Primary School	2,403,485
Construction of Maria's Lodge Nursery School	4,104,995
Rehabilitation of building for athletes	2,643,946
Miscellaneous	390,515

TOTAL	19,998,942 =====

997. The contract for the construction of the DEO Quarters was awarded to the fourth lowest bidder on the grounds that two(2) of the lower bidders were engaged in other work. However, no reason was stated why the second lowest bid of \$3.697M was not considered. Another contract was awarded to the same contractor in the sum of \$221,170 for additional works undertaken without any system of quotations being followed, and it would have been more appropriate for a variation order to be issued. The works were nevertheless physically verified.

998. In relation to the construction of the Annex to the Siriki Primary School, the contract was awarded to the second lowest bidder on the grounds that the lowest bidder were engaged in other work. The works were physically verified.

999. The contract for the construction of the Anna Regina Nursery School was awarded to the fourth lowest bidder for \$2.872M on the grounds that the lowest bid of \$2.605M was unrealistic compared with the Engineer's Estimate of \$3.116M. However, no reasons was stated why the two(2) lower bids of \$2.641M and \$2.644M were not considered. The works were nevertheless physically verified.

1000. In relation to the rehabilitation of the Lima Sands Primary School, the contract was awarded to the sixth lowest tenderer for \$2.393M because of his experience and also on the grounds that the lowest bid of \$2.087M was unrealistic compared with the Engineer's Estimate of \$2.508M. However, no reasons were stated why the other lower bids were not considered. The works were nevertheless physically verified.

1001. The contract for the construction of the Maria's Lodge Nursery School was awarded to the third lowest bidder for \$2.861M on the grounds that the second lowest bidder was engaged in other

works while the lowest bid of \$2.404M was considered low in comparison with the Engineer's Estimate of \$3.116M. In addition, a fence and a guard hut were constructed at a total cost \$1.242M. The works were physically verified.

1002. In relation to the rehabilitation to the quarters to house athletes, the contract was awarded to the eighth lowest bidder for \$2.383M on the grounds that the lowest bid of \$1.891M was considered too low compared with the Engineer's Estimate of \$2.544M and that five(5) of the other lower bidders were engaged in other jobs. However, no reason was stated why the second lowest bid of \$2.059M was not considered. In addition, two(2) contracts were awarded for \$342,556 for additional works undertaken. The rehabilitation works were nevertheless physically verified.

Subhead 12003 - Buildings (Administration)

1003. The sum of \$4M allocated voted for the rehabilitation of the Regional Accounting Unit and the Engineer's building. Amounts totalling \$3.998M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
Extension to Regional Accounting Unit	\$2,894,510
Rehabilitation of Engineer's building	1,090,411
Miscellaneous	13,500

TOTAL	3,998,421 =====

1004. The contract for the extension of the Engineer's building was awarded in the sum of \$1,027,411 to sixth lowest bidder which is also the highest bidder. Although reasons were stated why the lowest, second lowest and the fifth lowest bids were not considered, no mention was made why the two(2) other lower bids were not considered. The second lowest bid was \$888,340. Both works were nevertheless physically verified.

Subhead 13004 - Miscellaneous D & I Works

1005. The sum of \$100M was allocated for (a) the construction of timber bridges and revetment at Maria's Delight, Evergreen, Reliance, Pomona and Johanna Cecilia (b) construction of head regulators at Bounty Hall and Somerset/Berks and irrigation checks and back fill at La Union, Henrietta and Golden Fleece and (c) purchase of draglines and hymaxes. Amounts totalling \$97.893M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$

Construction of 8 bridges and revetments		22,233,550
" " 13 irrigation checks		18,613,960
Purchase of three(3) draglines		16,000,000
" " two(2) hymacs		9,000,000
Miscellaneous		66,610

Sub-Total		65,914,120
Construction of 9 tail walls, RC tubes & revetments	10,081,320	
Excavation works	3,751,750	
Purchase of reconditioned D/6 Caterpillar Bulldozer	8,000,000	
Purchase of heavy duty drills and CP9 tool adapter	256,857	
Purchase of green heart	707,020	
" " steel shaft and sleeves	792,300	
" " slasher	1,595,000	
" " wire rope	1,794,550	
" " missile pump	5,000,000	

		31,978,797

TOTAL		97,892,917
		=====

1006. No bridges were, however, constructed at Maria's Delight, Evergreen and Reliance. In addition, six(6) bridges were constructed in Henrietta, Columbia, Golden Fleece and Bush Lot but there was no evidence that approval was granted for a change of programme to accommodate the expenditure of \$17.421M.

1007. The Accounting Officer explained that priority had to be given to these bridges. However, a satisfactory explanation was not given why the relevant approval was not sought to vary the programme. In addition, as can be noted from the above breakdown of expenditure, additional unprogrammed work valued at \$31.979M was undertaken without the approval of the Chief Planning Officer.

1008. The contract for the construction of the timber bridge and revetment at Johanna Cecilia was awarded in the sum of \$2.124M to the sixth lowest tender on the grounds that the lowest bid of \$1.671M was unrealistic compared with the Engineer's Estimate of \$2.283M. However, no reasons were stated why the other lower bids were not considered. In addition, physical verification revealed that the bridge and the revetment were constructed nine(9) feet and four(4) feet short respectively. The contract provided for the dimension of the bridge to be 30 feet x 15 feet. However, actual measurement showed that the length was only 21 feet.

1009. Similarly, 78 feet of revetment was to have been constructed. However, actual measurement showed that only 74 feet

of revetment work. This matter was drawn to the attention of the Accounting Officer.

1010. The contract for the construction of the timber bridge and revetment at Pomona was awarded for \$2.688M to the seventh lowest bidder on the grounds that the lowest bid of \$2.079M was unrealistic compared with the Engineer's Estimate of \$2.689M. However, no reasons were stated why the other lower bids were not considered. The works were nevertheless physically verified.

1011. The contract for the construction of the timber bridge and revetment at Henrietta was awarded to the second lowest tenderer for \$2.122M on the grounds that the lowest bid of \$1.863M was unrealistic compared with the Engineer's Estimate of \$2.445M. The works were physically verified.

1012. The contract for the construction of the timber bridge and revetment at Columbia was awarded to the second lowest tenderer for \$2.432M on the grounds that the lowest bid of \$2.055M was unrealistic compared with the Engineer's Estimate of \$3.113M. Physical verification, however, revealed that the bridge and the revetment were constructed nine(9) feet and three(3) feet short respectively. The contract provided for the dimension of the bridge to be 40 feet x 15 feet. However, actual measurement showed that the length was only 31 feet. Similarly, 90 feet of revetment was to have been constructed. However, actual measurement showed that only 87 feet of revetment work. This matter was drawn to the attention of the Accounting Officer.

1013. The contract for the construction of the timber bridge and revetment at Bush Lot was awarded to the eight lowest tenderer for \$3.228M on the grounds that the lowest bid of \$2.375M was unrealistic compared with the Engineer's Estimate of \$3.418M. However, no reasons were stated why the six(6) other lower bids were not considered. In addition, physical verification of the works revealed that the bridge was constructed six(6) feet short. Actual measurement showed that the length was 42 feet instead of 48 feet.

1014. Three(3) contracts valued at \$9.639M were awarded to two(2) individuals for the construction of 675 feet of revetment at Golden Fleece. Contract No.99/97 dated 18 June for 175 feet was awarded for \$2.231M to the ninth lowest tenderer without any reasons being stated why the other lower bids were not considered. The lowest bid \$1.788M. Similarly, Contract No.103/97 dated 18 June for 410 feet was awarded for \$5.375M to the tenth lowest tenderer without any reasons being stated why the other lower bids were not considered. The lowest bid was \$4.588M. In addition, a

satisfactory explanation was not given why the work was initially undertaken in two(2) lots.

1015. The third contract, Contract No.148/97 dated 6 August for 90 feet, was awarded for \$2.034M to one of the two contractors on the grounds that he had already been mobilised for the job. Had the revetment work been undertaken in one lot, this would have required adjudication by the Central Tender Board. Notwithstanding this, the work was physically verified.

1016. In respect of the construction of irrigation checks which was undertaken by thirteen(13) contracts, similar apparent shortcomings were observed in relation to the basis of the award of the contracts. In addition, physical verification of the works revealed two(2) instances where the revetments were constructed eight(8) feet and six(6) feet short. This matter was drawn to the attention of the Accounting Officer.

1017. The three(3) draglines were bought through an inter departmental warrant issued to the Drainage and Irrigation Board. Five(5) tenders were received and the contract was awarded to the second lowest tenderer for \$5.333M per dragline on the grounds that the lowest bid of \$1.589M was unrealistic. The draglines were verified as having been received by the Region. However, certificates of registration were not produced for audit examination.

1018. The two(2) hymacs were also bought through an inter departmental warrant issued to the Drainage and Irrigation Board. The equipment were verified as having been received by the Region. However, certificates of registration were also not produced for audit examination.

1019. Nine(9) contracts valued at \$10.081M were awarded to seven(7) contractors for the construction of tail walls, RC tubes and revetment at various locations. Similar observations were made in relation to apparent shortcomings in relation to the awarding of the contracts. In addition, physical verification of the works revealed two(2) instances where the revetment was constructed two(2) feet and five(5) feet short. These were drawn to the attention of the Accounting Officer.

1020. The award of contract for the supply of one(1) reconditioned bulldozer was recommended by the Regional Tender Board to the second lowest tenderer for \$7.3M on the grounds that the lowest bidder, whose bid was \$6.9M, was inexperienced with heavy duty machinery. However, by Cabinet approval dated 16 February 1998, the contract was awarded to the highest among the four(4) bidders at a reduced sum of \$8M. The original tendered sum was \$9.7M. A satisfactory explanation was not given why the recommendation of the Regional Tender Board was not accepted. The bulldozer was

nevertheless physically verified. However, its registration certificate was not produced for audit examination.

1021. The other works were physically verified while the other purchases were verified as having been received and properly brought to account.

Subhead 14001 - Roads

1022. The sum of \$30M was voted for the rehabilitation of community streets and roads in Anna Regina (North & South), Coffee Grove, Henrietta, Lima, Charity, Reliance, Queenstown, Bush Lot, Cullen, Columbia and Dartmouth. Amounts totalling \$27.889M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehab. of community roads at Anna Regina	9,833,062
" " " " " Henrietta	2,369,572
" " " " " Reliance	4,452,588
" " " " " Queenstown	1,440,948
" " " " " Bush Lot	7,077,490
" " " " " Cullen	360,811
" " " " " Cotton Field	2,236,700
Miscellaneous	118,145

TOTAL	27,889,316 =====

1023. The above works were undertaken by sixteen(16) contracts involving five(5) individuals. Observations similar to those previously mentioned were, however, made in relation to the basis for the award of these contracts. Notwithstanding this, the rehabilitation works were physically verified.

Subhead 19001 - Land Development

1024. The sum of \$10M was voted for infrastructural works in housing schemes at Charity, Henrietta, Richmond, Suddie, Little Alliance and Riverstown. Amounts totalling \$9.996M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Infrastructure works at Charity	2,199,910

"	"	" Henrietta	1,330,130
"	"	" Richmond	221,656
"	"	" Suddie	830,440
"	"	" Little Alliance	499,000
"	"	" Pamona	4,914,654

TOTAL			9,995,790
			=====

1025. Nineteen(19) contracts were awarded to the execution of the above works. Observations similar to those previously mentioned were, however, made in relation to the basis for the award of these contracts. Notwithstanding this, the works were physically verified.

Subhead 24002 - Land & Water Transport

1026. The sum of \$6M was allocated for the purchase of two(2) Land Cruisers for Suddie and Charity and outboard engines for the Health and Administration departments. The full amount was expended. The items purchased were verified as having been received and properly brought to account.

Subhead 25001 - Furniture & Equipment (Education)

1027. The sum of \$4M was voted for the purchase of furniture for schools and equipment for the Education Department. The full amount was expended. The items purchased were verified as having been received and properly brought to account.

Subhead 25002 - Equipment & Furniture (Administration)

1028. The sum of \$500,000 was provided for the purchase of typewriters, telephone and intercom systems and fax machines. The full amount was expended. The items purchased were verified as having been received and properly brought to account.

Subhead 26002 - Furniture & Equipment (Health)

1029. The sum of \$3M was voted for the purchase of freezers, refrigerators, fire extinguishers, mattresses, beds, stoves, electrical fittings and furniture for the Health Department. Amounts totalling \$2.999M were expended. The items purchased were verified as having been received and properly brought to account.

HEADS 14-12 TO 14-15 & DIVISION 533

REGION 3 - ESSEQUIBO ISLANDS/WEST DEMERARA

Current Expenditure

Employment Costs

1030. Twenty-one(21) 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 again 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.

1031. As a result mainly of the late notification of pay changes, amounts totalling \$14.071M were refunded to the Sub-Treasury as unclaimed salaries. However, there was no evidence that the related deductions totalling \$542,832 were recovered from the relevant agencies. As a result, the appropriation accounts would have been overstated by this amount. Action should be taken to recover this amount from these agencies.

1032. Of the amounts reflected as unclaimed salaries, sums totalling \$9.317M relate to the Education Department. However, an unclaimed salaries register for that Department was not maintained at the Regional Accounting Unit to monitor all unpaid salaries, despite mention in my previous report. Efforts should be made to introduce this record without delay.

1033. The salaries bank account No. 854 (Education), which became non-operational in July 1996, was overdrawn by \$9.366M as at 31 December 1997. The Accounting Officer explained that the overdraft resulted partly from an irregularity of approximately \$4M which occurred some years ago and that 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 still remained outstanding at the time of reporting. The remainder of the overdraft should be investigated with a view to clearing it.

1034. 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 promptly to the relevant agencies.

1035. 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.

1036. An examination of the Register of Contributors to the National Insurance Scheme revealed 173 instances where the employees' NIS numbers were not quoted in the Register. In addition, no register was maintained for the Education Department and an examination of the payrolls for December 1997 revealed that there were 718 names without NIS numbers. Since registration with the National Insurance Scheme has implications for social security and other benefits, efforts should be made to ensure the prompt registration of employees.

1037. An examination of a sample of personal files revealed the following:-

- (a) An officer of the Lands & Surveys Department was overpaid an amount of \$53,166 as acting allowance. The same officer took a motor car advance in 1996. Deductions should have commenced in March 1997. However, there was no evidence of any deductions being made in respect of this advance;
- (b) An officer was on maternity leave and was paid by the Region as well as by the National Insurance Scheme for a certain period for which she was not entitled to payment by the Region. As a result, she was overpaid by \$43,993; and
- (c) A teacher from a Primary School who did not report for duty at the commencement of the new term had salaries prepared in her name for seven(7) months. The net salaries were refunded but deductions totalling \$49,700 were paid over to the Dependants' Pension Fund towards her mortgage. This amount was still to be recovered. A similar observation was made in respect of another teacher who had the sum of \$21,500 paid over towards her Credit Union loan.

Other Charges

1038. Amounts totalling \$8.959M were expended on fuel and

lubricants. 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 five(5) 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.

1039. Amounts totalling \$32.001M were expended on Rental & Maintenance of Buildings. The following gives a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Construction of sanitary block	2,983,394
Repairs & Painting - Den Amstel Youth Camp	1,444,594
" " " - Wakeenam Rest House	1,441,605
" " " - State House	1,174,882
" " " - RHO Quarters	1,168,604
" " " - District Council Office	1,143,412
Rehabilitation to Nurses' Hostel	515,470
Construction of Trestle at West Dem. Hospital	689,120
Repairs to La Grange Medex Quarters	722,004
" " Morashee HM Quarters	677,088
Electrical installation to RDC Building	852,300
Repairs to AREO Quarters at Leguan	570,000
" " WD 110, Tushen	927,474
Miscellaneous repairs (\$180,000 - \$450,000)	7,341,651
" " (below \$180,000)	9,678,494

TOTAL	32,001,025 =====

1040. Except for the repairs to the headmaster's quarters at Morashee, the works were physically verified and conformed generally to the specifications contained in the respective bills of quantities. However, there was no evidence that a system of quotations was followed in respect of eight(8) contracts valued at \$2.553M and falling within the limits of \$180,000 and \$450,000.

1041. Amounts totalling \$44.137M were expended on Maintenance of Infrastructure. The following gives a breakdown of the expenditure.

DESCRIPTION -----	AMOUNT -----
Supply of crusher run to Wakenaam & Leguan	4,776,000
Construction of concrete culvert at Hague	501,320
Engineering survey at Georgia distributary	504,994
Repairs to two(2) bridges at Leguan	1,815,820
" " bridge and Revetment at Wakenaam	1,416,840

Construct fence at Fort Island Primary School	721,740
" " " Philadelphia Nursery School	755,788
" two(2) water tressles at WD Hospital	1,398,240
Repairs to bridge at WD Hospital	455,370
Miscellaneous works (\$180,000 - \$450,000)	9,163,608
" " (below \$180,000)	21,136,162

TOTAL	44,137,182
	=====

1042. Except for Hague backdam, the works were physically verified while the crusher run was verified as having been received and properly brought to account. However, there was no evidence that a system of quotations was followed in respect of fourteen(14) contracts valued at \$4.079M and falling within the limits of \$180,000 and \$450,000.

1043. Amounts totalling \$3.135M were expended on electricity charges. However, an examination of the Electricity Charges Register revealed recordings totalling \$2.061M, resulting from the failure to update this record with all the bills from the Electricity Corporation. This record also bore no evidence of supervisory checks.

1044. Excess expenditure totalling \$18.205M was incurred under fourteen(14) subheads. Since there were savings under other subheads, it would have been more appropriate for a virement of funds to have been sought to accommodate the excess expenditure. The Accounting Officer explained that approval was granted verbally at the monthly releases meeting for virement of funds. However, follow-up action should have been taken to ensure that virement warrants were issued.

Stores and Other Public Property

1045. 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 1993 had not been returned to the Store;
- (b) Eight(8) 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;

1046. 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; and
- (b) 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

1047. The sum of \$5.9M was allocated for the construction of bridges at Waller's Delight and Java. However, only one bridge was constructed at Java at a cost of \$1.491M. The Accounting Officer explained that the proposed construction of the bridge at Waller's Delight was to facilitate access to a cremation site and that plans to develop such a site were discontinued. The work was physically verified.

1048. In November 1997 the Accounting Officer requested approval for a change in programme to utilise savings under this subhead to construct a heavy duty bridge at De Kendren which approval was granted in December 1997. However, the said bridge was not constructed. The Accounting Officer explained that the proposed bridge was to have provided access to an industrial site and that plans to develop such a site were shelved because of the unsuitability of the soil.

Subhead 12001 - Buildings (Education)

1049. The sum of \$36M was voted for the construction of (a) nursery schools at Uitvlugt, Parika, Goed Fortuin and Meten-Meer-Zorg and (b) a resource centre at Vreed-en-Hoop. Amounts totalling \$23.961M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Completion of Meten-Meer-Zorg Nursery School	4,208,990
Construction of Goed Fortuin Nusery School	6,484,159
" " Zeelugt Nusery School	5,235,423
" " Parika Back Nusery School	5,058,696
Construction of Resource Centre	1,991,133

Purchases for Wakenaam Community Centre	415,175
Consultancy Services	567,083

TOTAL	23,960,659
	=====

1050. As can be noted, no nursery school was constructed at Uitvlugt. The Accounting Officer explained that this was due to difficulties in the acquisition of the land and that approval was sought and obtained for a change in programme to construct a nursery school at Zeelugt instead. At the time of reporting, the Audit Office was advised that the nursery school at Uitvlugt was being constructed by SIMAP.

1051. The construction of the Meten-Meer-Zorg Nursery School commenced in 1996 with the award of a contract in the sum of \$5.298M. There was a variation of \$871,500 relating to foundation work, giving a revised contract sum of \$6.169M which, however, did not include painting. The works were physically verified and at the time of inspection the painting was being undertaken by the Parent/Teachers' Association.

1052. The contract for the construction of Goed Fortuin Nursery School was awarded to the fifth lowest bidder in the sum of \$5.471M based on his previous performance. However, no reasons were stated why the other lower bids were not considered. The lowest bid was \$4.446M. There was, however, a variation of \$516,872 also relating to foundation work, giving a total cost of \$5.988M which did not include painting. In addition, a fence was constructed for \$479,450 but there was no evidence of any form of tendering before the work was undertaken. At the time of inspection in August 1998, the building remained unpainted.

1053. In relation to the construction of Zeelugt Nursery School, the contract was awarded to the third lowest bidder in the sum of \$5.369M based on his previous performance. However, no reasons were stated why the other lower bids were not considered. The lowest bid was \$4.338M. A similar observation was made in respect of the Parika Back Nursery School where the contract was awarded to the second lowest tenderer without any reason being stated why the lowest bid was not considered. Both works were nevertheless physically verified.

1054. The contract for the construction of the Resource Centre in Vreed-en-Hoop was awarded by the Central Tender Board in the sum of \$14.999M. However, the basis of the award could not be determined because of the fire at the Ministry of Finance which reportedly destroyed several documents relating to the Central Tender Board. As can be noted, amounts totalling \$1.991M were expended at the end of 1997 and at the time of inspection in

August 1998, work was still in progress.

1055. In relation to the purchases for Wakenaam Community Centre, there was no evidence that approval was granted for a change in programme to accommodate the expenditure of \$415,175. The purchases were therefore unauthorised.

Subhead 12002 - Buildings (Health)

1056. The sum of \$10M was allocated for the construction of the General Stores and the rehabilitation of the Administrative and Tuberculosis buildings. Amounts totalling \$9.190M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Construction of General Stores	2,909,270
Rehabilitation of Administrative building	2,203,803
" " Tuberculosis ward	3,783,841
Consultancy services	292,658

TOTAL	9,189,572
	=====

1057. The contract for the construction of the General Stores was awarded to the second lowest bidder in the sum of \$2.169M on the grounds that the lowest bidder, whose tendered sum was \$1.708M, lacked the requisite experience. In addition, there was a variation of \$742,912 relating to foundation work, giving a revised cost of \$2.909M. The works were physically verified.

1058. In relation to the rehabilitation of the Administrative Building, the contract was awarded in the sum of \$5.651M and as at December 1997, amounts totalling \$2.203M were expended. At the time of inspection in August 1998, the rehabilitation work was still in progress.

1059. The contract for the rehabilitation of the Tuberculosis Ward was also awarded to the second lowest bidder in the sum of \$1.958M on account of poor performance on the part of the lowest bidder. In addition, there was a variation of \$1.826M, giving a revised contract sum of \$3.784M. The works were physically verified.

Subhead 12003 - Buildings (Administration)

1060. The sum of \$2M was allocated for the completion of the Regional Administration Building at Vreed-en-Hoop of which amounts totalling \$1.999M were expended. The extension works commenced in 1996 through the award of a contract for \$2.607M. Expenditure

totalling \$1.964M had been incurred at the end of 1996 and because the funds had been exhausted under this subhead, the contract was mutually terminated.

1061. In 1997, a similar situation occurred. A new contract was awarded for \$3.439M and expenditure totalling \$1.999M was incurred thereby exhausting the voted provision. The contract was again mutually terminated. Physical verification in August 1998 revealed that the extension works were, however, substantially incomplete.

Subhead 13001 - Agricultural Development (D & I)

1062. The sum of \$60M was voted for (a) the construction of sluices at Wakenaam, Leguan and Hogg Island (b) the rehabilitation of drains in the Kamuni/Potosi and Leguan areas and (c) surveys for new drainage and irrigation scheme. Amounts totalling \$25.267M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of drains in Leguan	5,389,495
Engineering surveys in Leguan & Hogg Island	4,777,334
Purchase of a Dragline	4,590,000
Construction of heavy duty bridge at Canal No. 2	2,113,360
Purchase of dieselece	717,000
Discharge of 1996 liabilities	7,503,499
Miscellaneous	176,100

	25,266,788
	=====

1063. As can be noted, no sluices were constructed nor were any rehabilitation works undertaken in respect of drains in the Kamuni/Potosi area. Approval was, however, granted for a change in programme to purchase a dragline and to construct the heavy bridge at Canal No. 2 which was physically verified. In addition, approval was granted by the Secretary to the Treasury for the discharge of liabilities totalling \$7.503M in respect of D & I works undertaken in 1996.

1064. The Leguan drains were rehabilitated at a cost of \$5.389M through the award of six(6) contracts and the works were physically verified. The engineering surveys in Leguan and Hogg Island were undertaken in eight(8) contracts and evidence was seen of work done through an examination of various documents.

1065. The dragline was verified as having been received and properly brought to account. However, amounts totalling \$717,000 representing purchase of dieselene was charged to this subhead. This represents a misallocation of expenditure and it would have

been more appropriate for the charge to be made to the relevant subhead under current expenditure.

1066. In 1995, it was stated that 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, however, this latter amount had not been recovered despite an assurance given that this would be done.

Subhead 13002 - East Bank Essequibo Development Project

1067. The sum of \$40.520M was voted for the institutional strengthening and evaluation of the East bank Essequibo Development Project and the rehabilitation of drains and irrigation works. A supplementary provision of \$124.140M was approved during 1997, giving a revised allocation of \$164.660M. The full amount was shown as having been expended.

1068. 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 1997. An examination of these audited accounts revealed an expenditure of \$131.224, giving a difference of \$33.436M. This difference was due to overseas disbursements made in 1996 which were brought to account in the Public Accounts in 1997.

1069. The following gives a breakdown of the audited expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Irrigation and drainage channels	26,471,521
Water control structures	13,314,162
Equipment	14,640,954
Spares for D & I plant & equipment	3,310,953
Parika Marketing Centre	3,402,955
Repayment of initial advance	27,059,154
Technical assistance	11,789,930
Bridging operation project	31,234,345

TOTAL	131,223,974 =====

Subhead 14001 - Roads

1070. The sum of \$30M was voted for the rehabilitation of community roads including Crane, Cornelia Ida, Philladelphia, Clarke Dam, Long Pond and Papi Street. A supplementary provision of \$9.2M was approved in 1997, giving a revised budgetary allocation of \$39.2M. Amounts totalling \$26.784M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of Crane Old Road	1,946,955
" " Pape Street	1,656,225
" " Stewartville Road	2,780,450
" " Hubu/Maripa Road	7,240,440
" " Best Access Road Bridge	1,532,670
" " First Street/Belle Vue Road	4,317,664
" " Best Road	3,112,950
Supplying & transporting crusher run	756,800
Consultancy Services	3,440,034

TOTAL	26,784,188 =====

1071. The contract for the rehabilitation of the Crane Old Road was awarded for \$3.275M and as at 31 December 1997 amounts totalling \$1.947M were expended. The work was rebudgeted for in 1998 and at the time of inspection in September 1998, the rehabilitation was completed.

1072. In relation to the rehabilitation of the Stewartville Road, the contract was awarded in the sum of \$8.054M and as at 31 December 1997 amounts totalling \$2.780M were expended. The work was also rebudgeted for in 1998 and at the time of inspection the rehabilitation was completed.

1073. The contract for the rehabilitation of the Hubu/Maripa Road was awarded in the sum of \$6.350M. There was an approved variation of \$725,440, giving a revised contract sum of \$7.075M. The work was physically verified.

1074. The rehabilitation of the First Street/Belle Vue and Best roads and the supply of crusher run were executed through inter departmental warrants issued by the Ministry of Works and therefore should not have been reflected under this subhead. Notwithstanding this, the works were physically verified. The rehabilitation works at Pape Street were also physically verified.

Subhead 19001 - Land Development

1075. The sum of \$10M was voted for the development of lands for housing at Leguan, Meten-Meer-Zorg, East and West Tuschen and Crane. Amounts totalling \$9.675M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Developmental work at Crane	1,684,140
" " " Zeelugt	751,860
" " " Meten-Meer-Zorg	7,217,334
Miscellaneous	21,330

Total	9,674,664
	=====

1076. The works involved the construction of box kokers, supply and spreading of sand and crusher-run and these were physically verified. However, no work was done at Leguan and East and West Tuschen. The Accounting Officer explained that this was due to inadequacy of funds.

Subhead 24001 - Land and Water Transport

1077. The sum of \$1M was voted for the purchase of one(1) fibre glass boat for riverain areas. An amount of \$850,000 was expended. The item purchased was verified as having been received and properly brought to account. However, it was not marked to identify it as Government property.

Subhead 25001 - Equipment (Health)

1078. The sum of \$4M was voted for the purchase of equipment for hospitals and health centres of which amounts totalling \$3.938M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Installation of telephones	1,609,814
Purchase of air conditioning units	1,300,855
Furniture and appliances	251,995
Office furniture	774,891

Total	3,937,555
	=====

The items purchased were verified as having been received and properly brought to account. However, they were not marked to identify them as Government property.

Subhead 25002 - Equipment & Furniture (Administration)

1079. The sum of \$2M was allocated for the purchase of furniture and equipment for the Regional Administration Office in Vreed-en-Hoop and sub-office at Leguan. Amounts totalling \$1.761M were expended. The items purchased were verified as having been received and properly brought to account. However, they were not marked to identify them as Government property.

1080. In addition, amounts totalling \$237,450 were expended on the purchase of furniture and equipment for doctors' quarters and Wakenaam Hospital and charged to this subhead instead of Subhead 25001 - Equipment (Health). Had the correct charge been made, there would have been an excess expenditure of \$175,005 on Subhead 25001. It is evident that the charging of the expenditure of \$237,450 to this subhead was done to avoid overrunning the voted provision under Subhead 25001.

Subhead 25003 - Equipment & Furniture (Education)

1081. The sum of \$4M was voted for the purchase of furniture for nursery, primary and secondary schools, of which amounts totalling \$3.615M were expended. The items purchased were verified as having been received. However, details of their distribution to the various schools were not provided. In addition, the contractors were overpaid amounts totalling \$319,760. This matter was drawn to the Attention of the Accounting Officer.

HEADS 14-16 TO 14-19 & DIVISION 534

REGION 4 - DEMERARA/MAHAICA

Current Expenditure

Employment Costs

1082. The salaries bank account Nos. 683, 684 and 864, which became non-operational in May 1996, were not reconciled for the period under review. The failure to reconcile bank accounts can lead to irregularities being perpetrated without detection. In addition, account No. 683 was overdrawn by \$434,491 as at 31 December 1997 while Account No. 684 reflected a large balance of \$1.889M as at this date.

1083. Three (3) new salaries accounts Nos. 3029, 3030 and 3036 were opened in June 1996. However, numerous instances were noted where account Nos. 3029 and 3030 were overdrawn, and as at 31 December 1997 they reflected overdrafts of \$15.753M and \$7.259M respectively while account No. 3036 reflected a large balance of \$35.410M. These accounts were also not reconciled since they were established.

1084. 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 and to start from a clean position. Despite this, it is obvious that action was not taken to ensure that these new accounts are carefully and properly monitored, as evidenced by the absence of reconciliations and the overdrafts mentioned. Therefore, the purpose of establishing new bank accounts appears to be an exercise in futility in respect of this Region.

1085. It is a requirement for the salaries cash book to reflect nil balances at the end of each month. However, the cash books for the new accounts reflected both positive and negative balances at the end of each month which is further indicator of the absence of careful monitoring of these accounts. The following are the details:-

MONTH	A/C NO.3029	A/C NO.3030	A/C NO.3036
-----	-----	-----	-----
	\$	\$	\$
January	7,514,374	354,493	459,986
February	8,736,529	725,517	150,161
March	11,717,858	994,853	353,378
April	(20,548,324)	(5,162,916)	(125,854)
May	(3,249,153)	1,094,202	507,097
June	3,966,513	5,317,223	182,450
July	3,268,446	1,053,840	438,422
August	3,473,772	48,789	1,028,000
September	8,714,840	782,109	1,023,924
October	8,059,771	994,673	944,163
November	8,802,994	842,187	871,926
December	1,033,346	150,196	698,998

1086. The Accounting Officer explained that these balances were due to delays in paying over deductions to the relevant agencies as well as in the refunding of unpaid salaries to the Sub-Treasury. However, in relation to the negative balances, there was evidence to indicate that salary cheques received from the Sub-Treasury were not being deposited in the salaries bank accounts in a timely manner.

Other Charges

1087. Amounts totalling \$5.025M were expended on fuel and lubricants. However, of the ten(10) vehicles and equipment for which log books are required to be maintained, log books were presented in respect of only two(2) vehicles. In the absence of log books, it could not be determined whether effective control was exercised over the use of these vehicles.

1088. Six(6) vehicles were found to be unserviceable at the time of the audit. The Accounting Officer had given the assurance that action would be taken to dispose of them by way of public auction. However, up to the time of reporting, there was no evidence of any action taken in this regard.

1089. Amounts totalling \$18.570M were expended for the rental and maintenance of buildings. The following gives a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Repairs to quarters at Silver Hill	994,515
" " Soesdyke Community High	1,527,491
" " Friendship Community High	1,050,114
" " Grove Primary	769,927
" " Buxton Primary	723,488
" " Golden Grove Secondary	605,074
" " Admin. Bdgs. at Paradise	1,461,328
Rehab. of pump stations at Triumph & Buxton	1,166,355
Miscellaneous repairs (\$180,000 - \$450,000)	5,283,206
Miscellaneous repairs (below \$180,000)	2,314,760
Purchases of materials	2,081,098
Rental of buildings	593,000

TOTAL	18,570,356
	=====

1090. The basis for the award of three(3) the contracts in excess of \$450,000 and valued at \$1.964M could not be determined as the various tender documents and the minutes of the Regional Tender Board were not presented for audit examination. The works were nevertheless physically verified. The purchase of the materials were also verified as having been received and properly brought to account.

1091. Amounts totalling \$40.856M were expended on the maintenance of infrastructure. The following gives a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of six(6) bridges	6,328,195
" " four(4) roads	5,273,345
" " D & I works - Cane Grove	5,151,110
" " fence at Timheri Comp.	628,449
" " Sluice - Ann's Grove	583,250
" " D & I works - Garden of Eden	482,000
Miscellaneous rehab. (\$180,000 - \$450,000)	7,391,639
Miscellaneous rehab. (below \$180,000)	8,191,717
Purchases of materials	6,826,519

TOTAL	40,856,224
	=====

1092. The works were physically verified while the purchase of the materials were also verified as having been received and properly brought to account.

1093. Amounts totalling \$20.069M were expended on electricity charges. However, an examination of the Electricity Charges Register revealed recordings totalling \$17.792M, resulting from the failure to update this record with all the bills from the Electricity Corporation. This record also bore no evidence of supervisory checks.

Stores And Other Public Property

1094. 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. These matters were drawn to attention in my previous report.

1095. At the time of the audit in August 1998, 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 also drawn to attention in my previous reports.

Other Matters

1096. The imprest bank account No.850, which became non-operational in May 1996, reflected a balance of \$64,604 as at 31 December 1997. Efforts should be made to close this account.

Capital Expenditure

Subhead 11001 - Bridges

1097. The sum of \$5M was voted for the rehabilitation of heavy duty bridges at Prospect and Covent Garden Secondary School. Amounts totalling \$4.642M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of bridge at Covent Garden	938,380
" " " " Buxton	1,234,165
" " " " Mocha Arcadia	1,768,098
" " " " Vigilance	701,711

TOTAL	4,642,354

=====

1098. As can be noted, no bridge was constructed at Prospect while three(3) other bridges not reflected in the Capital Profile of the Region were constructed. Approval was granted for a change in programme for the rehabilitation of the bridges at Buxton and Vigilance. However, no such approval was seen in respect of the bridge at Mocha Arcadia.

1099. The various works undertaken were physically verified and conformed generally to the specifications contained in the respective bills of quantities.

Subhead 12001 - Buildings (Education)

1100. The sum of \$27M was allocated for (a) the construction of nursery schools at Plaisance, Nabacalis and Industry (b) the rehabilitation of Bladen Hall Multilateral, Friendship Community High, Annandale Secondary, Dora Secondary and Strathspey Primary schools and (c) the extension of Soesdyke Primary School. Amounts totalling \$24.357M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Construction of Plaisance Nursery School	5,460,572
" " Nabacalis " "	4,608,655
" " Industry " "	5,385,574
Rehabilitation of Friendship Community High	2,499,070
" " Soesdyke Community High	5,095,942
" " " Nursery School	274,920
Purchase of materials	1,007,597
Miscellaneous	25,000

TOTAL	24,357,330
	=====

1101. As can be noted, no rehabilitation works were done at the Bladen Hall Multilateral, Annandale Secondary, Dora Secondary and Strathspey Primary schools nor was the extension to the Soesdyke Primary School undertaken. Approval was, however, granted for a change in programme to rehabilitate the Soesdyke Community High School instead of extending the primary school.

1102. In relation to the rehabilitation of the Soesdyke Community High School, the basis of the award of the contract could not be determined since tender documents and minutes of the Regional Tender Board were not presented for audit examination.

1103. The works were physically verified and conformed generally to the specifications contained in the respective bills of

quantities. The purchase of materials was also verified as having been received and properly brought to account.

Subhead 12002 - Buildings (Administration)

1104. The sum of \$4M was voted for the rehabilitation of administrative offices at Triumph. Approval was, however, granted for a change in programme to rehabilitate the Administrative Building at Paradise instead. Amounts totalling \$3.816M were expended and the work was physically verified

Subhead 12003 - Buildings (Health)

1105. The sum of \$4M was provided for the construction of health outpost at Dora and the rehabilitation of the health centre at Mahaica. Amounts totalling \$3.545M were expended on the rehabilitation of the Mahaica Health Centre. The Accounting Officer explained that the amount provided was insufficient to both works.

The work was physically verified.

Subhead 14001 - Roads

1106. An amount of \$30M was allocated for the rehabilitation of community roads in areas including Paradise, Ann's Grove, Annandale Market, Strathspey, Grove, Mocha, Clonbrook East, Buxton Middle Walk North and Cane Grove. Amounts totalling \$27.339M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
Rehabilitation of Paradise Road	\$4,296,941
" " Anne's Grove Road	2,828,355
" " Strathspey Road	2,847,403
" " Grove Road	5,038,862
" " Friendship Middlewalk	3,978,554
" " Craig Milne Road	2,769,683
" " Haslington Road North	3,751,545
" " Buxton Road	1,265,900
Consultancy services	562,039

TOTAL	27,339,282
	=====

The works were physically verified and conformed generally to the specifications contained in the respective bills of quantities.

Subhead 17001 - Agricultural Development

1107. The sum of \$30M was provided for (a) the construction of sluice doors and revetment at Triumph (b) excavation of drainage

and rehabilitation of mechanical pump at Triumph (c) reconditioning of drainage canals at Nabaclis, Ann's Grove, Victoria and Craig (d) revetment at Golden Grove, Helena No.1 and Cane Grove and (e) construction of intake regulator at Clonbrook and grading and shaping of access dams in Cane Grove. Amounts totalling \$25.118M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
Revetment to Triumph sluice	\$1,591,700
Reconditioning of drainage at Ann's Grove	2,318,300
Revetment at Golden Grove	5,744,100
" " Cane Grove	2,135,814
Grading & shaping of access dams at Cane Grove	2,715,545
Installation of two(2) self-acting koker boxes	1,545,720
Construction of four(4) self-acting outlets	3,228,800
Reconditioning of drainage at Two Friends	3,064,721
Construction of intake regulator - Ann's Grove	2,658,380
Miscellaneous	115,073

TOTAL	25,118,153
	=====

1108. Except for the reconditioning of drainage at Two Friends, the works were physically verified.

Subhead 24001 - Land and Water Transport

1109. An amount of \$4.5M was voted for the purchase of one(1) minibus to be converted to an ambulance. The full amount was expended in the purchase of an ambulance which was verified as having been received and properly brought to account.

Subhead 25001 - Furniture and Equipment (Education)

1110. The sum of \$4M was provided for the purchase of furniture for schools in the Region of which expenditure totalling \$2.814M was incurred. The items purchased were verified as having been received and properly brought to account.

Subhead 25002 - Office Furniture and Equipment

1111. An amount of \$500,000 was allocated for the purchase of typewriters, calculators, filing cabinets, writing desks, office chairs and ceiling fans. The full amount was expended. The items

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

Subhead 23003 - Equipment (Health)

1112. The sum of \$1.5M was voted for the purchase of equipment for health centres. Amounts totalling \$1.496M were expended. The items purchased were verified as having been received and properly brought to account.

HEADS 14-20 TO 14-23 & DIVISION 535

REGION 5 - MAHAICA/BERBICE

Current Expenditure

Employment Costs

1113. 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 \$7.941M were reflected in the Votes Ledger, indicating significant refunds of unpaid salaries to the Sub-Treasury. This reinforces the need for a reconciliation of the two(2) records.

1114. 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.

1115. In my 1996 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 \$2.486M. This trend continued and as at 31 December 1997, it was overdrawn by \$1.670M. A similar comment was made in 1996 in respect of Account No. 687 which was also overdrawn by \$732,927 as at 31 December 1997. It is evident 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 and to close these accounts.

1116. In respect of A/c No. 862, this account became non-

operational in August 1996 and as at December 1997, there was a large balance of \$8.874M although the cash book reflected a nil balance as at this date. Efforts should also be made to effect a closure of this account.

1117. Sixteen (16) instances were noted where motor car allowances totalling \$307,103 were paid to officers employed by the Education Department but were charged to the allocation of Administration, instead of Education. It should be noted that excess expenditure totalling \$21,000 was incurred under the Education allocation and had the correct charge been made, the over-expenditure would have increased to \$328,103.

Other Charges

1118. Amounts totalling \$16.485M was expended on the rental and maintenance of buildings. The following gives a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Repairs to 37 offices & quarters	10,987,707
" " No. 8 Primary School	2,047,663
Construction of fence & shed at Main Office	1,167,523
Repairs to Rosignol Secondary School	1,220,150
Electrical works at Machaicony Hospital	743,883
Cleaning & janitorial services	300,220
Rental of building	18,000

TOTAL	16,485,146
	=====

1119. Except for the No. 8 Primary School, which was destroyed by fire, the works were physically verified. However, the contract for the repairs to the doctor's quarters at Machaicony was awarded in the sum of \$565,862 without the involvement of the Regional Tender Board.

1120. Amounts totalling \$75.585M were expended on the maintenance of infrastructure. The following gives a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of Burma Branch Road	8,026,000
Resurfacing of Machaicony Branch Road	7,136,787

Rehabilitation of Rosignol/Blairmont Road	2,893,500
" " Perth/Biaboo Canal	2,286,800
" " bridge at Belladrum	1,197,818
" " " " Ithaca	1,796,113
" " other bridges	4,392,869
Repairs to Mahaica/Rosignol Public Road	13,308,092
Revetment work at Abary sluice	1,623,321
Rehabilitation of drainage systems	17,095,127
Constr. of storage bond at F/W Hospital	1,075,407
Other rehabilitation works	14,753,291

TOTAL	75,585,125
	=====

1121. In relation to the rehabilitation of Burma Branch Road, the contract was awarded to the second lowest tenderer in the sum of \$8.026M in view of the lowest bidder's inability to be mobilised effectively and Burma Road being a large project which needed urgent repairs.

1122. The contract for the rehabilitation of the Rosignol/Blairmont road was awarded to the fourth lowest bidder in the sum of \$4.287M on the grounds that the first and second lowest bids of \$3.667M and \$3.369M respectively were considered too low compared with the Engineer's Estimate of \$4.927M. However, no reason was stated why the third lowest bid of \$4.266M was not considered.

1123. The expenditure of \$1.198M on the rehabilitation of the Belladrum public road bridge should have charged to Subhead 11001 -Bridges under the Region's capital programme where provision was made for its rehabilitation. Had the correct charge been made, and had the rehabilitation of the Broomlands bridge been undertaken under the capital programme, there would have been excess expenditure under Subhead 11001. It is evident that the charging of the expenditure to this subhead was done to avoid overrunning the voted provision under Subhead 11001.

1124. The contract for the rehabilitation of the bridge at Ithaca was awarded to the second lowest bidder in the sum of \$2.197M on the grounds that the lowest bid of \$2.053M did not include a record of past performance. In relation to Zeskendren canal, the contract was awarded to the third lowest bidder in the sum of \$580,800 on the grounds that the lowest bid of \$274,000 was unrealistic compared with the Engineer's Estimate of \$727,000. However, no reason was stated why the second lowest bid was not considered.

1125. In relation to the revetment works at Abary sluice, the contract was awarded to the third lowest bidder in the sum of \$1.823M on the grounds that (a) the lowest and second lowest bids of \$1.760M and \$1.764M respectively were unrealistic compared with the Engineer's Estimate of \$2.274M and (b) the two(2) lower tenderers lacked the relevant experience.

1126. Included in the amount of \$14.753M shown as expenditure on other rehabilitation works was an amount of \$846,519 representing maintenance works on the Rosignol Primary School sanitary block. The contract was awarded to the second lowest bidder in the sum of \$1.294M without any reason being stated why the lowest bid of \$1.192M was not considered. Additional works undertaken amounted to \$101,623, giving a revised contract sum of \$1.396M. However, amounts totalling \$846,519 was charged to this subhead while the difference of \$548,991 was charged to Subhead 12003 - Buildings (Education). This represents a manipulation of the voted provisions.

1127. An examination of contracts falling within the limits of \$180,000 and \$450,000 revealed that a system of quotations was not followed in respect of eighteen(18) contracts valued at \$5.289M. Notwithstanding the above comments, the various works undertaken under this subhead were physically verified and conformed generally with the specifications contained in the respective bills of quantities.

Stores and Other Public Property

1128. 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;
- (b) Requisitions were not written up always to reflect pertinent information such as date, department to which issues were made, the quantity supplied and head and subhead of charge;
- (c) Goods received notes were not prepared to record the receipt of goods. Entries were, however, made in the Goods Received Book;
- (d) Fifty-three(53) instances were noted where items purchased were not recorded in the Goods Received Book. Entries were, however, made in the Stock Ledger; and

(e) Requisitions To Purchase (RTP's) were not always approved prior to the purchases being made;

Capital Expenditure

Subhead 11001 - Bridges

1129. The sum of \$8M was allocated for the rehabilitation of bridges at Belladrum, Mahaicony, Broomlands, Wash Clothes and Zorg-en-Hoop. Amounts totalling \$6.460M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
Rehabilitation of Mahaicony River Bridge	\$2,055,229
" " Wash Clothes Bridge	837,870
" " Zorg-en-Hoop Bridge	331,710
Constr. of concrete structure- Strath Campbell	1,912,097
Consultancy Fees	63,656

TOTAL	6,460,352
	=====

1130. As can be noted, no expenditure was incurred on the Belladrum and Broomlands bridges. Investigations revealed that the Belladrum Bridge was rehabilitated under current expenditure at a cost of \$1.198M. Had the correct charge been made and had the rehabilitation of the Broomlands Bridge been undertaken, there would have been excess expenditure under this subhead. It is evident that the charging of the expenditure relating to the Belladrum Bridge to current expenditure, was done to avoid overrunning the voted provision under this subhead. This practice represents a manipulation of the budgetary allocations of the Region.

1131. The contract for the rehabilitation of the Mahaicony Bridge was awarded in the sum of \$2.205M to the third lowest bidder on the grounds that the two lowest bidders were engaged in other work. The lowest bid was \$1.936M. As can be noted from the above, amounts totalling \$2.055M were paid under this subhead while an amount of \$228,359 was paid under current expenditure. Consultancy fee totalling \$91,343 was also paid under current expenditure in addition to further work valued \$674,012 which was undertaken by the same contractor without any form of tendering. The comments at the previous paragraph are therefore also relevant.

1132. In respect of the rehabilitation of the Wash Clothes Bridge, the contract was awarded in the sum of \$940,967, of which an amount of \$837,870 was paid for under this subhead while \$93,096 was paid from Subhead 13001 - Drainage and Irrigation. Again, this represents a manipulation of the budgetary allocations.

Notwithstanding the above observations, the various works undertaken under this subhead were physically verified and conformed generally with the specifications contained in the respective bills of quantities.

1133. In my 1996 Report, mention was made of the rehabilitation of the Rosignol/Shieldstown Bridge at a cost of \$8.327M. Physical inspection of the bridge at that time in the presence of the Regional Engineer, revealed a number of defects. The Regional Engineer had promised to have the contractor rectify these defects and had indicated that the bridge would soon be covered with bitumen to prevent exposure from the weather. In addition, physical measurements of the bridge had 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.

1134. During the 1997 audit, the bridge was again inspected and there was no evidence that the defects were remedied nor was it covered by bitumen to prevent exposure from the weather. In addition, there was no evidence that the overpayment to the contractor was recovered.

Subhead 12003 - Buildings (Education)

1135. The sum of \$20M was voted for the construction of nursery schools at Zee-Zight and Belladrum and the rehabilitation of primary schools at Strath Campbell, Calcutta, No. 5, Lichfield and Mahaicony. Amounts totalling \$19.941M were expended in the construction/rehabilitation of the following:-

DESCRIPTION	AMOUNT
-----	-----
Zee-Zight Nursery School	\$3,065,023
Belladrum Nursery School	5,117,962
Strath Campbell Primary School	1,994,096
Calcutta Primary School	2,023,755
Mahaicony Primary School	4,735,436
Consultancy Fees	500,718

Sub-Total	17,436,990
Rosignol Primary School	548,991
Belladrum Community High School	1,498,495
Construction of 15 desks	450,000
Transfer of excess expenditure from Subhead 12004 - Buildings (Health)	6,681

	2,504,167

TOTAL	19,941,157
	=====

1136. As can be noted, no rehabilitation work was done at the No. 5 Primary School and for which a satisfactory explanation was not obtained. In respect of the Lichfield Primary School, the Accounting Officer explained that the rehabilitation works were to be undertaken by the Primary Education Improvement Programme (PEIP) and that approval was granted for a change in programme to utilise the sum budgeted for additional rehabilitation of the Mahaicony Primary School. At the time of reporting, no work was done on the Lichfield Primary School. However, the Head of the PEIP has indicated that the rehabilitation work would commence early 1999.

1137. Rehabilitation works were undertaken at three (3) other schools in addition to the construction of fifteen (15) desks, but there was no evidence that approval was granted for a change in programme to accommodate the expenditure which totalled \$2.497M.

1138. The contract for the rehabilitation of Strath Campbell Primary School was awarded to the third lowest tenderer for \$1.826M without any reasons being stated why the two (2) lower bids were not considered. The lowest bid was \$1.792M. On the other hand, the contract for the rehabilitation of Calcutta Primary School was awarded to the fourth lowest tenderer for \$1.842M on the grounds that he was the most efficient in completing works within the specified time. The lowest bid was \$1.773M.

1139. In relation to the rehabilitation of the Rosignol Primary School, the contract was awarded in the sum of \$1.294M to the second lowest bidder without any reasons being stated why the lowest bid of \$1.192M was not considered. Additional work valued at \$101,623 was also undertaken. In addition, as can be noted from the above, amounts totalling \$548,991 were paid from this subhead while the balance of \$846,519 was met from current expenditure. It is evident that the charging of part of the expenditure relating to the Rosignol Primary School to current expenditure, was done to avoid overrunning the voted provision under this subhead.

1140 The rehabilitation of the Belladrum Community High School involved the award of two contracts valued at \$776,491 and \$896,328. While the first contract was awarded by the Regional Tender Board, the second one was awarded by the Accounting Officer to the same contractor without competitive bidding. The Accounting Officer explained that immediately after the commencement of the first contract which involved the rehabilitation of the roof, it became necessary for additional works to be undertaken, hence the award of the second contract. The correct procedure should have been the issuing of a variation order approved by the Accounting Officer, copies of which should have been sent to the Secretary to the Treasury, the Accountant General and Auditor General.

1141. The schools were inspected and the constructions and/or

rehabilitation were generally in accordance with the specifications and bills of quantities contained in the respective contracts. However, of the 15 desks constructed, only 3 could be located. This matter was brought to the attention of the Accounting Officer.

Subhead 12004 - Buildings (Health)

1142. The sum of \$11M was voted for the extension and rehabilitation of the Mahaicony Cottage Hospital. The full amount was expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Extension & rehab. of Mahaicony Hospital	10,358,031
Consultancy services	248,605
Construction of office furniture	393,000

TOTAL	10,999,636 =====

1143. The following six(6) contracts were awarded to three(3) contractors for the extension and rehabilitation works:-

DATE ----	CONTRACT NUMBER -----	DESCRIPTION -----	AMOUNT -----
			\$
09/08	254/97	Rehab. of Mahaicony Hospital	7,702,660
22/08	231/97	Electrical work	161,820
12/12	404/97	Rehab. of generator hut	767,950
12/12	411/97	Rehab. of Mahaicony Hospital	1,257,021
18/12	423/97	Carpentry & painting	256,405
19/12	453/97	Electrical work	212,175

TOTAL			10,358,031 =====

As can be noted, the total amount expended exceeded the ceiling of \$9M for adjudication by the Regional Tender Board. Had the work been undertaken in one lot, this would have required adjudication by the Central Tender Board.

1144. Contract 254/97 was awarded to the fourth lowest tenderer

without any reason being stated why the other lower bids were not considered. The lowest bid was \$6.923M. In addition, the contractor was overpaid the sum of \$212,699 when comparison was made with the valuation certificates issued by the consultant. The Accounting Officer gave the assurance that this matter would be investigated.

1145. Contracts 404/97 and 423/97 were awarded in the sums of \$768,830 and \$623,861 respectively without recourse to the Regional Tender Board. The Accounting Officer had therefore exceeded his ceiling of \$450,000 in relation to these contracts. In addition, as can be noted from the above, work to the value of only \$263,086 (\$6,681 transferred to Subhead 12003) was undertaken in respect of Contract 423/97. Physical inspection revealed the scope of the painting and carpentry work was scaled down, apparently to avoid excess expenditure under this subhead. The other works were physically verified.

1146. In respect of the construction of office furniture, there was no evidence that approval was granted for a change of programme to accommodate the expenditure of \$393,000. Such expenditure could have been more appropriately charged to provision made under Subhead 25002 - Office Furniture and Equipment. In addition, physical inspection revealed that six(6) desks valued at \$225,000 could not be located.

Subhead 13001 - Drainage and Irrigation

1147. The sum of \$50M was voted for (a) the rehabilitation of Zeskendren and Mahaicony sluices (b) revetment works at Bellamy, Perth, Wash Clothes and D'Edward (c) construction of reinforced concrete structures at No. 10, Mahaicony and Zeskendren and (d) the extension of Perth/Biaboo main canal. Amounts totalling \$46.845M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
Rehab. of Zeskendren sluice	\$2,474,599
Revetment work at Bellamy	2,401,970
" " " Perth	6,657,020
" " " Wash Clothes	3,961,150
" " " D'Edward	2,401,520
Constr. of concrete structure at No. 10	2,122,925
Extension of Perth/Baiboo Main Canal	4,049,625
Consultancy Fees	694,525

Sub-total	24,763,334

Unprogrammed work	22,082,137

TOTAL	46,845,471
	=====

1148. As can be noted, no expenditure was incurred in respect of the rehabilitation of the Mahaicony sluice, except for the payment of consultancy fees. In addition, amounts totalling \$22.846M were expended on unprogrammed work but there was no evidence that approval was granted for a change in programme to accommodate this expenditure. The various works undertaken, as listed below, were therefore unauthorised.

DESCRIPTION	AMOUNT
-----	-----
Revetment at Lichfield	\$4,874,300
Rehab of sluice at Bellamy	4,476,360
" " " " Rosignol	3,502,624
Concrete structure at Handsome Tree	2,410,260
" " " " Wash Clothes	1,679,119
Purchase of concrete tubes	1,050,000
Rehab. of Handsome Tree Canal	1,014,500
Grading embankment at Perth/Baiboo main canal	925,000
Rehab. of Wash Clothes Canal	805,000
" " Lichfield East sideline	435,200
Grading Champayne Road	363,000
Rehab. of bridges at Baiboo & Washclothes	243,096
Consultancy Fees	303,678

TOTAL	22,082,137
	=====

1149. The contract for the revetment work at Perth was awarded to the second lowest bidder in the sum of \$7.7126M on the grounds that the lowest bid of \$4.581M was unrealistic as compared with the Engineer's Estimate of \$8.006M. A similar observation was made in respect of the contract for the revetment work at Lichfield which was awarded to the sixth lowest bidder in the sum of \$4.457M on the grounds that the other lower bids were unrealistic. The lowest bid was \$3.208M while the Engineer's Estimate was \$4.984M. Additional work valued \$417,200 was also undertaken but there was no evidence that an approved variation order was issued.

1150. In relation to the rehabilitation of the Bellamy sluice, the contract was awarded to the fifth lowest bidder in the sum of \$4.485M on the grounds that the two lowest bids were unrealistic while fourth lowest bid was not considered because of unsatisfactory performance. However, no reasons were stated why the third lowest bid of \$3.345M was not considered. Additional work valued \$417,200 was also undertaken.

1151. The contract for the construction of reinforced concrete structure at Wash Clothes was awarded to the second lowest bidder in the sum of \$1.929M without any reason being stated why the lowest bid of \$842,310 was not considered. The Engineer's Estimate was \$2.421M. In addition, there was an apparent overpayment of \$120,075 when comparison was made with the valuation certificates issued. This matter was brought to the attention of the Accounting Officer for recoveries to be made from the contractor.

1152. Notwithstanding the above comments, the works were physically verified and were generally in accordance with the specifications and bills of quantities contained in the respective contracts.

Subhead 14001 - Roads

1153. The sum of \$35M was voted for (a) the extension of the De Hoop and Mahaicony Branch roads (b) construction of Carpen Road and (c) the rehabilitation of community roads at Calcutta, Mahaicony, Dundee, Belladrum, Bush Lot, Hopetown, Bath Settlement and Rosignol. Amounts totalling \$33.189M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Extension of De Hoop Branch Road	11,000,000
" " Mahaicony Branch Road	7,905,375
Rehab. of Calcutta Public Road/Bellamy Canal	2,835,833
" " Calcutta Primary School Road	1,625,081
" " Central Mahaicony Road	880,520
" " Zeskendren Streets 1-5	1,987,010
" " Dundee Public Road to Bellamy Canal	2,785,269
Consultancy Fees	720,761

Sub-total	29,739,849
Rehab. of Burma Branch Road	295,281
" " Ithaca Road	626,000
" " Champayne Road	2,528,018

TOTAL

3,452,299

33,189,148
=====

1154. The amount of \$11M shown as having been expended on the extension of the De Hoop Branch Road represented an inter departmental warrant issued to the Ministry of Public Works. However, there was no evidence that a financial return was submitted to the Region so that the actual cost of the works could be ascertained. Physical verification revealed that approximately two(2) miles of the road were graded and covered with burnt earth.

1155. The contract for the extension of the Mahaicony Branch Road was awarded to the second lowest bidder in the sum of \$7.974M on the grounds that the lowest bidder, whose tendered sum was \$6.981M, lacked the necessary experience and equipment. The works were physically verified.

1156. In relation to the rehabilitation of the Calcutta Public Road to Bellamy Canal, the contract was awarded to the third lowest bidder on the grounds that the two(2) lower bidders were engaged in other works. The works were physically verified.

1157. The other works were also physically verified. However, there was no evidence that approval was granted for a change of programme to accommodate the expenditure of \$3.452M incurred in respect of the rehabilitation of the Burma Branch Road, Ithaca and Champayne roads.

Subhead 17001 - Land development

1158. The sum of \$10M was voted for the development of lands for housing in the Zorg-en-Hoop and Bath Housing Scheme. Amounts totalling \$9.988M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Purchase of concrete tubes	2,000,000
Drainage work at Zorg-en-Hoop	1,104,416
" " " Bath	1,000,323
Miscellaneous	611,716

Sub-Total	4,699,455
Drainage work at Bush Lot	5,270,860

TOTAL

9,988,315
=====

1159. As can be noted, amounts totalling \$5.271M were expended on drainage works at Bush Lot. However, there was no evidence that approval was granted for a change in programme the expenditure. The works were nevertheless physically verified while the concrete tubes were verified as having been received and properly brought to account.

Subhead 24001 - Land Transport

1160. The sum of \$2M was voted for the purchase of one(1) 15 seater mini bus for the Regional Health Department. Amounts totalling \$1.968M were expended in the purchase of two(2) 9 seater mini buses and sixteen(16) tyres. Approval was granted for a change in programme to purchase the two(2) smaller min buses instead of the 15 seater. The items purchased were verified as having been received and properly brought to account.

Subhead 24002 - Water Transport

1161. The sum of \$2M was allocated for the purchase of one(1) fibre glass boat and engine for the Rosignol Health Department. Amounts totalling \$1.888M were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 25001 - Furniture (Education)

1162. The sum of \$4M was voted for the purchase of school furniture for improved accommodation for staff and students in the Region. Amounts totalling \$3.979M were expended. However, eleven(11) teachers' tables and sixty-nine(69) chairs valued at \$498,500 could not be traced as having been received. This matter was brought to the attention of the Accounting Officer.

Subhead 25002 - Office Furniture & Equipment

1163. The sum of \$1M was voted for the purchase of office equipment and furniture for officers' quarters and the Regional Administration Office. Amounts totalling \$987,000 were expended. The items purchased were verified as having been received and properly brought to account.

HEADS 14-24 TO 14-27 & DIVISION 536

REGION 6 - EAST BERBICE/CORENTYNE

Current Expenditure

Employment Costs

1164. The salaries bank account Nos. 689 and 863, which became non-operational in 1991, were overdrawn by \$468,697 and \$899,158 as at 31 December 1997 respectively and had not been reconciled for several years. Two(2) other non-operational bank account Nos. 690 and 870 reflected large balances of \$34.644M and \$1.387M respectively and were also several years in arrears in terms of reconciliation.

1165. It should not be over-emphasised that the failure to reconcile bank accounts promptly can lead to irregularities being perpetrated without detection. These matters were drawn to attention in my previous report, and despite this there was no evidence of any action taken to investigate the overdrafts and to properly close these accounts.

1166. Account No. 690 became inactive in July 1995 when there was an overdrawn balance of \$875,523. However, a deposit of \$35.561M was made into the account on 26 October 1995 vide deposit slip number 010364, the source of which could not be established. It is again recommended that the Bank be written to with a view to making the necessary adjustments.

1167. The following sets out the position as at 31 December 1997 with regard to the new salaries bank accounts which were opened in May 1996:-

ACCOUNT NO.	DATE LAST RECONCILED	CASH BOOK BALANCE	BANK STATEMENT BALANCE
-----	-----	-----	-----
			\$
3070	Novemer 1996	nil	2,958,171
3071	December 1997	nil	(4,052,536)
3072	November 1996	nil	53,289

1168. 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 that this is done, there is danger that the problems can be compounded through the opening of the new bank accounts.

1169. 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
-----	-----
	\$
January 1997	5,721,452
February 1997	7,436,103
March 1997	4,057,273
April 1997	8,920,444
May 1997	5,665,614
September 1997	4,996,663
October 1997	9,687,370
November 1997	14,676,069
December 1997	4,052,436

Other Charges

1170. Amounts totalling \$7.260M were expended on fuel and lubricants. This figure, however, does not include fuel and lubricants valued at \$20.965M 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 \$28.225M.

1171. Log books were not presented for audit examination for the thirty-seven(37) vehicles, machinery and equipment under the control of the Region. These vehicles and equipment consumed in total 9,608 gallons fuel valued \$2.261M. A similar situation was observed in respect of the two(2) pump stations at Manarabisi and Black Bush Polder which in total consumed 155,295 gallons dieselene valued at \$34.630M. In the absence of log books, it could not be determined whether effective control was exercised over the use the Regions vehicles, equipment, machinery and pumps and whether the consumption patterns were realistic.

1172. Amounts totalling \$23.203M were expended on the Rental & Maintenance of Buildings, as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of Port Mourant Hospital	1,756,288
" " Nurses' Hostel at BBP	1,246,634
" " Albio Primary School	1,148,705
" " living quarters at BBP	1,124,441
" " N/A Hospital Laundry	995,259

"	"	Engineer's Quarters - Whim	902,160
"	"	caretaker's quarters BBP	873,390
"	"	doctors' quarters N/A	722,814
"	"	HM - Orealla	599,800
"	"	Bohemia Health Centre	556,238
"	"	Doctors' qtrs - Port Mourant	555,539
Miscellaneous works		(\$180,000 - \$450,000)	814,392
"	"	(below \$180,000)	2,447,250
Purchases of materials			2,809,821
Janitorial & cleaning services			6,601,702
Rental of buildings			48,780

TOTAL			23,203,238
			=====

The works were physically verified and conformed generally to the specifications contained in the respective bills of quantities while the items purchased were verified as having been received and properly brought to account.

1173. Amounts totalling \$54.105M were expended on the maintenance of infrastructure. The following gives a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of East Canje Road	7,905,551
" " East Bank Berbice Road	9,097,104
" " culvert in New Amsterdam	3,163,740
" " three(3) bridges in BBP	2,133,000
Maintenance of D & I systems in Black Bush	5,524,855
Purchases of materials	4,351,025
" " fuel	1,472,200
Other rehab. works (180,000 - \$450,000)	10,336,120
" " " (below \$180,000)	9,424,665
Consultancy fees	696,700

TOTAL	54,104,960
	=====

The works were physically verified and were generally in conformity with the specifications and bills of quantities as contained in the various contract documents. The items purchased were also verified as having been received and properly brought to account.

Capital Expenditure

Subhead 12001 - Buildings (Administration)

1174. The sum of \$6M was voted for the rehabilitation and extension of the Amerindian Hostel in Springlands of which amounts totalling \$4.573M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of Amerindian Hostel	3,948,817
Construction of Records Room	370,693
Consultancy fees	240,000
Miscellaneous	13,850

TOTAL	4,573,360
	=====

1175. The contract for the rehabilitation of the Amerindian Hostel was awarded to the second lowest bidder in the sum of \$3.652M without any reasons being stated why the lowest bid of \$3.422M was not considered. Additional work valued at \$296,370 was also undertaken by the contractor but there was no evidence that a variation order was issued. Notwithstanding this, work was physically verified.

1176. The contract for the construction of the Records Room was awarded in 1996 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 amount of \$370,693 represented final payment on the contract. However, there was no evidence that approval was granted for a change in programme to accommodate the expenditure.

Subhead 12002 - Buildings (Education)

1177. The sum of \$45M was allocated for (a) the construction of Williamsburg and Kiltern nursery schools and (b) the rehabilitation of Plegt Anker Primary, New Amsterdam Multilateral, Rose Hall Canje Primary, Tutorial Academy and Smithfield Nursery schools. Amounts totalling \$41.640M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Construction of Williamsburg Nursery	2,673,475
" " Bush Lot Nursery	8,383,999
Rehabilitation of Plegt Ancher Primary	3,621,783
" " New Amsterdam Multilateral	8,975,000

"	"	Rose Hall Canje Primary	2,424,140
"	"	Tutorial Academy	5,270,999
"	"	Smythfield Nursery	8,952,433
		Consultancy fees	1,284,000
		Miscellaneous	54,330

TOTAL			41,640,159
			=====

1178. As can be noted, no work was done in the construction of Kiltern Nursery School. The Accounting Officer explained that there were difficulties in the acquisition of land for the proposed building and that approval was granted to construct the Bush Lot Nursery School instead.

1179. The construction of the Williamsburg Nursery School commenced in 1996 and the amount of \$2.673M represents final payment to the contractor. The total cost of the school amounted to \$7.493M.

1180. The contract for the construction of the Bush Lot Nursery was awarded to the third lowest bidder in the sum of \$8.384M without any reasons being stated why the other lower bids were not considered. The lowest bid was \$5.780M while the Engineer's Estimate was \$8.8M.

1181. The rehabilitation of the Plegt Anker Primary School commenced in 1996 and the amount of \$3.622M represents additional work needed to complete the building. The total cost of the rehabilitation amounted to \$5.422M.

1182. The contract for the New Amsterdam Multilateral School was awarded to eighth lowest bidder in the sum \$8.975M on the grounds that his bid of \$10.818M was closest to the Engineer's Estimate of \$10.378M. The lowest bid was \$7.515M. In addition, in view of the fact that both the Engineer's Estimate and the selected tenderer's bid exceeded the Regional Tender Board limit of \$9M, the award of the contract should have been adjudicated upon by the Central Tender Board. Moreover, the award of the contract for \$8.975M would appear to be a manipulation of the Tender Board regulations. It should also be noted that the contractor was overpaid in the sum of \$217,750 based on comparison with valuation certificates issued by the Consultant. The overpayment was drawn to the attention of the Accounting Officer.

1183. The contract for rehabilitation of the Rose Hall Canje Primary School was awarded to the sixth lowest bidder for \$4.624M without any reasons being stated why the lower bids were not considered. The lowest bid was \$3.636M. At the time of inspection in February 1998, the school had not been completed, and the

amount of \$2.424M represents the first payment to the contractor based on a valuation certificate issued by the Consultant. It should be noted that in the 1998 Estimates of Expenditure, there is no provision for the rehabilitation of this school and it is unclear how funds would be obtained to complete the rehabilitation works.

1184. In relation to the rehabilitation of the Tutorial Academy, the contract was awarded to the highest of among seven(7) bidders in the sum of \$5.272M without any reasons being stated why the six(6) lower bids were not considered. The lowest bid was \$4.297M. A similar situation was observed where the contract for the rehabilitation of the Smythfield Nursery School was awarded to the second lowest bidder in the sum of \$8.995M without any reasons being stated why the lowest bid of \$8.053M was not considered.

1185. Notwithstanding the above observations, the construction and/or rehabilitation works were inspected and conformed generally to the specifications as contained in the respective bills of quantities.

1186. In my 1996 Report, it was stated that physical inspection of the works undertaken under this subhead revealed apparent overpayments totalling \$459,590 in respect of the rehabilitation of three(3) schools. These discrepancies had been brought to the attention of the Accounting Officer for investigation and at the time of reporting it could not be determined what action was taken in respect of these discrepancies.

Subhead 12003 - Buildings (Health)

1187. The sum of \$30M was voted for the rehabilitation of the New Amsterdam Hospital Mortuary and vector control officers' quarters of which amounts totalling \$20.753M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
Rehab. of X-ray Department	\$3,550,000
" " sanitary facilities	2,819,999
" " theatre roof	1,207,830
Purchase of refrigerator for mortuary	8,955,004
Installation of gas fittings at Casualty Dept.	770,000
Rehab. of vector control officers' quarters	2,990,710
Consultancy Fees	404,990
Miscellaneous	54,611

TOTAL	20,753,144
	=====

1188. As can be noted, no rehabilitation work was done on the Mortuary. The Accounting Officer explained that a refrigerator had to be acquired first and that approval was sought and obtained for

a change in programme to purchase a refrigerator. The refrigerator was received in August 1998 and at the time of reporting, it was being installed.

1189. Approval was also granted for a change in programme to accommodate the expenditure on the X-ray Department and the theatre roof. However, no approval was seen in relation to the rehabilitation of the sanitary facilities and the installation of gas fittings.

1190. The contract for the rehabilitation of the X-ray Department was awarded the third lowest bidder in the sum of \$3.585M without any reasons being given why the two(2) lowest bids were not considered. A similar situation was observed where the contract for the rehabilitation of the vector control officer's quarters was awarded to the second lowest bidder in the sum of \$2.991M. In addition, physical inspection of the works carried out on the latter revealed an over payment of \$93,404 which was brought to the attention of the Accounting Officer. The other works were inspected and conformed generally to the specifications as contained in the respective bills of quantities.

Subhead 13002 - Drainage and Irrigation

1191. The sum of \$75M was allocated for (a) the construction of sluice gates and kokers at Alness, Black Bush Polder frontlands, Whim, Crabwood Creek, Wellington Park, Kilmonark, Liverpool, Cumberland and Kildonan (b) purchase of seven(7) winches (c) the construction of bridges at Black Bush Polder and No. 52-74 D and I area (d) the construction of RC irrigation boxes at No. 52-74 and (e) the excavation of canals and the reconditioning of frontlands in the Adventure/Eversham and Philipi/No. 35 Areas. Amounts totalling \$54.351M were expended as follows:-

DESCRIPTION

AMOUNT

	\$
Constr. of sluice gates at Lesbeholdan, Whim, CWC, Wellington Park, Kilmonark & Kildonan	6,101,952
Purchase of ten(10) 7 ton winches	6,174,000
Construction of bridges at Yakusari, Johanna, Lesbeholden, Mibicuri, and Nos. 60-61	13,309,700
Excavation of canals at Lesbeholdan	7,245,390
" " canal at No. 19	470,488
" " " at No. 65/66	1,363,506
" " " at Whim	2,440,510
Miscellaneous	225,549

Sub-Total	37,331,095
Constr. of sluice gate at No. 52/74	2,220,700
" " head walls at Seaforth	1,400,900
Purchase of Ford tractor	5,295,000
" " 4 X 4 Pick up	3,000,000
" " 6 Honda motor cycles	2,340,000
" " 3 outboard engines	1,700,000
" " 2 boats	1,063,000

	17,019,600

TOTAL	54,350,695
	=====

1192. As can be noted, sluice gates and kokers were not constructed at Alness, Liverpool and Cumberland nor were irrigation boxes constructed at No. 52/74. Similarly, no canals were excavated at Adventure/Eversham and Phillippi/No.35 Area. Approval was nevertheless obtained for excavation of canals at Lesbeholden. However, there was no evidence that approval was granted for a change in programme for (a) the construction of sluice gate at No.52/94 (b) the purchase of three(3) 7-ton winches (c) the excavation canals at No.19, No.65/66 and Whim and (d) the purchase of Ford Tractor, one(1) 4X4 Pick-up, six(6) Honda Motor Cycle, three(3) Yamaha Outboard engines and two(2) fiber glass boats.

1193. The contract for the construction of sluice gate at Crabwood Creek was awarded to the fifth lowest bidder in the sum of \$526,872 without any reasons being stated why the other lower bids were not considered. The lowest bid was \$272,310 while the Engineer's Estimate was \$589,640. In relation to the construction of sluice gate at Kilmonark, the contract was awarded to the second lowest bidder in the sum of \$1.278M on the grounds that the lowest bidder, whose tendered sum was \$1.257M, was relatively new.

1194. Three(3) contracts for the excavation of canals at Lesbeholdan were awarded to the same bidder who was the second lowest tenderer in all three cases without any reasons being stated by the lowest bids were not considered. The contract sums amounted to \$7.247M while the lowest bids totalled \$7.208M.

1195. In relation to the excavation of canal at No. 19, the contract was awarded the fourth lowest bidder in the sum of \$1.573M without any reasons being stated why the other lower bids were not considered. The lowest bid was \$1.483M while the Engineer's Estimate was \$1.612M. As can be noted, expenditure totalling only \$470,488 was incurred. It was explained that the contract was mutually terminated because of objections by residents in the area to the removal of bridges by the contractor.

1196. The contract for the construction of sluice gate at No. 52/74 was awarded to the fourth lowest bidder in the sum of \$2.221M without any reasons being stated why the other lower bids were not considered. The lowest bid was \$1.483M while the Engineer's Estimate was \$2.281M.

1197. The various works undertaken under this subhead were physically verified and conformed generally to the specifications contained in the respective bills of quantities. The equipment purchased were also verified as having been received and properly brought to account.

Subhead 14001 - Roads

1198. The sum of \$30M was voted for the rehabilitation of community roads at No. 71 School Street, Nigg Post Office street, McGowan school road, Hogtown road, Haswell road, Central Corentyne School road, Johns/Tain and Willinsburg/Belvedere roads. Amounts totalling \$24.544M were expended in the rehabilitation of the following:-

DESCRIPTION -----	AMOUNT -----
	\$
Fyrish Rice Mill road	7,703,982
Bush Lot/Kildonan Cemetary Dam	6,392,322
No. 43 School street	4,134,350
Seawell road	1,928,379
Adelphi road	2,446,675
Consultancy services	1,754,395
Miscellanous	183,800

TOTAL	24,543,903 =====

1199. As can be noted, none of the works reflected in the Capital Profile of the Region were undertaken. The Accounting Officer explained that these were executed by Ministry of Public Works under its capital programme and that approval was sought and obtained to undertake the above works.

1200. The contract for the rehabilitation of No.43 School street was awarded to the second lowest bidder in the sum of \$2.785M on the grounds that the lowest bidder was engaged in other jobs. The lowest bid was \$2.751M while the Engineer's Estimate was \$3,655,500. Similarly, the contract for the rehabilitation of the Seawell road was awarded to the highest from among three(3) bidders in the sum of \$2.867M on the grounds that the other bidders were engaged in other jobs. The lowest bid was \$2.178M while the Engineer's Estimate was \$3.332M.

1201. The various works undertaken under this subhead were physically verified and conformed generally to the specifications contained in the respective bills of quantities.

Subhead 19001 - Land Development

1202. The sum of \$5M was voted for the development of land for housing in areas including Chesney and Cumberland. 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 and as a result it was decided not to proceed with the works.

Subhead 24001 - Land Transport

1203. The sum of \$6.6M was allocated for the purchase of one minibus to be converted into an ambulance and one vehicle for the New Amsterdam and Fort Canje Hospitals. Amounts totalling \$6.591M were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 25001 - Furniture & Equipment (Education)

1204. The sum of \$5.2M was voted for the purchase of furniture for schools in the Region, of which amounts totalling \$4.892M were expended. However, eighty-nine(89) chairs and twelve(12) tables valued at \$203,600 could not be verified as having been received. This matter was drawn to the attention of the Accounting Officer.

Subhead 25002 - Office Equipment

1205. The sum of \$500,000 was allocated for the purchase of office

equipment including typewriters and filing cabinets . Amounts totalling \$472,000 were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 25003 - Furniture and Equipment (Health)

1206. The sum of \$6.5M was voted for the purchase of furniture and equipment for hospitals and health centres, including mortuary freezer, suction pumps and equipment for the X-ray unit and Blood Bank. Amounts totalling \$724,000 were expended in the purchase of one(1) air conditioning unit and a suction machine which were verified as having been received and properly brought to account.

HEADS 14-28 TO 14-31 & DIVISION 537

REGION 7 - CUYUNI/MAZARUNI

Current Expenditure

Employment Costs

1207. Despite mention in my previous reports, the salaries bank account No. 692 (Administration) continued to be overdrawn on numerous occasions in 1997 and as at 31 December 1997, it was overdrawn by \$401,300, compared with an overdraft of \$1.423M at the end of 1996. It is again recommended that a special effort be made to investigate the overdraft with a view to clearing it.

1208. This account, which ceased to be operational in February 1997, was also last reconciled to November 1991. The failure to reconcile bank accounts can lead to irregularities being perpetrated without detection. In addition, the cash book balance at the time the account ceased to be operational was \$246,424 instead of a nil balance.

1209. Although the salaries bank account No. 859 (Education) was reconciled to December 1997, several items remained uncleared for a considerable period of time without evidence of any action taken to investigate them. Of particular importance are twenty-five(25) deposits totalling \$51.623M which have not been brought to account in the bank statements relating to this account. It should be noted that this account also ceased to be operational with effect from February 1997 at which time the cash book balance was \$632,251 instead of a nil balance.

1210. The wages account No. 693 was last reconciled up June 1995, and was overdrawn on six(6) occasions in January 1997. This account also ceased to be operational with effect from February 1997 and as at 31 December 1997, it reflected a balance of \$1.927M.

1211. 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. As a result, three(3) new bank accounts were opened - A/c No. 3147 (Education), A/c No. 3148 (Administration) and A/c No. 3149 (Wages).

1212. None of the three(3) accounts were, however, reconciled since they were established and therefore there is danger that the problems associated with the old bank accounts will be repeated in respect of these new accounts. In fact, A/c No. 3147 was overdrawn 115 times during the period under review, and a cash book was not maintained.

1213. A similar situation was observed in respect of A/c No. 3148. For the period under review, this account was overdrawn on 212 occasions, and as at 31 December 1997 it reflected an overdraft of \$308,874. The cash book was also not cast and balanced. In respect of A/c No. 3149, this account was overdrawn on 111 occasions, and as at 31 December 1997 the overdraft was \$734,913. A cash book was also not kept for this account.

1214. An NIS register was not maintained for the period under review. Instead, employees' names and numbers were written on sheets of paper and stapled together. A comparison of these sheets with the payroll records, however, revealed that twenty-eight(28) employees were not registered with the Scheme, some of whom were in the employ of the Region as far back as 1992. Since registration with the National Insurance Scheme has implications for social security and other benefits, efforts should be made to ensure the prompt registration of employees with the Scheme.

Other Charges

1215. Amounts totalling \$13.988M were expended on materials, equipment and supplies. Given below is an analysis of the purchases under the various authority limits:-

AUTHORITY LIMITS	NO. OF PURCHASES	AMOUNT
-----	-----	-----

			\$
Below	\$90,000	145	5,206,911
\$90,000 -	\$180,000	56	6,820,366
\$180,000 -	\$6M	8	1,959,575
		---	-----
TOTAL		209	13,987,852
		===	=====

1216. In respect of eight(8) purchases valued at \$1.960M and falling within the limits of \$180,000 and \$6M, there was no evidence that a system of quotations was followed and of the involvement of the Regional Tender Board. Notwithstanding this, based on test-checks carried out, the items purchased were verified as having been received and properly brought to account.

1217. The sum of \$10.412M was expended on the purchase of fuel and lubricants for the Region. A physical count of fuel and lubricants carried out in 16 July 1998, however, revealed shortages valued at \$434,718 when comparison was made between bin card balances and actual stock on hand, as shown below:-

Description	Unit	Bin card	Actual	Shortage/	Value
	Q'ty	balance	Stock	(Excess)	\$
-----	----	-----	-----	-----	-----
Gasolene	gallon	2,026	643	1,383	308,297
Dieselene	"	866	418	448	86,016
Kerosene	pint	3,854	3,164	690	13,110
Nautilus oil	bottle	388	351	37	14,800
Grease	lb.	27	50	(23)	(4,929)
Gear oil 90	pint	110	72	38	6,342
Oil 37	"	104	96	8	1,222

TOTAL					434,716
					=====

1218. In relation to gasolene, it should be noted that an apparent shortage of 991 gallons has been coming forward prior to 17 July 1997. This means that between the period 17 July 1997 to 16 July 1998, there was an additional shortage of 392 gallons, as shown below:-

	GLNS

Physical balance at 17 July 1997	1,369
Add receipts 18 July 1997 to 16 July 1998	12,538

	13,907
Less issues 18 July 1997 to 16 July 1998	12,872

	1,035
Physical balance at 16 July 1998	643

Apparent shortage

392
=====

1219. A similar situation was observed in respect of dieselene in that of the apparent shortage of 448 gallons, 272 gallons relate to the period 18 July 1997 to 16 July 1998.

1220. In my 1996 Report, mention was made of fuel being stored in forty-five(45) gallon drums and exposed to elements of the weather. It was recommended that action be taken to have the fuel stored in underground storage tanks to avoid loss due to evaporation.

1221. During 1997, the Region rehabilitated the Workshop with a view to installing underground storage tanks and to relocating the Stores. Audit checks in July 1998, however, revealed that although the stores were relocated, underground facilities were not provided as advised. As a result, fuel was still kept in the drums and exposed to the weather. It is again recommended that urgent action be taken to have the fuel stored underground as failure to do poses a serious fire hazard and can also lead to abnormal loss.

1222. Fuel was issued to the Region's vehicles and equipment and log books were required to be maintained in order to monitor consumption patterns. However, log books for seven(7) out of nine(9) of the Region's vehicles/equipment were not produced for audit examination. As a result, it could not be determined whether effective control was exercised over the use of these vehicles/equipment.

1223. The sum of \$13.554M was expended on the rental and maintenance of buildings. The following is a breakdown of the expenditure:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehabilitation of medex quarters at Kurupung	1,678,960
Repairs & painting of Administrative Office	1,495,550
" to Regatta Pavilion	472,320
Miscellaneous repairs (\$180,000 - \$450,000)	5,045,367
" (below \$180,000)	1,990,360
Purchases of materials	1,865,101
Rental of buildings	131,000

TOTAL	13,553,658
	=====

1224. The various works undertaken were physically verified, except for those of the outlying areas, while the items purchased were verified as having been received and properly brought to account.

1225. The sum of \$47.262M was expended on the maintenance of infrastructure. The following gives a breakdown of the expenditure:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of 10 miles of Potaro Road	8,688,010
Rehabilitation of Agatash Access Road	7,547,500
" " Byderabo river defence	4,932,509
" " 8th Street, Bartica	3,630,110
" " 7th " "	3,555,150
" " 9th " "	3,369,960
Construction of Massakuri river defence	2,576,436
Protection of Mazaruni River Dam	1,404,970
Rehabilitation of Bartica river defence	5,364,930
Miscellaneous works (\$180,000 - \$450,000)	4,083,562
" " (below \$180,000)	2,108,382

TOTAL	47,261,519 =====

1226. The following four(4) contracts were awarded by the Regional Tender Board for the rehabilitation of the Potaro Road:-

DATE ----	CONTRACT NO. -----	ENGINEER'S ESTIMATE -----	CONTRACT SUM -----	AMOUNT PAID -----
		\$	\$	\$
04/08	90/97	2,966,000	1,029,000	1,169,705
29/09	133/97	3,301,700	3,012,600	3,012,600
06/11	168/97	2,182,600	2,088,105	2,088,105
25/12	186/97	2,428,500	2,417,200	2,417,400
		-----	-----	-----
TOTAL		10,878,800 =====	8,547,105 =====	8,687,810 =====

1227. Had the rehabilitation works been undertaken in one lot,

this would have required adjudication and award by the Central Tender Board. The Accounting Officer explained that the rehabilitation had to be done in a piecemeal manner because funds were released on a monthly basis.

1228. In relation to the rehabilitation of the 7th, 8th and 9th streets in Bartica, which were undertaken in three(3) lots and which in total exceeded the Regional Tender Board limit of \$9M, the Accounting Officer offered the same explanation as that relating to the rehabilitation of the Potaro Road.

1229. Except for the Massakuri river defence, the various works undertaken were physically verified and conformed generally to the specifications contained in the respective bills of quantities.

Stores and Other Public Property

1230. A survey of the stores carried out in July, 1997 on a sample of twenty-six(26) items revealed discrepancies in respect of ten(10) items, as shown below:-

DESCRIPTION -----	BIN CARD BALANCE -----	PHYSICAL COUNT -----	SHORTAGE/ (SURPLUS) -----
Starter 20 watts	1	nil	1
Florescent tube 4 ft.	10	8	2
Lamp holder	10	16	(6)
Enamel paint (gallon)	2	1	1
Life Jacket	13	14	(1)
Mattress	13	6	7
Padlock	5	4	1
Plyboard	3	4	(1)
Spade	7	5	2
Shovel	9	5	4

1231. When certain items of stores e.g. stone and sand, were purchased for delivery at various locations, the receipt of the items was not physically verified by the storekeeper although entries were made in the stock records. It is recommended that the storekeeper visit the locations to verify the receipt of the items before entries are made in the stock records.

Capital Expenditure

Subhead 12001 - Buildings (Education)

1232. The sum of \$20M was voted for (a) the continuation of works on the dormitory facilities and the resource centre at Bartica and (b) the construction of Regional Education Officer's office and

Kako Primary and Bartica Nursery schools. Amounts totalling \$15.434M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Construction of dormitory facilities	5,715,941
" " Resource Centre	2,736,909
" " Reg. Educ. Officer's Office	2,373,640
" " Kako Primary School	1,389,650
" " Bartica Nursery School	3,217,450

TOTAL	15,433,590
	=====

1233. The construction of the dormitory facilities commenced in November 1995, and amounts totalling \$19.873M were expended to the end of 1997 out of an estimated cost of \$26.961M. At the time of inspection on 22 July 1998, the building had not been completed although a period in excess of two and a half years had elapsed. The insertion of windows and doors, ceiling of the roof, tiling of the floor, plumbing, guttering, painting of the building and 40% of electrical work were yet to be undertaken. In addition, a perusal of the Estimates of Expenditure for 1998 revealed that no amounts were allocated to complete dormitory and it is unclear how funding would be obtained to complete the building.

1234. The construction of the Resource Centre was programmed to be completed over a two(2) year period commencing 1995 at an estimated cost of \$28M. However, according to a letter from the Regional Executive Officer, this period was extended to three(3) years because of the unavailability of funds on a lump sum basis. Expenditure to the end of 1997 amounted to \$12.725M. Physical inspection in July 1998 revealed that no additional work was undertaken since the date of the Audit Office's last inspection in July 1997. The building was substantially incomplete in that only the foundation, columns and retaining wall were constructed.

1235. Of the amount of \$2.737M incurred as expenditure on the Resource Centre in 1997, two(2) payments totalling \$2.006M were made for variation works undertaken to the first and ground floors and retaining wall but no documentary evidence was provided to indicate the details of the variation. The variation works were certified as having been satisfactorily completed by the Consultant/Engineer. However, as indicated above, only the retaining wall was constructed and therefore the contractor appeared to have been overpaid.

1236. The contract for the construction of the Regional Education

Officer's Office was awarded in the third lowest bidder in the sum of \$1.797M on the grounds that one of the two lower bidders lacked the relevant experience. However, no reason was stated why the lowest bid of \$1.321M was not considered. Notwithstanding this, the work was physically verified.

1237. In relation to the construction of Kako Primary School, the contract was awarded to the sole tenderer in the sum of \$1.390M. However, because of the inaccessibility of the area, the works could not have been physically verified.

1238. The contract for construction of the Bartica Nursery School was awarded to the sixth lowest bidder in the sum of \$2.486M on the grounds that the contractor had the necessary equipment for the works to be undertaken. However, no reasons were stated why the other lower bids were not considered. The lowest bid was \$2.062M. The works were nevertheless physically verified.

Subhead 12002 - Buildings (Health)

1238. The sum of \$9.6M was allocated for the rehabilitation of the Kamarang Hospital, health posts at Kurupung, Isseneru and Kurutuku and Enachu Medex Quarters. Amounts totalling \$9.598M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of Kamarang Hospital	2,294,830
" " Kurupung Health Post	1,299,660
" " Isseneru " "	958,190
" " Kurutuku " "	1,070,900
" " Enachu Medex Quarters	666,585
Construction of Chinoweing Health Post	1,682,360
Extension of Chinoweing Health Post	1,625,010

TOTAL	9,597,535 =====

1239. The contract for the rehabilitation of the Kamarang Hospital was awarded in the sum of \$2.295M to the third lowest tenderer because of his experience in the area, his ability to complete contracts and his financial capability. The performance of the lowest tenderer was not known as he failed to provide evidence of his capability. However, no reason was given for the rejection of the second lowest bid of \$2.077M. Because of the inaccessibility of the area, the works could not be verified.

1240. In relation to the rehabilitation of the Kurupung Health Post, the contract was awarded to the fifth lowest tenderer in the sum of \$1.009M because the four(4) other bids were well below the

Engineer's Estimate of \$1.338M. A variation of \$290,800 was subsequently approved but no reason was stated in the minutes of the Regional Tender Board for the additional cost. Physical verification of the works could not have been carried out because of the remoteness of the area.

1241. The contract for the rehabilitation of the Isseneru Health Post was awarded to the second lowest tenderer in the sum of \$662,190 because the lowest bid of \$362,190 was considered low in comparison with the Engineer's Estimate of \$734,704. Approval was also given for a variation of \$296,000 but no reason was stated in the minutes of the Tender Board for the additional cost. Because of the remoteness of the area, a physical verification of the work could not have been undertaken.

1242. In relation to the rehabilitation of the Kurutuku Health Post, the contract was awarded in the sum of \$1.071M to the second lowest tenderer because the lowest bid of \$701,380 was considered low in comparison with the Engineer's Estimate of \$1.338M. Physical verification of the work was not carried out because of the remoteness of the area.

1243. In respect of the Chinowein Health Post, approval was granted for a change in programme to undertake the construction work. The contract was awarded to the fourth lowest tenderer in the sum of \$1.492M on the basis of experience and ability to complete works in the interior locations. The lowest bid was \$1.226M. However, additional work valued at \$190,600 was undertaken but there was no evidence that a variation order was issued. Physical verification of the work was not carried out because of the remoteness of the area.

1244. The Chinoweing Health Post was extended at a cost \$1.625M to provide living quarters and for which approval was granted for a change in programme to accommodate this expenditure. The contract was awarded to the only tenderer at the Engineer's Estimate. However, additional work valued at \$77,700 was undertaken but there was no evidence that a variation order was issued. Physical verification of the work was not done because of the remoteness of the area.

1245. Five(5) tenders were received for the rehabilitation of the Medex quarters at Enachu and the contract was awarded to the fourth lowest tenderer in the sum of \$486,584. The other three(3) tenders were considered low in comparison with the Engineer's Estimate of \$563,900. A variation of \$180,000 was approved by the Finance Committee of the RDC but details were not provided.

Physical verification of the work was not carried out because of the remoteness of the area.

Subhead 12003 - Buildings (Administration)

1246. The sum of \$10M was voted for the rehabilitation of the Regional Workshop and rest house facilities at 72 Miles, Issano and Kamarang. Amounts totalling \$9.992M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of the Regional Workshop	3,284,345
" " 72 Miles Rest House	1,051,000
" " Issano " "	1,963,010
" " Kamarang " "	604,720

Sub-total	6,903,075
Rehab. of Bartica Rest House	1,819,150
" " " Com. Centre	1,269,705

	3,088,855

TOTAL	9,991,930 =====

1247. The contract for the rehabilitation of the Regional Workshop was awarded to the fourth lowest tenderer in the sum of \$2.418M on the grounds that the performances of the two(2) lower bidders were not known while the other lower bidder was engaged in other works.

1248. The rehabilitation of the Workshop was undertaken so as to have the Stores and the Workshop in one building since fuel was stored in forty-five (45) gallon drums and exposed to the elements at another location. However, the actual rehabilitation did not include the construction of underground facilities for the storage of fuel. At the time of inspection in July 1998 the rehabilitation works had not been completed, and the situation continued to exist as reported earlier. Urgent action is again recommended to have the fuel properly stored as failure to do so can result in

abnormal loss and a potential fire hazard.

1249. The contract for the rehabilitation of the 72 Miles Rest House was awarded to the fourth lowest bidder for \$1.051M because the first and second lowest tenders were considered low compared with the Engineer's estimate. The third lowest bidder was not known in the Region as he did not provide a track record of his performance. Physical verification of the work could not have been done because of the remoteness of the area.

1250. The Regional Tender Board received fourteen(14) tenders for the rehabilitation of the Issano Rest House and awarded the contract to the fourth lowest bid of \$1.704M. However, the reasons for not considering the other bids were not stated in the minutes of the Tender Board. A variation of \$259,230 was subsequently approved but particulars of the additional cost was not stated. Physical verification of the work could not have been carried out because of the remoteness of the area.

1251. In relation to the rehabilitation of the Kamarang Rest House, the contract was awarded to the fourth lowest bidder provided he agreed to work at the Engineer's Estimate of \$604,720. However, no reason was stated why the other lower bids were not considered. Physical verification of the work could not have been carried out because of the remoteness of the area.

1251. The Regional Tender Board awarded the contract for the renovation of the Bartica Rest House to the fifth lowest tender in the sum of \$1.819M as the first and third lowest bids were far below the Engineer's Estimate. The second lowest tenderer was not known while the fourth lowest bid was eliminated because of the magnitude of the work. However, there was no evidence that approval was granted for a change of programme to accommodate the expenditure of \$1.819M. The works were nevertheless physically verified.

1253. The contract for the rehabilitation of the Bartica Community Centre was awarded to the second lowest tender in the sum of \$1.270M because the lowest tenderer was not known and his bid of \$979,220 was far below the Engineer's Estimate of \$1.5M. However, there was no evidence that approval was granted for a change of programme to accommodate the expenditure of \$1.270M. The works were nevertheless physically verified.

Subhead 24001 - Land and Water Transport

1254. The sum of \$6.6M was allocated for the purchase of two(2) outboard engines for the Regional Administration and one(1)

outboard engine and a landrover for the Health Department. During the year, approval was granted for the purchase of one(1) fibre glass boat to be included in the programme. Amounts totalling \$6.598M were expended in the purchase of the following:-

DESCRIPTION -----	AMOUNT -----
	\$
Three(3) Yamaha outboard engines	1,688,900
One(1) Defender Land Rover	3,842,736
One (1) fibre glass boat	1,065,900

TOTAL	6,598,547 =====

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

Subhead 25003 - Furniture and Equipment (Education)

1255. The sum of \$3M was provided for the purchase of furniture for the Resource Centre and schools in the Region. The full amount was expended of the acquisition of cupboards, desks, beds, kitchen utensils, refrigerators and kitchen wares for the schools. However, no furniture was purchased for the Resource Centre as the building had not yet been completed. The items purchased were verified as having been received and properly brought to account.

Subhead 26001 - Furniture and Equipment (Health)

1256. The sum of \$1.510M was allocated for the purchase of furniture and equipment for the Bartica Hospital and a refrigerator and equipment for the mortuary. Approval was also granted during 1997 to utilise the savings to purchase two(2) gas cookers. Expenditure totalling \$1.503M was incurred. The items purchased were verified as having been received and properly brought to account. However, in respect of the installation of the freezer, a cheque for \$345,712 was seen in the safe at the Sub-Treasury at the time of the audit in July 1998. The Accounting officer explained that the freezer was not operational and as a result, the cheque was held pending rectification.

Subhead 26002 - Furniture and Equipment (Administration)

1257. An amount of \$500,000 was voted for the purchase of furniture and equipment for the offices at Bartica and Kamarang,

and furnishings for the Amerindian Rest House. Amounts totalling \$494,000 were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 26003 - Power Extension

1258. The sum of \$3M was provided for the purchase of one(1) lighting plant for Kamarang. The full amount was expended. Because of the inaccessibility of the area, physical verification of this asset could not have been undertaken.

HEADS 14-32 TO 14-34 & DIVISION 538

REGION 8 - UPPER POTARO/SIPARUNI

Current Expenditure

Employment Costs

1259. A diary of paychanges to record appointments, promotions and dismissals was not maintained for the period under review. A similar observation was made in respect of the Salaries Control Register which shows the movement of the payrolls from one month to the next. 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 this was due to staff constraints and that every effort will be made to maintain these records.

1260. The two(2) wages and salaries bank accounts Nos. 698 and 699, which became non-operational in 1997, were not reconciled for the period under review and it could not be determined when last this was done. In addition, these accounts were overdrawn by \$1.339M and \$1.130M respectively as at 31 December 1997, compared with overdrafts of \$2.892M and \$499,975 at the end of 1996. The overdrafts were the result of a number of fraudulent transactions which occurred in 1996. As a result, two(2) officers were charged

by the Police and at the time of reporting, the matter was engaging the attention of the courts.

1261. An examination of the Sub-Treasury records revealed that unclaimed salaries were being refunded on average three(3) months later. The Accounting Officer gave the assurance that efforts would be made to ensure that refunds are made more promptly.

1262. Based on sample tests carried out, sixteen(16) personal files were not updated with records of service, letters of appointment etc. The Accounting Officer attributed this to untrained staff and explained that efforts would be made to update these files.

Other Charges

1263. Amounts totalling \$2.279M were expended on fuel and lubricants for the period under review. However, log books were not presented for three(3) of the seven(7) vehicles in use by the Region. In the absence of log books, it could not be determined whether effective control was exercised over the use of these vehicles.

Stores and Other Public Property

1264. In my 1996 Report, mention was made of eighteen(18) unserviceable items which were found in the Store. These items were in the Store for a long time and it is again recommended they be boarded with a view to disposing of them at the earliest opportunity.

Other Matters

1265. The old imprest bank account No. 697, which became non-operational in December 1996, was overdrawn by \$272,848 as at 31 December 1997 and it could not be determined when last this account was reconciled. A similar observation was made in respect of new imprest bank account No. 3133 which was also overdrawn by \$272,133.

Capital Expenditure

Subhead 11001 - Bridges

1266. The sum of \$5M was voted for the construction of six(6) bridges with revetments at Kurukubari, Tumung, Kawa Valley and Itabac. The full amount was expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Construction of bridge at Tumung	908,370
" " two(2) bridges at Kawa Valley	1,861,400
" " two(2) bridges at Itabac	1,725,300
Consultancy Services	504,930

TOTAL	5,000.000
	=====

1267. Physical verification of the two(2) bridges at Kawa Valley revealed that in respect of one(1) of the bridges, the deck became separated from the revetment and had floated away causing the bridge to be inaccessible. Because of the inaccessibility of the area, the other bridges could not have been physically verified.

Subhead 12001 - Buildings (Education)

1268. The sum of \$22.9M was allocated for (a) the construction of Itabac Primary, rehabilitation of Karisparu and completion of Kopinang Primary schools (b) construction of Princeville and Bamboo Creek Nursery schools and (c) construction of sub-office at Kato and Teachers' quarters at Chenapou. The full amount was expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Construction of Itabac Primary School	3,460,157
Rehabilitation of Karisparu Primary School	985,300
Completion of Kopinang Primary School	2,991,725
Construction of Princeville Nursery School	3,543,676
" " Bamboo Creek Nursery School	3,480,157
" " Sub-office at Kato	4,407,808
" " Teachers' Quarters at Chenapou	3,956,241
Miscellaneous	75,000

TOTAL	22,900,064
	=====

1269. The contract for the construction of the Bamboo Creek Nursery School provided for the use of greenheart. However, physical verification revealed that other hardwood was used instead of greenheart. In addition, there were creases between the boards on the floor and on the walls suggesting shrinkage of the

wood used. The window panes were also not properly secured by the use of putty. These observations were drawn to the attention of the Senior Superintendent of Works.

1270. In respect of the Sub-office at Kato, physical verification revealed shrinkage of material and leakage of the roof. These matters were also drawn to the attention of the Senior Superintendent of Works. The other works could not have been physically verified because of the inaccessibility of the area.

Subhead 12002 - Buildings (Administration)

1271. The sum of \$2.5M was voted for the rehabilitation of the Regional Chairman's quarters at Madhia. Amounts totalling \$2.491M were expended. The works were physically verified.

Subhead 12003 - Buildings (Health)

1272. The sum of \$11.5M was allocated for (a) the rehabilitation of R8 and M35 buildings at Madhia and (b) the construction of health posts at Kaibarupai, Monkey Mountain and Kanapang. Amounts totalling \$11.447M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
Rehabilitation of building at Madhia	\$ 1,947,722
Construction of health post at Kaibarupai	3,199,804
" " " " " Monkey Mountain	3,099,804
" " " " " Kanapang	3,199,804

TOTAL	11,447,134 =====

1273. Physical verification of the rehabilitation works at Madhia revealed faulty guttering and plumbing. The other works could not have been physically verified because of the inaccessibility of the area.

Subhead 24001 - Land and Water Transport

1274. The sum of \$10M was voted for the purchase of one(1) tractor and trailer, horses and saddles and one(1) motor vehicle. Amounts totalling \$9.158M were expended in the purchase of the following:-

DESCRIPTION	AMOUNT
-----	-----
	\$
One(1) tractor & trailor	4,732,000
Seven(7) horses	200,000
One(1) landrover	4,216,000

TOTAL	9,148,000
	=====

1275. Physical verification revealed that the trailer was not operational since it was bought in October 1997. The trailer had to be disassembled in order to transport it to Kato and had not yet been reassembled. In respect of the horses which were not seen, it was explained that they were untamed. The Region was therefore not having beneficial use of these animals. The landrover and tractor were, however, verified as having been received and properly brought to account.

Subhead 25001 - Furniture and Equipment (Education)

1276. The sum of \$5M was allocated for the purchase of furniture and equipment for nursery and primary schools. Amounts totalling \$4.990M were expended. The items purchased were verified as having been received by the Regional Administration.

Subhead 25002 - Furniture (Staff Quarters)

1277. The sum of \$1M was allocated for the purchase of furniture for Government quarters. The full amount was expended. The items purchased were verified as having been received and properly brought to account.

Subhead 25003 - Equipment and Furniture (Administration)

1278. The sum of \$1M was voted for the purchase of equipment and furniture for the Regional Administrative Office. Amounts totalling \$962,000 were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 26004 - Other Equipment

1279. The sum of \$3M was provided for the purchase of radio transmitting sets and solar panels for the Region. Amounts totalling \$2.996M were expended. The items purchased were verified as having been received and properly brought to account.

HEADS 14-35 TO 14-38 & DIVISION 539

REGION 9 - UPPER TAKATU/UPPER ESSEQUIBO

Current Expenditure

Employment Costs

1280. The two(2) salaries bank account Nos. 695 and 696, which became non-operational in February 1997, were last reconciled to June 1985. The failure to reconcile bank accounts can lead to irregularities being perpetrated without detection. In addition, Account No. 695 was overdrawn by \$885,405 as at 31 December 1997. Efforts should be made to investigate the reason(s) for the overdraft with a view to clearing it and to close these accounts.

1281. The two(2) new bank account Nos. 3125 and 3126, which became operational in January 1997, were not reconciled since they were established. In addition, both accounts were overdrawn on numerous occasions and as 31 December 1997 Account No. 3126 reflected an overdraft of \$324,075 while Account No. 3125 reflected a large balance of \$16.711M as at this date.

1282. Amounts totalling \$807,639 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

1283. Amounts totalling \$4.626M were expended under Materials, Equipment & Supplies. However, the purchases were subject to storekeeping procedures and were charged to immediate use. Further analysis revealed that amounts totalling \$18.684M were shown as purchases under the various subheads and which have not be subject to storekeeping procedures. The storekeeper also 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.

1284. Amounts totalling \$10.131M were expended on fuel and lubricants. However, internal stores requisitions for the period January to June 1997 were not produced for audit examination. In the circumstances, the proper utilisation of the fuel and lubricants could not be determined.

1285. A large quantity of dieselene was on hand at the time of inspection in July 1998. However, the tank was not calibrated nor was there any calibrated dip stick to ascertain the actual quantity of fuel. In addition, in the absence of stock records, it could not be determined whether all the dieselene purchased were properly accounted for. These matters were drawn to attention in my previous reports.

1286. 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.

1287. In relation to Subhead 311 - Subventions to Local Authorities, the sum of \$1M was paid to the Ireng-Sawaruwau Neighbourhood Democratic Council. This entity is required to prepare annual financial statements and to submit them for audit. Financial statements for the 1994 to 1997 were received and at the time of reporting, the audit was in progress. The amount of \$1M was verified as having been received by the NDC.

Stores and Other Public Property

1288. 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 was disappointing to note that no attempt was made to reconstruct and update the inventory records, a situation which continued in 1997. 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 again recommended that a comprehensive survey be carried out of all assets under the control of Region with a view to inventorising such assets.

Other Matters

1289. The imprest bank account No. 697 was last reconciled to June 1985 and was overdrawn by \$272,848 as at 31 December 1997, compared with an overdraft of \$742,111 as at 31 December 1996.

1290. 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

1291. The sum of \$6M was voted for the rehabilitation of Little Saurab and Perara bridges and the construction of a bridge at Midway. Amounts totalling \$5.895MM were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of Little Saurab Bridge	120,253
Construction of bridge at Manari	2,224,382
" " " " Long Road Creek	240,479
" " " " Sari-Sari Creek	240,479
" " " " Small Mora Creek	121,100
" " " " Perumouca Creek	775,511
" " " " Big Mora Creek	148,709
" " " " Chidiwau Creek	160,000
" " " " Amatawau Creek	180,228
Completion of bridge at Araquai Creek	1,486,946
Miscellaneous	196,500

TOTAL	5,894,589 =====

1292. The Little Saurab Bridge was rehabilitated at a cost \$774,528. However, as can be noted, an amount of only \$120,253 was charged to this subhead. The difference of \$654,273 was charged to current expenditure. This represents a misallocation of expenditure, and had the correct charge been made, the voted provision under this subhead would have been exceeded. The work was nevertheless physically verified.

1293. Although no expenditure was shown to have been incurred under this subhead in respect of the Perara bridge, the bridge was in fact rehabilitated at a cost of \$3.322M. Of this sum, an amount of \$335,653 was charged to current expenditure while the difference of \$2.987M was charged to the Mabura/Lethem Road under the capital programme of the Ministry of Works i.e. Division 520 - Subhead 14001. This is further evidence of misallocation of expenditure and manipulation of the budgetary allocations. The work was nevertheless physically verified.

1294. A similar observation was made in respect of the bridge at Midway which was constructed at a cost \$414,122 and charged to current expenditure. However, because of the remoteness of the area, no physical verification could have been carried out.

1295. In respect of the other works for which expenditure totalling \$5.578M has been incurred under this subhead, there was no evidence that approval was granted for a change in programme to undertake the works. In addition, a similar observation was made relating to misallocation of expenditure in that amounts totalling \$120,255 and \$5.846M were charged to current expenditure and Division 520 - Subhead 14001 respectively. Therefore, the actual expenditure incurred in relation to the unauthorised works amounted to \$11.544M.

1296. The contract for the construction of the bridge at Araquai Creek was awarded in 1996 in the sum of \$1.856M. There was, however, a variation of \$707,773 for revetment works, giving a total cost of \$2.563M. Except for the bridges at Long Road Creek, Small Mora Creek, Big Mora Creek and Perumouca Creek, the works were physically verified.

Subhead 12001 - Buildings (Education)

1297. The sum of \$15M was allocated for (a) the rehabilitation of Achiwib, Rupunau, Surama, and Taushida primary schools (b) the construction of secondary school at Aishalton and (c) the rehabilitation of Teachers' Training Centre at Lethem and junior secondary school at Annai. Amounts totalling \$12.980M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
Rehabilitation of Achiwib Primary School	\$ 552,860
" " Rupunau " "	552,860
Construction of Aishalton Secondary School	884,712
Rehabilitation of Annai Secondary School	1,392,680
Completion of Awarewanau Primary School	270,970
Purchases of building material	7,506,614
Transportation	1,138,000

TOTAL	12,979,802 =====

Except for the Aishalton Secondary School, the works were not

physically verified because of the remoteness of the area.

Subhead 12002 - Buildings (Health)

1298. The sum of \$1.6M was allocated for the construction of health centres at Annai and Rewa, of which amounts totalling \$1.343M were expended in the construction of a health centre at Karasabai. However, there was no evidence that approval was granted for a change in programme to accommodate this expenditure nor was a satisfactory explanation obtained why the programmed works were not undertaken. Because of the remoteness of the area, the work could not have been physically verified.

Subhead 12003 - Buildings (Administration)

1299. The sum of \$4.3M was voted for the construction of the Regional Accounting Unit and the rehabilitation of mechanic quarters and regional workshop. Amounts totalling \$4.287M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Construction of Regional Accounting Unit	1,039,428
Rehabilitation of mechanic quarters	193,150
" " regional workshop	828,500
Purchases of building material	2,225,422

TOTAL	4,286,500 =====

1300. The following seven(7) contracts were awarded to three(3) individuals for the construction of the Regional Accounting Unit:-

DATE ----	CONTRACT NO. -----	DESCRIPTION -----	AMOUNT -----
			\$
09/06	34/97	Repairs to RAU building	138,080
08/07	48/97	Extension of RAU building	178,442
08/07	49/97	Plastering & painting	175,000
05/11	111/97	Repairs to back section of RAU building	179,975
17/12	152/97	Fabricating steel grills	121,200
31/12	179/12	" " "	151,200

31/12	180/97	"	"	"	46,200

TOTAL					990,097
					=====

1301. These contracts were awarded on the sole authority of the Accounting Officer, and it is evident that the construction work was undertaken in a piecemeal manner to avoid a system of quotations being followed. In addition, had the construction been undertaken in one lot, this would have required a public invitation to tender and adjudication by the Regional Tender Board. The work was nevertheless physically verified.

Subhead 14001 - Roads

1302. The sum of \$12M was allocated for the construction of Lethem to Moco Moco, Lethem to Dadanawa and Lethem to Karasabai roads. Amounts totalling \$11.138M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
Construction of Lethem/Moco Moco Road	\$ 3,750,000
" " Toka Road to Toka Mountain	4,000,000
Purchases of building material	3,328,112
Miscellaneous	60,000

TOTAL	11,138,112
	=====

1303. As can be noted, no work was done on the Lethem/Dadanawa and the Lethem/Karasabai roads and for which a satisfactory explanation was not obtained. In addition, there was no evidence that approval was granted for a change in programme to accommodate the expenditure on the Toka Road as well as on the purchase of building materials. The works were nevertheless physically verified. However, in the absence of stock records, the proper verification of the purchases could not have been undertaken.

Subhead 17001 - Agricultural Development

1304. The sum of \$1M was allocated for the purchase of two(2) motor cycles for extension officers, of which amounts totalling \$960,000 were expended. In addition, an axle for trailer was acquired in the sum of \$186,000 and for which approval was granted for a change in programme to accommodate the expenditure. The items were verified as having been received but were, however, not inventorised.

Subhead 24001 - Land Transport

1305. The sum of \$1.5M was voted for the final payment on tractor and the purchase of two(2) motor cycles, of which amounts totalling \$1.483M were expended. In addition, an engine for the truck which was acquired in 1996, was bought for \$326,000 and for which approval was granted for a change in programme to accommodate the expenditure.

1306. At the time of inspection in August 1998, the truck was still not operational although for the period under review amounts totalling \$5.190M were expended on the hire of trucks. In addition, supporting documents were not seen for the purchase of the engine nor were the whereabouts of the engine, which was replaced, known.

Subhead 24002 - Water Transport

1307. The sum of \$600,000 was provided for the purchase of four(4) wooden boats. Amounts totalling \$587,000 were expended in the purchase of five(5) boats and an outboard engine. The items were verified as having been received but were, however, not inventorised.

Subhead 25003 - Furniture & Equipment

1308. The sum of \$800,000 was allocated for the purchase of furniture and equipment for the administration, education and health departments. The full amount was expended. The items were verified as having been received but were, however, not inventorised.

Subhead 26003 - Power Extension

1309. In 1996, 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, and at the time of inspection in 1997 the power plant remained non-operational, resulting in residents at Lethem being without electricity.

1310. For the period under review, the sum of \$3.5M was allocated for the purchase of poles, power lines and transformers for Lethem and neighbouring areas. Amounts totalling \$3.372M were expended. The items purchased were verified as having been received and at the time of inspection, the power plant was operational.

HEADS 14-39 TO 14-42 AND DIVISION 540

REGION 10 - UPPER DEMERARA/BERBICE

Current Expenditure

Employment Costs

1311. The salaries bank account Nos. 802 and 861, which became non-operational in June 1996, were overdrawn by \$289,305 and \$5.466M respectively as at 31 December 1997. Another non-operational account No. 804 reflected a large balance of \$3.053M as at the same date. Efforts should be made to investigate the overdrafts and to close these accounts.

1312. The two(2) new salaries account Nos. 3092 and 3094, which reflected balances of \$5.515M and \$433,977 respectively, were not reconciled since they were established in July 1996. The failure to reconcile bank accounts can lead to irregularities being perpetrated without detection. Both accounts were also overdrawn on numerous occasions during the year.

1313. Thirteen(13) cheques valued at \$175,729 and representing salary deductions for 1997 were still on hand at the time of inspection in August 1998. These deductions should be paid over to the relevant agencies as early as possible.

Other Charges

1314. Amounts totalling \$3.981M were expended on the purchase of fuel and lubricants. However, out of a total of seventeen(17) vehicles and equipment for which log books were required to be maintained, log books were presented in respect only four(4) vehicles. In the circumstances, it could not be determined whether effective control was exercised over the use of these vehicles and equipment.

1315. Amounts totalling \$608,809 were expended on electricity charges. However, an electricity charges register to record the meters, their locations and their relevant charges was not maintained, and information on billings was inadequate. In the absence of this record, a proper examination of this expenditure could not therefore have been carried out.

Other Matters

1316. Both the current and previous imprest bank account Nos. 3093 and 803 were overdrawn by \$177,153 and \$995,561 respectively as at 31 December 1997 and were not reconciled for the period under review. Efforts should be made to investigate the reason(s) for the overdrafts with a view to clearing them.

1317. It should be pointed out that the main purpose of 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 this objective was not being achieved since the new accounts were not being reconciled and were not monitored to avoid overdraft situations. This can lead to serious irregularities being perpetrated without detection.

Capital Expenditure

Subhead 12001 - Buildings (Administration)

1318. The sum of \$8M was voted for the construction of the Amerindian hostel at Linden. Amounts totalling \$5.495M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Construction of hostel at Linden	4,865,568
Installation of A/C units at RDC Office	103,895
Plumbing work at RDC Office	141,895
Consultancy services	323,455
Miscellaneous	59,705

TOTAL	5,494,518 =====

1319. The contract for the construction of the hostel was awarded to the second lowest tender in the sum of \$6.007M on the grounds that it was within 10% of the Engineer's Estimate of \$5.990M. The lowest bid was \$4.677M. In addition, there was a variation of \$421,204 relating to the ceiling of roof, giving a revised contract sum of \$6.427M. As can be noted, amounts totalling \$4.866M were expended and at the time of inspection in July 1998, work was still in progress.

1320. In relation to the installation of air conditioning units and plumbing work at the RDC Office, there was no evidence that approval was granted for a change in programme to accommodate the expenditure. The works were nevertheless physically verified.

Subhead 12002 - Buildings (Education)

1321. The sum of \$32M was allocated for the construction of teachers' hostel at Linden, students' hostel at Kwakwani and nursery school at Canvas City. Amounts totalling \$19.999M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Construction of Teachers' Hostel	10,608,506
" " Students' Hostel	4,838,100
" " Nurses' School	4,169,399
Consultancy services	309,806
Miscellaneous	73,470

TOTAL	19,999,281
	=====

1322. The contract for the construction of the Teachers' Hostel was awarded in the sum of \$18.301M. However, the basis for the award could not be determined as most of the records of the Central Tender Board were reportedly destroyed as a result of the fire at the Ministry of Finance. At the time of inspection in July 1998, work on the hostel was still in progress.

1323. The contract for the construction of the Students' Hostel at Kwakwani was awarded in the sum of \$7.994M, and amounts totalling \$4.838M were expended in 1997. Provision was made in the 1998 Estimates for the continuation of the works and at the time of inspection in August 1998, amounts totalling \$6.702M were expended. The work was, however, substantially incomplete although 84% of the contract sum was paid to the contractor.

Subhead 12003 - Buildings (Health)

1324. The sum of \$22M was voted for (a) the construction of One mile Health Centre (b) construction of health post at Kumaka and (c) the rehabilitation of the Upper Demerara Hospital. Amounts totalling \$18.5M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Construction of One Mile Health Centre	13,924,993
Construction of health post at Kumaka	4,202,879
Consultancy services	363,359
Miscellaneous	8,300

TOTAL	18,499,531
	=====

1325. The contract for the construction of the One Mile Health Centre was awarded in the sum of \$17.557M and at the end 1997 amounts totalling \$13.925M were expended. During 1998 there was a variation of \$1.785M, giving a revised cost of \$19.342M. At the time of inspection, work was still in progress.

1326. The contract for the construction of the health post at Kumaka was awarded to the second lowest bidder in sum of \$3.893M without any reasons being stated why the lowest bid of \$3.644M was not considered. The Engineer's Estimate was \$4.456M. In addition, there was a variation of \$310,000 relating to concrete work to the entrance. Physical verification of the works, however, revealed that the contractor was overpaid by \$227,572 for supplying lesser amounts of protective mesh, rubber tiles and other items. This matter was drawn to the attention of the Accounting Officer.

Subhead 14001 - Roads

1327. The sum of \$30M was allocated for the rehabilitation of critical sections of the Rockstone/Suribana Road, of which amounts totalling \$15M were expended as follows:-

DESCRIPTION -----	AMOUNT -----
	\$
Rehabilitation of Rockstone/Suribana Road	11,824,494
Roadway clearing of land at Amelia's Ward	1,000,000
Consultancy services	2,151,687
Miscellaneous	23,600

TOTAL	14,999,781 =====

1328. The contract for the rehabilitation of Rockstone/Suribana Road was awarded in the sum of \$28.977M and at the end of 1997 amounts totalling \$11.824M were expended. The continuation of the rehabilitation was rebudgeted for in 1998 and at the time of inspection in August 1998 amounts totalling \$26.078M were expended. However, physical inspection as well as discussions with residents revealed that four(4) sections of the road were almost impassible although the road was completed only two(2) months prior to the inspection.

1329. The contract for the roadway clearing at Amelia's Ward was awarded in the sum of \$3.425M. However, there was no evidence that approval was granted for a change in programme to accommodate the expenditure of \$1M incurred during 1997. In addition, although there is no provision in the 1998 Estimates of Expenditure for the continuation of the works, the roadway clearing continued and amounts totalling \$1.5M were paid in 1998 at the time of inspection and charged to this subhead. The works were nevertheless physically verified.

Subhead 19001 - Infrastructure Development

1330. The sum of \$10M was voted for (a) the rehabilitation of the Ituni/Tacama Road and (b) the installation of water and

electricity at DeVeldt, Wiruni and Ida Sabina. Amounts totalling \$9.384M were expended as follows:-

DESCRIPTION	AMOUNT
-----	-----
	\$
Rehab. of water & electricity at DeVeldt	3,340,834
" " " " " " Ida Sabina	1,490,600
Purchase of three(3) generators	4,000,000
Consultancy services	552,087

TOTAL	9,383,521
	=====

1331. As can be noted, no expenditure was incurred on the rehabilitation of the Ituni/Tacama Road nor was any work undertaken in respect of the installation of water and electricity at Wiruni. These works were re-programmed to be undertaken in 1998.

1332. The contract for the rehabilitation of the water and electricity facility at DeVeldt was awarded in the sum of \$2.922M. However, there was a variation of \$419,110, giving a revised contract sum of \$3.341M. The works were physically verified.

1333. The contract for the rehabilitation of the water and electricity facility at Ida Subina was awarded in the sum of \$1.401M. However, there was a variation of \$89,205. The works were also physically verified and the three(3) generators purchased were installed at DeVeldt, Waruni and Ida Subina Health Centres.

1334. In my 1996 Report, it was stated that the contract for the rehabilitation of the West Watooka Road was initially awarded in 1995 in the sum of \$3.662M and that the basis of award was the subject of adverse comments in my 1995 Report. In addition, at the end of 1995 payments totalling \$4.944M were made to the contractor, and therefore there was an excess payment of \$1.282M on the contract sum. A variation of \$5.333M was, however, approved by the Regional Finance Committee on 2 February 1996, resulting in a revised contract sum of \$8.995M. Therefore, total payments on this contract to the end of 1996 amounted to \$8.408M, leaving an outstanding balance of \$587,671. Up to the time of reporting, there was no evidence that the latter amount was not paid to the contractor.

Subhead 21003 - Land and Water Transport

1335. The sum of \$8M was allocated for the purchase of one(1) four wheel drive ambulance, two(2) motor cycles, four(4) boats and three(3) outboard engines. Amounts totalling \$7.024M were expended in the purchase of the following:-

DESCRIPTION	AMOUNT
-----	-----
	\$
One(1) four wheel drive ambulance	5,479,170
One(1) motor cycle	350,000
Three(3) wooden boats	315,000
Two(2) outboard engines	880,000

TOTAL	7,020,170
	=====

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

Subhead 25001 - Furniture and Equipment (Education)

1336. The sum of \$3.2M was voted for the purchases of furniture for schools, hostels and offices of which amounts totalling \$3.194M were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 25003 - Furniture and Equipment (Health)

1337. The sum of \$3M was allocated for the purchase of furniture and equipment for health centres and maternal and child care departments. Amounts totalling \$2.996M were expended. The items purchased were verified as having been received and properly brought to account.

Subhead 25021 - Furniture & Equipment (Administration)

1338. The sum of \$1.5M was voted for the purchase of furniture and equipment, including photocopiers, fax machine and radio sets, for offices and officers' quarters. The full amount was expended. The items purchased were verified as having been received and properly brought to account.

Subhead 26001 - Equipment (Agriculture)

1339. The sum \$300,000 was allocated for the purchase of furniture and equipment for the Lands and Surveys Department. The full amount was expended. The items purchased were verified as having been received and properly brought to account.

Subhead 28001 - Water Supply

1340. The sum of \$40M was voted the supply of water to the Linden community by the Linden Water Authority. Amounts totalling \$54.5M were shown as having been expended, resulting in an excess expenditure of \$14.5M. This excess was met from an advance from the Contingencies Fund.

1341. The Linden Mining Enterprise Ltd. is subject to separate financial reporting. The last set of audited accounts was in respect of 1996 and at the time of reporting the audit of the 1997 accounts was in progress. The amount of \$54.5M was verified as having been received by LINMINE.

OTHER ENTITIES

Audits of Public Enterprises

1342. 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. As a result of this amendment, the auditing of some fifty(50) additional entities has become my responsibility.

1343. 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.

1344. It should be emphasised that this provision is meant to be applied only in exceptional circumstances. However, because of the depleted staffing situation in the Audit Office, attributable mainly to the level of salaries offered, the contracting out arrangements have become more of a norm rather than an exception in that the audits of most of the public corporations and a number of other entities are undertaken by Chartered Accountants in public practice.

1345. This state of affairs is indeed unfortunate in that it is 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 to be somewhat costly, and several entities in the past have expressed concern about the level of fees charged.

1346. Under a technical assistance programme funded by the Inter American Development Bank, draft legislation was prepared and submitted to the Government in 1994 aimed mainly at delinking the Audit Office from the Public Service and providing it with the flexibility to recruit and remunerate staff at competitive salaries. However, up to the time of reporting, no response was received, despite the lapse of some three(3) years.

1347. It should be noted that to the extent that mechanisms are not put in place to ensure that I am provided with a full complement of suitably qualified and trained personnel, the Audit Office is likely to continue to suffer from some measure of loss of efficiency in and quality of its work. Already, the Audit Office is hard-pressed to justify to international financial institutions that it has the capacity to undertake audits of Government projects financed by them. In fact, the audit of the World Bank funded Secondary School Reform Project (SSRP) is currently being undertaken by a private auditing firm without the involvement of the Audit Office.

1348. As an interim measure, I had 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, the extent to which the services of Chartered Accountants in public practice are needed will be minimised.

1349. In support of my proposal, I had submitted a comparative cost analysis, which analysis showed that the Government was likely to effect significant savings if the Audit Office were to directly undertake such audits. The Government did give the assurance that once the proposed Revenue Authority became operational, the Audit Office's salary structure would be brought in line with that of the Authority. However, up to the time of reporting, the relevant order to operationalise the Authority had not yet been issued.

1350. While the contracting out arrangements have worked well in the past, only three(3) chartered accounting firms are now rendering audit services on my behalf, two(2) of which are considered relatively small. As a result, I found it necessary to recommend to the Minister of Finance an amendment by order to the Schedule of the Financial Administration and Audit (Amendment Act) of 1993 to extend the period of rotation of auditing firms from four(4) years to eight(8) years. This amendment took effect from 29 April 1998.

1351. I am of the view that in the longer term Audit Office will have to develop its own capacity to render a direct audit service to public corporations and other similar entities, rather than relying on Chartered Accountants in public practice to do so. Of particular importance also is the fact that the Audit Office has a number of suitably qualified, trained and experience officers who have become highly marketable. Unless some way is found to ensure that they remain in the Audit

Office, their departure will significantly weaken it.

1352. It is against this background that I proposed to the Government in July of this year, the creation of a Public Enterprises Division within the Audit Office to render a direct audit service to public corporations and other similar entities. The intention is not to exclude Chartered Accountants in public practice but to take into the realities of the situation. I estimate that with a staffing of twenty-five(25) competent and capable officers, 75% of the audits currently being contracted out can be undertaken by the Audit Office.

1353. An important aspect of this proposed "partial corporatisation" is for the Audit Office to operate in a self-financing way as it relates to the auditing of public enterprises. The fees charged will be used either directly or indirectly to meet the cost operations. In addition, officers will be recruited on a contract basis and competitive salaries will be offered. This is necessary to ensure that a businesslike approach is adopted, a high quality of service is rendered and audits are completed in a timely and expeditious manner.

1354. In the final analysis, however, the ultimate solution to the problems faced by the Audit Office is for it to be given the much needed autonomy and flexibility to manage its affairs, subject to appropriate safeguards. The draft legislation now before the Government for the past three(3) years precisely seeks to ensure that this is so.

1355. For the period under review, twenty-four(24) audits have been finalised under the contracting out arrangements at a total cost of \$35.892M. The following are the details:-

NAME OF ENTITY	YEAR OF ACCOUNTS	FEES & RELATED COSTS	TYPE OF OPINION
-----	-----	-----	-----
		\$'000	
Bauxite Industry Dev. Co.	1993	508	Unqualified
Bauxite Industry Dev. Co.	1994	590	Qualified
University of Guyana	1996	950	-do-
Guyana National Engineering Corp.	1995	1,000	-do-
Surpana Agri.& Allied Serv. Ltd.	1993	109	Disclaimer
Guyana Electricity Corporation	1994	2,800	Qualified
Berbice Mining Enterprise Ltd.	1994	3,260	-do-
Guyana Pharmaceutical Corp.	1996	1,500	Disclaimer
GNCB Trust Corporation	1995	475	Unqualified
Guyana Broadcasting Corporation	1996	400	Qualified
Guyana National Shipping Corp.	1996	850	-do-
Guyana Stockfeeds Ltd.	1996	1,050	Unqualified
Guyana National Newspapers Ltd.	1996	933	-do-
GRMMA	1993	200	Disclaimer
GRMMA	1994	550	-do-
Guyana Stores Limited	1996	2,223	Unqualified
Guyana Oil Co. Ltd.	1996	1,700	Qualified
Sanata Textiles Ltd.	1993	1,039	Disclaimer
Guyana Rice Dev. Board	1995	1,315	Unqualified
Guyana National Co-operative Bank	1995	4,250	Qualified
Linden Mining Enterprise	1994	3,681	Disclaimer
Linden Mining Enterprise	1995	3,681	-do-
Guyana Coop. Insurance Service	1996	828	Unqualified
GAIBANK	1995	2,000	-do-

TOTAL COST		35,892	
		=====	

1356. An important aspect of the Amendment Act of 1993 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 again 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.

1357. Apart from the legal requirement, it appears inconsistent for Central Government agencies to subject themselves to the rigours of Parliamentary scrutiny of their performance and financial standing while other agencies of the State do not do so. Indeed, the principles and practices of public accountability should dictate that all organs of the State should subject themselves to this 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.

1358. 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. Such a situation should not be condoned since it does not auger well for public accountability.

1359. In addition, as can be noted from the above table, seven(7) of the twenty-four(24) reports issued were disclaimers of opinion reflecting uncertainties of a fundamental nature in relation to amounts shown in the respective financial statements. Nine(9) 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

1360. 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(4) 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.

1361. 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.

1362. In relation to the Town Councils, there was no change with regard to state of financial reporting as previously reported as can be seen from the following:-

NAME OF ENTITY -----	YEAR LAST AUDITED -----	SUBVENTION IN 1997 ----- \$'000
Georgetown City Council	1986	16,000
Anna Regina Town Council	1993	7,000
Corriverton Town Council	1982	6,000
Linden Town Council	1984	9,000
New Amsterdam Town Council	1983	10,000
Rose Hall Town Council	1981	7,000

1363. Prior to September 1994, there were seventeen(17) district councils and thirty-four(34) village and country councils. Most of these entities were significantly arrears in terms of financial reporting, as reported on in my 1996 Report.

1484. In September 1994, the local government system was reorganised and one hundred and ten(110) neighbourhood democratic councils (NDC's) were established as successor organisations to the district councils and village and country councils. Of these, only ten(10) have had some form of financial reporting since they were established although for the period under review sixty-five(65) NDC's received subventions from Central Government of \$5M each.

Audits of Statutory Bodies

1364. I am also the External Auditor of some fifty(50) statutory bodies. Many of these entities are in receipt of large amounts of Government subvention, yet it is disheartening again to report that several of them continued to significantly in arrears in terms of financial reporting, and hence

accountability for their results of operation and financial position.

1365. 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
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Central Housing & Planning Authority	1990
GAHEF	
1988 Guyana Forestry Commission	
1989 Guyana Geology and Mines Commission	
1993 Guyana Management Institute	
1989	
Guyana National Energy Authority	1984
Guyana School of Agriculture	1993
IAST	1982
NARI	1993
NDDP	1987
National Library	
1991 National Museum	
not known National Science Research Council	
1982	
State Planning Secretariat	1991
Sugar Industry Labour Welfare Fund	1990

1366. It is also a legal requirement for all statutory bodies to have their audited accounts laid in the National Assembly, and although forty-nine (49) such audits have been finalised in 1997, there was no evidence that such audited accounts were presented to the National Assembly.

Audits of Trade Unions

1367. 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.

1368. Although some Unions have been making efforts to have their accounts audited, others were in severe arrearage, and for the period under review, only ten(10) such audits have been finalised.

1369. 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

1370. 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.

1371. For the period under review, it is with some degree of satisfaction that I should report that the Audit Office concluded fifty-one(51) audits of foreign funded projects. The following are the details:-

DESCRIPTION -----	YEAR OF ACCOUNTS -----
INTER AMERICAN DEVELOPMENT BANK	
1. Road Maintenance & Rehab. Prog.	1996
2. Agri. Sector Hybrid Programme	1996
3. Financial Sector Programme	1996
4. Health Care II Project	1996
5. Strengthening of Min. of Health	1996
6. SIMAP	1996
7. Primary Education Improvement Prog.	1996
8. Main Road Rehabilitation Project	1996
9. Primary Education Improvement Prog.	1996
10. Loans 536 & 465 SF-GY	1996

11. Export Line of Credit Facility	1996
12. Industrial Reactivation Programme	1995
13. Remedial Maintenance Project for Georgetown Sewerage and Water Supply	1996

DESCRIPTION	YEAR OF ACCOUNTS
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UNITED NATIONS DEVELOPMENT PROGRAMME

1. Advisory Services to the Presidential Secretariat on Administration Matters	1992
2. Technical Cooperation among Developing Countries	1996
3. Transfer of Knowledge Through Expatriate Nationals	1996
4. Squatter Settlements and Depressed Areas Upgrading	1995
5. Strengthening of National Execution Capacity	1996
6. Prog. Mission for the Fifth Cycle Country Project	1996
7. Guyana National Bureau of Standards Project	1996
8. Macro-Economic Management Prog. Co-ord. Project	1996
9. Strengthening National Capacity for the Executions and Implementation of Development Projects	1996
10. Election Information System Prog.	1996
11. Squatter Settlements and Depressed Areas Upgrading	1996
12. Sustainable Human Development Initiative in Guyana	1996
13. Resource Mobilisation for Economic Recovery Prog.	1996
14. Support to National Tender Board	1996
15. SIMAP Institutional Strengthening & Targeting of Vulnerable Groups	1996
16. Iwokrama Rain Forest Programme	1996
17. Strengthening of the Guyana Elections Commission	1996
18. Assistance to Guyana Elections Commission Project	1995
19. Assistance to Guyana Elections Commission Project	1996
20. Environmental Protection Agency in Guyana	1996
21. United Nations World Food Programme	1995
22. United Nations World Food Programme	1996

INTERNATIONAL DEVELOPMENT ASSOCIATION

1. Public Administration Project	1995
2. Public Administration Project	1996
3. Sugar Industry Restructuring & Privatisation Proj.	1994
4. Sugar Industry Restructuring & Privatisation Proj.	1995
5. Sugar Industry Restructuring & Privatisation Proj.	1996
6. Sugar Industry Restructuring & Priv. Proj.	1/1/97-13/3/97
7. Financial Sector and Business Environment Proj.	1996
8. Secondary School Reform Project	1996
9. Secondary Towns Development Project	1996
10. Guyana National Protected Areas System	1995
11. Guyana National Protected Areas System	1996
12. Infrastructure Rehabilitation Project	1996

DESCRIPTION -----	YEAR OF ACCOUNTS -----
EUROPEAN UNION	
1. Small Business Credit Initiative	1996
CANADIAN INTERNATIONAL DEVELOPMENT AGENCY	
1. Forestry Sector Project	1995
2. Forestry Sector Project	1995
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT	
1. East Bank Essequibo Development Project	1996

ACKNOWLEDGEMENTS

1372. 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.

1373. 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.

