31 December 2004

Hon. Ralph Ramkarran, S.C., M.P.,
Speaker of the National Assembly
Public Buildings,
Avenue of the Republic,
Georgetown.

Dear Mr. Speaker,

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 2003

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 2003.

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 best regards.

Yours sincerely,

A. GOOLSARRAN
AUDITOR GENERAL

REPORT OF THE AUDITOR GENERAL ON THE PUBLIC ACCOUNTS OF GUYANA AND ON THE ACCOUNTS OF THE MINISTRIES, DEPARTMENTS AND REGIONS FOR THE FISCAL YEAR ENDED 31 DECEMBER 2003

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ON THE PUBLIC ACCOUNTS OF GUYANA AND ON THE
ACCOUNTS OF MINISTRIES, DEPARTMENTS AND REGIONS
FOR THE FISCAL YEAR ENDED 31 DECEMBER 2003

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 2003, as set out in pages 2/1 to 2/223. 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 and guidelines, including those of the International Organisation of Supreme Audit Institutions (INTOSAI) and the various funding agencies. Those standards and guidelines 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 Based on Limitation in Scope

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 Statement of Outstanding Loans and Advances made from the Consolidated Fund;

- 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 2003. However, because of the significance of the comments as contained in the relevant sections of my report relating to the following statements, I am unable to form an opinion whether they properly present their respective state of affairs as at 31 December 2003.

- The Balances held on Deposit by the Accountant General and Outstanding Advances made in pursuance of Section 23 of the Act; and

- The Statement of Current Assets and Liabilities of the Government.

S. A. GOOLSARRAN
AUDITOR GENERAL

31 December 2004

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 2003

EXECUTIVE SUMMARY

Financial Performance

1. For the period under review, current expenditure exceeded current revenue by $5.999 billion. This performance did not compare favourably with that of 2002 where a surplus of $2.180 billion was recorded. This deficit resulted mainly from a combination of the following:

- an increase in current expenditure (excluding the repayment and servicing of the Public Debt) of $11.796 billion or 33.58% from $35.128 billion to $46.924 billion;

- a decrease of $2.109 billion in the repayment and servicing of the Public Debt from $9.899 billion to $7.790 billion;

- an increase of $1.507 billion in current revenue from $47.207 billion to $48.714 billion.

2. The collection of current revenue in 2003 exceeded projected levels by 5.84%, compared with excesses of 7.68%, and 0.55% in 2002 and 2001 respectively. Capital revenue, on the other hand**,** comprising mainly proceeds from external grants and loans, fell short of projected levels by 4.06%, compared with shortfalls of 49.94% and 45.20% in 2002 and 2001 respectively. Compared with 2002, capital revenue, however, increased by $8.554 billion or 76.49%.

3. Capital expenditure has increased by $3.753 billion or 22.26%, compared with a decrease of $1.357 billion or 7.45% in 2002. Compared with the Revised Estimates, there has been a shortfall of $9.688 billion or 31.97%. A similar shortfall of $5.935 billion or 26.04% was noted in 2002.

The Public Debt

4. 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$334.929 billion as at 31 December 2003, the external portion accounting for G$218.386 billion. In equivalent United States dollars, the external portion of the Public Debt was US$1.127 billion.

5. Compared with 2002, the Public Debt has increased by G$19.217 billion, the external portion accounting for G$6.566 billion. In terms of US dollars, the external debt increased by US$20M. The internal debt has increased by G$750M from G$103.141 billion to G$12.652 billion. Expressed as a factor of current revenue, the Public Debt at the end of 2003 was 6.88 times current revenue, compared with a factor of 6.69 at the end of 2002.

6. Expressed as a percentage of current revenue, the repayment and servicing of the Public Debt in 2003 represented 16% of current revenue, compared with 20.97% in 2002.

The Cash Position of the Government

7. The Consolidated Fund was overdrawn by $44.435 billion as at 31 December 2003, compared with an overdraft of $45.455 billion at the end of 2002. This state of affairs was mainly due to the failure to reconcile the various Government bank accounts and to pay over sums due to the Fund. Notwithstanding the overdraft on the Consolidated Fund, the total sum 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 $14.292 billion compared with $15.523 billion at the end of 2002. In the absence of the reconciliation of the vast majority of the Government's bank accounts, the positive balance of $14.292 billion represents the best available estimate of the cash position of the Government as at 31 December 2003.

8. According to the audited accounts of Bank of Guyana for 2003, the total amount held in special accounts on behalf of the Government as at 31 December 2003 was $21.388 billion. Of this amount, sums totalling $18 billion relate to funds that appear to be transferable to the Consolidated Fund. Taking this into account, the cash position of the Government would increase to $32.292 billion.

9. The majority of bank accounts under the control of Ministries, Departments and Regions had not been reconciled for a considerable period of time. Some of them continued to be overdrawn by significant amounts. This state of affairs is indeed regrettable because on a number of occasions, new bank accounts were opened to start from a clean position with the specific understanding that bank accounts would be reconciled within thirty days of the close of the month. It should be mentioned that several alleged fraudulent transactions were uncovered over the years, facilitated by the failure to reconcile the related bank accounts.

Inadequacy of Staffing and the Absence of Internal Audits

10. The inadequacy of staffing at the various Ministries/Departments/Regions, the lack of suitably qualified and trained personnel and the absence of internal audit departments in large ministries continued to militate 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.

Key Findings Relating to Ministries/Departments/Regions

11. Despite comments in my previous reports, several Ministries/Departments/Regions continued to be in significant arrears in the reconciliation of their bank accounts. In addition, under the new integrated financial management system, these bank accounts ceased to be operational with effect from January 2004. However, there was no evidence that the balances on these accounts were transferred to the Consolidated Fund and steps taken to close these accounts.

12. Proceeds from the Guyana Lotteries continued to be retained in a special bank account to meet public expenditure without Parliamentary approval. Such proceeds are public revenues, which are required to be paid into the Consolidated Fund.

13. In relation to the foreign missions, monthly releases to meet current expenditure were often received close to the end of the month while funds to meet capital expenditure in most cases were also not remitted until January 2004.

14. Significant breaches in the Tender Board Regulations at the Guyana Defence Force were again drawn to the attention of the Accounting Officer. These include the absence of a system of competitive bidding and numerous instances of contract splitting to avoid adjudication by the Central Tender Board.

15. There were numerous breaches in the Tender Board Regulations at the Ministry of Home Affairs (Police). In particular, there was evidence of contract splitting to avoid adjudication by the Central Tender Boards. This practice has resulted in irregularities in excess of $50M in the purchase of items of uniform. At the time of reporting, the Police are investigating the matter and the Audit Office was continuing its own investigation.

16. The Audit Office assessment of the operations of the Wildlife Division at the Office of the President indicated that the legal status of this entity is somewhat blurred in that in some respect it is treated as a central Government activity while in others it is treated as a separate legal entity. The Audit Office is of the view that the operations of the Wildlife Division should fall under the purview of the Environmental Protection Agency. In addition, amounts totalling $50M relating to revenue collected during the period 1998 to 2002 could not be traced as having been banked.

17. A number of irregularities were uncovered in the granting of duty-free concessions to re-migrants. The matter was referred to the Police and two officers were charged and placed before the Courts.

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 2003

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 (including the Commissions established by the Constitution), the Clerk of the National Assembly, and all courts in Guyana and submit my reports to the Speaker of the National Assembly who shall cause them to be laid in the Assembly.

2. It is 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. In the conduct of my examination, I am to ascertain whether in my opinion:

- The accounts have been faithfully and properly kept;
- The rules and procedures framed and applied are sufficient to secure effective control on the assessment, collection and proper allocation of the revenues;
- 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
- Essential records are maintained and the rules and procedures framed and applied are sufficient to safeguard the control of stores and other public property.

3. 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 that are to be submitted to me in accordance with Section 7 of the said Act. These are:

- Statement of the receipts and payments of the Consolidated Fund;
- Statement of the revenue actually paid into the Consolidated Fund as compared with the Estimates of Revenue;
- Statement of the expenditure from the Consolidated Fund as compared with the Estimates of Expenditure;
- Statement of the Public Debt;

- Statement of the outstanding loans or credits guaranteed by the Government;
- Statement of outstanding loans and advances made from the Consolidated Fund;
- Expenditure in respect of those services which by law are directly charged upon the Consolidated Fund;
- Receipts and payments of the Contingencies Fund;
- 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;
- Current assets and liabilities of the Government;
- Appropriation accounts of all Accounting Officers in respect of the votes for which they were responsible; and
- Receipts and disbursements by all Principal Receivers of Revenue.

4. The Accountant General, Accounting Officers and Principal Receivers of Revenue are to submit the above statements and accounts within four months of the close of the financial year to enable me to audit them and to submit my report to the Speaker not later than the 30th day of September. In the discharge of my responsibilities, Section 29(1) of the FAA Act provides for the employment in the Audit Office such numbers and grades of officers as the National Assembly may, by resolution, direct.

5. As at 30 April 2004, the prescribed deadline for the submission of the statements and accounts referred to above, none of the ten sets of statements comprising the Public Accounts were received. Submissions were, however, made subsequently on varying dates, the last being the appropriation accounts of the Ministry of Finance which were received on 15 October 2004. The lack of timeliness in the submission of these statements and accounts as well as the staffing situation in the Audit Office 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 Speaker.

6. In addition to reporting on the Public Accounts and the accounts of Ministries/Departments/ Regions, I have also provided information with regard to the other areas for which I have audit responsibility. These include the audits of public enterprises, statutory bodies, municipalities, local authorities and foreign-funded projects.

STATEMENT OF RECEIPTS AND PAYMENTS OF THE CONSOLIDATED FUND

7. In accordance with Section 14 of the FAA Act, the Accountant General is required to keep two 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. However, these accounts had not been written up since 1991.

8. The Accountant General explained that the data processing of the Government's transactions prior to 1987 was done using a main frame computer. The computer had developed problems in 1987, and stored data could not have been retrieved. Since then, the processing of the Government's transactions was done manually and the transactions for the period 1988 to 1991 were reconstructed. At the time of reporting, these accounts were being updated using the audited figures for the period 1992 to 2002. The Audit Office urges that the process be accelerated.

9. The Consolidated Fund bank account was not reconciled since February 1988. This unsatisfactory feature was highlighted in my previous reports. Attempts have nevertheless been made to reconcile the monthly transactions of the Consolidated Fund with effect from January 1994. However, such reconciliation cannot be relied upon since the bank account balance was not being reconciled with a cash book balance. In addition, entries in the cash book relating to revenue and other receipts were not made in the relevant month but several months later because of delays in the submission of the related documentation by ministries and departments.

> *The Audit Office again recommends that the Accountant General's Department (a) seek to establish a cash book balance for the Consolidated Fund and (b) take the necessary steps to ensure the prompt recording of the transactions of the Consolidated Fund. Such an approach will facilitate a proper reconciliation of the bank account. (2003/01)*

10. The Consolidated Fund continued to be overdrawn due mainly to the failure of Accounting Officers to reconcile the various Government bank accounts and to pay over sums due to the Fund. At the end of 2003, the overdraft was $44.434 billion, compared with $45.455 billion at the end of 2002. The accumulated balance 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) nevertheless reflected a positive balance of $14.292 billion as at 31 December 2003, compared with a positive balance of $15.523 billion. In the absence of the reconciliation of the vast majority of these accounts, and subject to my observations at paragraphs 12 – 23, the positive balance of $14.292 billion represents the best available estimate of the cash position of the Government as at 31 December 2003.

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

Description	Amount 2003 $M	Amount 2002 $M
Consolidated Fund	(44,434)	(45,455)
Deposits Fund	2,331	2,213
Contingencies Fund	580	969
General Account	10,557	8,113
Non-Sub-Accounting Ministries/Departments	4,000	7,477
Other Ministries/Departments' Accounts	(3,036)	(2,130)
Monetary Sterilisation Account	44,294	44,336
Total	14,292	15,523

12. 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 2003 was $21.388 billion. Of this amount, sums totalling $2.827 billion relate to the HIPC relief on the Bank of Guyana's liability to the CARICOM Multilateral Clearing Facility (CMCF). The Bank's indebtedness to the CMCF prior to the relief was US$108.5M. This debt was reduced by US$28.6M and was rescheduled over a period of ten years at an interest rate of 5%, commencing 1999. The Bank of Guyana gave the Government of Guyana credit to the extent of the debt reduction by the opening of account No. 201250. As instalments are paid to the CMCF, proportionate transfers are made to the Consolidated Fund. As at 31 December 2003, transfers to the Consolidated Fund amounted to $568M.

13. The Audit Office's assessment of the balances held in the special accounts indicated that fourteen accounts with balances of approximately $18 billion appear to be funds that are transferable to the Consolidated Fund. The following are the details with appropriate explanations in the subsequent paragraphs:

Account No.	Description	Amount $'000
200880	Accountant General	1,236,752
200920	Accountant General - GEC Wartsila	127,138
200950	Agriculture Sector Loan	77,294
201000	UK Programme Aid - GEA	474,482
201010	UK Programme Aid - Rice	55,421
201050	Agriculture Rehabilitation Project	280,914
201090	SIMAP Phase II Sub-Account	213,750
201110	Infrastructure Development Fund A/c	371,573
201130	Financial Sector Reform Programme	6,242,114
201160	Agricultural Sector Programme – 965-SF/GY	5,558,235
201210	EPDS – Buy Back Programme	560,946
201330	Japanese – Non Project Grant Aid 2001	109,890
201340	CARICOM Headquarters Building Project	141,261
201360	Poverty Reduction Support	2,616,862
Total		18,066,632

14. On the assumption that such moneys are funds that should have been paid over to the Consolidated Fund, the total of all government bank accounts held at the Bank of Guyana (including the overdraft on the Consolidated Fund) would give a positive balance of $32.358 billion as at 31 December 2003.

15. Account No. 200880 was established as a clearing account for revenues received as licences and application fees for cambios. Apart from the failure to pay over to the Consolidated Fund the balance held in this account, a cash book analysed to show the different types of receipts was not maintained by the Accountant General's Department. Revenue would have also been understated to the extent of amounts held in this account. This matter was drawn to attention in my previous reports, and despite this, there was no evidence of any action taken to address this significant breach of the law.

16. The balance on A/c No. 200880 at the beginning of 2003 was $2.532 billion. During the year, amounts totalling $1.766 billion were received, of which sums totalling $1.722 billion relate to debt relief under the HIPC Initiative. Payments totalling $3.061billion were made of which sums totalling $2.891 billion were transferred to the Consolidated Fund. This gives a closing balance of $1.237 billion.

17. Account No. 200950 (Agricultural Sector Loan) relates to the IDB loan Agreement No. 660-SF/GY, which was entered into in October 1981. The components of this loan included mainly (a) the procurement of agricultural supplies (b) rehabilitation and maintenance of water control and (c) the capitalisation of GAIBANK. Given that disbursements on this loan were chargeable to the Public Debt, then the balance of $77.294M is due to the Consolidated Fund. It should be mentioned that the Government's indebtedness of US$15M on this loan as at May 1999 was written off as part of the HIPC Initiative.

18. In relation to the balances on account Nos. 201000 and 201010, these represent local currency proceeds from a grant from the British Government to purchase fuel and lubricants. The grant amount was used to pay foreign suppliers while local purchasers paid the equivalent in local currency. This programme came to an end several years ago.

19. The balance held on account No. 201050 (ARSA A/c) resulted from local currency deposits made by importers under the Agriculture Rehabilitation Project Loan No. 839 SF/GY which was financed by the IDB and which had come to an end in 1995. The IDB was providing foreign currency for the purchase of agricultural equipment and the total amount disbursed was chargeable to the Public Debt. It follows that the balance on this account should have been transferred to the Consolidated Fund which services the Public Debt. Indeed, Section 15 of the FAA Act requires such proceeds to be paid over to the Consolidated Fund. It should also be mentioned that the Government's indebtedness of US$26.8M on this loan as at May 1999 was written off as part of the HIPC Initiative.

20. In relation to the amount of $213.750M shown on account No. 201090 – SIMAP Phase 2 Sub-Account, neither the Ministry of Finance nor the SIMAP Agency was able to provide information on the nature of this account. Investigations however, revealed that this amount was transferred to this account from the ARSA Account in 1994.

21. Account No. 201110 was established in 1994 through the transfer of $2.110 billion from the Consolidated Fund to establish an infrastructural development fund. From this fund, it is understood that Wartsila engines were purchased for Anna Regina and Wakenaam. In addition, this account was used to meet counterpart expenditure relating to an IDB loan to the electricity sector. As can be noted, the account reflected a balance of $371.573M as at 31 December 2003. There was no movement since 1997. Account No. 200920 was also set up in 1994 to meet certain expenses relating to the purchase and installation of the Wartsila engines.

22. Account Nos. 201130 and 201160 were established to receive the local currency proceeds of the first two tranches on the IDB Loan No. 956 SF/GY - Sector Reform Programme and the first tranche of the IDB Loan No. 965 SF/GY - Agriculture Sector Programme. The proceeds are required to be paid over to the Consolidated Fund in accordance with Section 15 of the FAA Act. The IDB had confirmed previously that no restrictions have been placed on the local currency proceeds.

23. In relation to account No. 201210, the Government of Guyana and the World Bank signed a grant agreement in November 1998 in respect of a commercial debt buy back programme. Under this agreement, the sum of US$5.440M was provided for the settlement of arrears of the Bank of Guyana’s External Payments Deposits Scheme. This programme came to an end in 1999 at which time amounts totalling US$2.972M, equivalent to G$549.026M, were disbursed to the Bank of Guyana’s creditors. Since the liabilities under the EPDS Scheme were those of the Bank of the Guyana, the Government of Guyana was credited with the relief from the World Bank through the opening of this account.

The Audit Office recommends that the Ministry of Finance urgently review the status of the above accounts, and to the extent that it can be conclusively established that the funds held in them are transferable to the Consolidated Fund, steps should be taken to make the necessary transfers. (2003/02)

24. 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 the various Ministries’ bank accounts 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 reconcile these bank accounts so as to be able to establish accurate balances at the end of the year for the purpose of effecting such transfers.

The Audit Office recommends that the Ministry of Finance issue the necessary directive to all Accounting Officers instructing them to ensure that all bank accounts under their control are reconciled within thirty days of the close of the month so that all unspent balances at the end of the year can be transferred to the Consolidated Fund. (2003/03)

25. The Statement of Receipts and Payments of the Consolidated Fund, comprising both capital and current accounts, is shown on pages 2/1 to 2/7 and is summarised below with comparative figures for the two preceding years:

	2003 $'000	2002 $'000	2001 $'000
Current Receipts	48,713,748	47,206,545	44,311,511
Capital Receipts	19,738,307	11,184,074	12,201,148
	68,452,055	58,390,619	56,512,659
Current Payments	57, 469,257	46,231,763	49,578,000
Capital Payments	2,077,074	16,505,305	19,182,397
	79,546,331	62,737,068	68,760,397
Excess of Payments over Receipts	11,094,276	4,346,449	12,247,738

26. As can be noted, there has been a deficiency of receipts over payments of $11.094 billion, compared with deficiencies of $4.346 billion and $12.248 billion in 2002 and 2001 respectively. The main reason for this deficiency was that payments to meet current expenditure exceeded current receipts by $8.756 billion. Similarly, payments to meet capital expenditure exceeded capital receipts by $2.339 billion. 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 $4.221 billion.

27. An examination of the cash book of the Consolidated Fund kept by the Accountant General revealed that sums totalling $91.160 billion were received and deposited into this account, compared with $68.452 billion reported in the financial statements, giving a difference of $22.708 billion. A similar observation was made in respect of payments in that the cash book reflected an amount of $96.871 billion while the financial statements showed $79.546 billion, a difference of $17.325 billion. Further examination revealed that proceeds from the issuing of Treasury Bills totalling $17.437 billion and the redemption of Treasury Bills totalling $12.610 billion were not reflected in the financial statements. Taking this into account, there still remains unexplained differences of $5.271 billion and $4.715 billion between the financial statements and the related cashbook in terms of receipts and payments of the Consolidated Fund respectively.

The Audit Office recommends that for future accounting periods the Accountant General's Department include in the Statement of Receipts and Payments of the Consolidated Fund all sources of receipts and payments of the Fund in order to ensure that the Statement is in agreement with the related cash book. (2003/04)

The Audit Office also recommends that the Accountant General's Department investigate the discrepancies highlighted above (after taking into account Treasury Bills issued and redeemed) between the cash book and the receipts and payments of the Consolidated Fund. (2003/05)

28. Amounts totalling $313.673M representing dividends and transfers were paid into the Consolidated Fund and shown as current revenue. However, according to the records of NICIL, amounts totalling $489.943M were deposited in the Consolidated Fund, giving a difference of $176.270M.

29. 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 $1.303 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 again disappointing that no improvement can be reported.

The Audit Office recommends that the Ministry of Finance issue a circular informing all accounting officers of the need to value all gifts received and to submit monthly returns to the Accountant General's Department for the purpose of updating the Public Accounts. (2003/06)

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

30. 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 2/8 and is summarised below, with comparative figures for the two preceding years:

	2003 $'000	2002 $'000	2001 $'000
Current Revenue Revenue Actually Paid into Consolidated Fund	48,713,748	47,206,545	44,311,511
Estimates of Revenue	46,024,555	43,840,300	44,067,771
Over/(Under) the Estimates	2,689,193	3,366,245	243,740
Capital Revenue Revenue Actually Paid into Consolidated Fund	19,738,307	11,184,074	12,201,148
Estimates of Revenue	20,573,779	22,342,232	23,348,584
Over/(Under) the Estimates	(835,472)	(11,158,158)	(11,147,436)

31. The collection of current revenue in 2003 exceeded projected levels by 5.84%, compared with excesses of 7.68%, and 0.55% in 2002 and 2001 respectively. Compared with 2002, total current revenue collections increased by $1.507 billion or 3.19%. Capital revenue, on the other hand**,** comprising mainly proceeds from external grants and loans, fell short of projected levels by 4.06%, compared with shortfalls of 49.94% and 45.20% in 2002 and 2001 respectively. Compared with 2002, capital revenue, however, increased by $8.554 billion or 76.49%.

32. The increase in current revenue resulted mainly from the collection of $4.277 billion in Rice Levy A under Head IV – Other Tax Revenue for which, as in previous years, no provision was made in the Estimates. This levy relates to the exporting of rice to the European Union. Importers benefit from a levy reduction if documentary evidence can be produced that a corresponding amount has been paid to the authorities in Guyana.

> *The Audit Office recommends that the Ministry of Finance take steps to incorporate in future National Estimates of Revenue and Expenditure the amounts of Rice Levy A estimated to be collected so as to allow for meaningful comparison between estimated amounts and actual collections. (2003/07)*

33. In relation to Head XIII – Rents, Royalties etc., of an amount of $878.5M estimated to be collected, only $5M was shown as having been collected. The main reason for this is that royalties collected from Omai Gold Mines Ltd are being kept in a separate account – Account No. 964 – at the Bank of Guyana. At the beginning of 2003, the balance on this account was $367.670M. Royalties received during the year amounted to $930.259M while transfers to the Consolidated Fund totalled $770.076M, giving a closing balance of $527.853M. As a result, revenue has been understated by $930.259M.

> *The Audit Office recommends that the Accountant General take steps to have Account No. 964 closed so that the payment of royalties by Omai Gold Mines Ltd. can be made directly to the Ministry of Finance for credit to the Consolidated Fund. In this way, the amounts involved will be reflected in the revenue statement of the Ministry and hence the Public Accounts. (2003/08)*

34. Proceeds from external loans fell short of the projected levels by $3.045 billion or 23.72%, compared with a shortfall of $3.133 billion or 27.87% in respect of 2002. Of the amount of $12.840 billion budgeted as inflows from external loans, actual inflows amounted to $9.795 billion. In relation to external grants, of the amount of $3.066 billion budgeted, actual inflows amounted to $2.923 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. In addition, under the United Nations Development Programme (UNDP), amounts totalling US$902,000, equivalent to $174.775M, were disbursed by way of grants to various Government agencies. These were neither reflected in the Estimates of Revenue and Expenditure for 2003 nor in the Public Accounts.

The Audit Office recommends that the Ministry of Finance take steps to incorporate in future National Estimates of Revenue and Expenditure all proposed technical assistance offered by not only the UNDP but also other external funding agencies, and to record the related revenue and expenditure in the Public Accounts. (2003/09)

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

35. The Statement of Expenditure from the Consolidated Fund as compared with the Estimates of Expenditure, comprising both current and capital, is shown on pages 2/9 to 2/13, and is summarised below, with comparative figures for the two preceding years:

	2003 $'000	2002 $'000	2001 $'000
Current Expenditure			
Actual Expenditure	54,713,232	45,026,924	47,045,985
Revised Estimates	58,259,041	45,763,679	50,304,086
Over/(Under) the Estimates	(3,545,809)	(736,755)	(3,258,101)
Capital Expenditure			
Actual Expenditure	20,611,641	16,858,540	18,215,664
Revised Estimates	30,299,722	22,793,145	22,514,544
Over/(Under) the Estimates	(9,688,081)	(5,934,605)	(4,298,880)

36. There has been an overall increase of $9.686 billion or 21.51% in current expenditure in 2003, compared with a decrease of $2.019 billion or 4.29% in 2002. The increase was due mainly to the following:

- An increase of $11.606 billion or 34.26% in expenditure by Ministries, Departments and Regions, compared with a decrease of $1.006 billion or 2.78% in 2002. Employment costs have increased by $460.503 million or 2.95% while expenditure on Other Charges increased by $11.145 billion; and

- A decrease of $2.110 billion or 21.31% in the repayment and servicing of the Public Debt from $9.899 billion to $7.790 billion.

37. Capital expenditure has increased by $3.753 billion or 22.26%, compared with a decrease of $1.357 billion or 7.45% in 2002. Compared with the Revised Estimates, there has been a shortfall of $9.688 billion or 31.97%. A similar shortfall of $5.935 billion or 26.04% was noted in 2002. 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 where disbursements made by funding agencies had not been brought to account as capital expenditure.

38. The main Ministries that have not achieved their anticipated levels of capital expenditure activity in 2003 are as follows:

Name of Ministry/Department	Revised Estimates $'000	Actual Expend. $'000	Shortfall $'000
Min. of Finance	10,626,884	4,839,655	5,787,229
Min. of Works – Bridges/Roads	4,489,480	3,791,137	698,343
Min. of Housing & Water - GUYWA	2,653,422	2,156,489	496,933
Min. of Local Government & Reg. Dev.	1,125,405	643,056	482,349
Guyana Education Access Project	740,000	470,042	269,958
Min. of Agriculture – Rural Support	468,986	223,249	245,737
Basic Educ. Access & Man. Supp. Project	372,974	150,757	222,217
Min. of Works – Regional Dev.	581,800	362,633	219,167
Min. of Human Services – SIMAP	481,469	293,765	187,704
Min. of Housing & Water - Housing	1,355,500	1,191,601	163,899
Total	22,895,920	14,122,384	8,773,536

STATEMENT OF THE PUBLIC DEBT

39. 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. However, none of the ten agreements relating to the new loans contracted during 2003 have been laid up to the time of reporting. The following are the details:

#	Date of Agreement	Loan Ref.	Lending Agency	Description of Loan	Amount '000
1	21-01-03	3725-GY	IDA	Poverty Reduction Support Credit	SDR 9,100
2	21-01-03	3726-GY	IDA	Public Sector Technical Assistance Project	SDR 3,600
3	19-05-03	1120/SF-GY	IDB	Basic Nutrition Program	USD 5,000
4	06-06-03	1/SFR – GUY	CDB	Caribbean Court of Justice - Regional	USD 4,400
5	06-06-03	1/OR – GUY	CDB	Caribbean Court of Justice - Regional	USD 4,400
6	25-06-03	2/OR (Equity R)	CDB	Third Road Project (Hard Portion)	USD 9,102
7	25-06-03	2/SFR (USDF)	CDB	Third Road Project (Soft Portion)	USD 10,000
8	07-10-03	3/SFR – GUY	CDB	Skeldon Sugar Modernisation Project	USD 13,990
9	07-10-03	3/OR – GUY	CDB	Skeldon Sugar Modernisation Project	USD 14,240
10	29-10-03	-	Italy	Procurement of Equipment for Drainage & Irrigation Facilities in Mahaica	XEU 3,305

The Audit Office recommends that the Ministry of Finance take urgent steps to have the above loan agreements laid in the National Assembly as required by Section 3(6) of the External Loans Act. (2003/10)

40. 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.

41. In addition to the Public Debt Section of the Accountant General's Department, the Ministry of Finance has a Debt Management Division. While much of the work performed by this Division duplicates that of the Public Debt Section, the former nevertheless provides for an independent check on the work of the latter. However, 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.

The Audit Office again recommends that copies of all the relevant documentation relating to all debts contracted by the Government be forwarded to the Accountant General's Department for updating of its records. In addition, this department should carry out monthly reconciliation of its records with those of the Debt Management Division. (2003/11)

42. The Public Debt Register was not properly maintained as several entries were incompletely written up e.g. period of loan and principal payment. In addition, a system was not in place for the monitoring of disbursements by funding agencies and for updating the disbursement column of the Register. This column was being written up from monthly statements from the loan creditors instead of from the submission of relevant documentation from executing agencies attesting to the disbursements.

43. The reported Public Debt as at 31 December 2003 (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) is shown on pages 2/14 to 2/31 and is summarised below:

Description	External G$`000	Internal G$`000	Total G$`000
Unfunded	218,386,199	60,863,419	279,249,618
Funded	-	5,577,098	5,577,098
Sub-total	218,386,199	66,440,517	284,826,716
Treasury Bills			
(90 days)	-	3,711,200	3,711,200
(182 & 365 days)	-	46,391,500	46,391,500
Total	218,386,199	116,543,217	334,929,416

44. As can be noted, the total Public Debt stood at $334.929 billion, compared with G$315.712 billion at the end of 2002, an increase of G$19.217 billion. Expressed as a factor of current revenue, the total Public Debt at the end of 2003 was 6.88 times current revenue compared with a factor of 6.69 at the end of 2002 and 7.01 at the end of 2001.

45. The External Debt at the end of 2003 was G$218.386 billion, compared with G$211.820 billion at the end of 2002, an increase of G$6.566 billion. In equivalent United States dollars, the External Debt as at 31 December 2003 was US$1.127 billion, compared with US$1.107 billion at the end of 2002, an increase of US$20M. This increase was due mainly to (a) repayments totalling US$23.643M (b) disbursements totalling US$57.663M in respect of loans contracted and (c) the movement of the exchange rate from US$1 = G$191.27063 to US$1 = G$193.76438.

46. The Internal Debt has also increased by G$12.652M from G$103.891 billion to G$116.543 billion due mainly to an increase in unfunded and funded debts from $55.033 billion to $66.441 billion. In 2002, the Internal Debt had increased by G$750M.

STATEMENT OF OUTSTANDING LOANS OR CREDITS GUARANTEED BY THE GOVERNMENT

47. 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.

48. 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.

49. According to the Statement of Outstanding Loans or Credits Guaranteed by the Government, as set out on page 2/33, the total outstanding liability as at 31 December 2003 was $1.564 billion. Therefore, the Government's guarantee limit has been exceeded by $564M. The following table shows the list of outstanding loans and credits guaranteed by the Government with appropriate remarks:

Name of Government Agency	Lending Agency	Outstanding Liability $'000	Remarks
Guyana Transport Services Ltd.	Bank of India	12,013	Entity no longer in existence
Guyana Telecommunications Corporation	ITT World Comm. Inc.	37,203	According to Debt Management, creditor no longer exists.
Guyana Co-operative Agriculture Industrial Development Bank	EEC/EIB 4/10	95,526	Debt Management confirmed that GOG fully repaid this amount on 18 February 2000.
Guyana Pharmaceutical Corporation	Guthrie Booker TECNO BAGO	874,846	GOG has assumed responsibility for repayment of this debt.
Guyana State Corporation	Commonwealth Dev. Corp. (CDC)	111,415	Entity no longer in existence
Guyana National Co-operative Bank	Banco Nacional de Cuba	433,451	GOG has assumed responsibility for repayment of this debt
Total		1,564,454	

50. As can be noted, the GAIBANK loan was repaid in February 2000 and therefore the figure of $1.564 billion has been overstated by $95.526M. In addition, in view of the fact all the above entities are no longer in existence, the responsibility to discharge these liabilities now rests with the Government.

> *The Audit Office therefore recommends that the Ministry of Finance and the Accountant General's Department take steps to transfer the above liabilities to the Public Debt. (2003/12)*

51. In my previous reports, several deficiencies in the recording, monitoring and reporting of outstanding loans and credits guaranteed by Government were highlighted. These deficiencies continued to prevail in 2003, and it is again disappointing to note that no positive action was taken to effect improvements to the system. The main deficiencies include:

- The 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 at the end of each year. There was no continuous recording of disbursements by funding agencies and repayments made;

- 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;

- 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

- 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.

52. It is evident from the above, that an effective system was not in place to monitor the borrowing by 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. The Accountant General explained that the above state of affairs was due to staff constraints. It should be mentioned that the authorised staffing of the Accountant General’s Department was 261 while actual staffing was 132, giving a vacancy rate of 49%.

> *The Audit Office recommends that the Ministry of Finance review the staffing situation in the Accountant General’s Department with a view to ensuring that the Department is adequately staffed to fulfil its responsibilities. (2003/13)*

STATEMENT OF OUTSTANDING LOANS AND ADVANCES MADE FROM THE CONSOLIDATED FUND

53. 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, co-operative 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.

54. The Statement of Outstanding Loans and Advances made from the Consolidated Fund as at 31 December 2003 reflected a balance of $6.647 billion of which the following are main loans:

Description	Amount $'000
LINMINE	5,665,853
Mards Rice Milling Company Ltd.	500,000
Guyana Airways Corporation	438,930
Total	6,604,783

55. In view of the financial difficulties of LINMINE as well as its impending privatisation, the recoverability of $5.666 billion shown as outstanding as at 31 December 2003, may be in doubt. A similar observation was made in respect of the former Guyana Airways Corporation and the Mards Rice Milling Company Limited, which are indebted to the Government in the sum of $438.930M and $500M respectively.

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

56. Expenditures in respect of those services which by law are directly charged upon the Consolidated Fund, otherwise known as Statutory Expenditure, do 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.

57. The Statement of Statutory Expenditure for 2003 is shown on page 2/35, and is summarised below with comparative figures for the preceding two years:

Description	2003 $'000	2002 $'000	2001 $'000
Internal Debt - Principal	49,834	124,562	101,135
" " - Interest	2,956,665	4,312,827	4,851,939
External Debt – Principal	2,437,905	2,363,539	2,947,841
" " - Interest	2,345,153	3,098,511	3,012,081
Sub-Total	7,789,557	9,899,439	10,912,996
Constitutional Offices	318,320	334,872	312,926
Pensions & Gratuities	1,119,692	910,704	894,219
Payments to Dependants' Pension Fund	5,257	7,125	4,847
Total Statutory Expenditure	9,232,826	11,152,140	12,124,988

58. As can be noted, the repayment and servicing of the Public Debt decreased by $2.110 billion or 21.3% from $9.899 billion to $7.790 billion, compared with a decrease of $1.014 billion in 2002. This decrease was due mainly to reductions of $1.356 billion and $753.358M in repayment of both internal and external interest respectively. Expressed as a percentage of current revenues, the repayment and servicing of the Public Debt in 2003 represented 16.02% of current revenue, compared with 20.97% and 24.62% in 2002 and 2001 respectively.

59. Interest charges relating to the servicing of the Public Debt totalled $5.302 billion, representing 68.06% of the total payments thereof, compared with $7.411 billion or 74.87% in 2002. In 2001, 72.06% of the repayment and servicing of the Public Debt represented interest charges. In other words, over the last three years interest charges averaged 71.66% 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

60. 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 percent of the estimated annual expenditure of the last preceding year.

61. 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.

62. The Statement of Receipts and Payments of the Contingencies Fund for the year ended 31 December 2003 is shown on pages 2/35 to 2/39. Total payments of the Contingencies Fund amounted to $1.897 billion, compared with $2.101 billion in 2002, a decrease of $204M. Total receipts from the Consolidated Fund amounted to $3.191 billion, compared with $1.358 billion in 2002, an increase of $1.833 billion. This gives an excess of receipts over payments of $1.294 billion. The following is a summary of the payments made from the Contingencies Fund for the period under review:

Description	No. Of Advances	Amount $'000
Ministry of Finance	16	1,723,668
Ministry of Foreign Affairs	2	75,278
Region No. 10	4	36,417
Office of the President	3	32,038
Region No. 4	2	18,639
Guyana Defence Force	1	6,786
Region No. 1	1	4,000
Ministry of Public Works	1	659
Total	30	1,897,485

63. As at 31 December 2003, nineteen advances totalling $37.634M remained outstanding. These advances were granted during the 1986 to 1995. Up to the time of reporting, the nature of these advances could not be determined. Given the time period involved and the fact that there was no financial reporting during that period 1986 to 1991, it may not be possible to ascertain how the amounts were expended for the purpose of replenishing the Fund.

The Audit Office recommends that the Ministry of Finance prepare a supplementary estimate for the above amount and submit it to the National Assembly for its approval. In this way, the Contingencies Fund will be replenished with the outstanding amount. (2003/14)

BALANCES HELD ON DEPOSIT BY THE ACCOUNTANT GENERAL AND THE OUTSTANDING ADVANCES MADE

64. 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. 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:

- on behalf of, and recoverable from, other Governments;
- to officers where such advances are in the public interest; and
- 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.

65. 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 FAA Act.

66. Prior to 1996, the last audited Statement of Deposits 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 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 reconciliation with the Accountant General's records, the amounts shown in the statement could not be relied upon.

67. The Statement of Deposit held by the Accountant General and Outstanding Advances made therefrom is shown on pages 2/40 to 2/41 and is summarised below:

Balances Held on Deposit	$'000
Held for Investments	1,405,876
" on behalf of Ministries/Departments/Regions	1,345,185
" " " " Dependants' Pension Fund	359,401
" " " " Sugar Industry Welfare Committee	50,691
Total	3,161,153

Outstanding Advances	$'000
Personal	6,772
Motor Vehicles	107,034
Bicycles & Motor Cycles	447
Statutory Bodies	1,554,456
Total	1,668,709

68. As can be noted, the balance on the Deposits Fund as at 31 December 2003 was $3.161 billion while the bank account reflected a balance of $2.331 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 reconciliation in the intervening periods, such later reconciliation could not be relied upon.

69. The amount of $1.406 billion shown as deposits held for investments relate to sums 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 1993, 1980 and 1980 respectively and therefore it was not possible to properly verify the accuracy of the above amount using the entities' records.

70. 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 $1.669 billion shown as advances outstanding as at 31 December 2003 could not be substantiated.

71. The Statement also includes an amount of $359.401M 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 2000. As a result, the accuracy of this amount could not have been properly determined from the entity's records.

72. 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 of Section 23 of the Act, could not be satisfactorily determined.

CURRENT ASSETS AND LIABILITIES OF THE GOVERNMENT

73. 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.

74. The Statement of Current Assets and Liabilities of the Government for the year ended 31 December 2003 is shown on page 2/42 and is summarised as follows. As can be noted, current assets totalled $32.359 billion while current liabilities amounted to $53.263 billion, resulting in a net current liability of $20.904 billion. This gives the best available estimate of the financial position of the Government as at 31 December 2003.

	$M	$M
<u>Current Assets</u>		
Cash at Bank of Guyana in respect of Central Government accounts		14,292
Cash at Bank of Guyana in respect of special accounts		18,067
		32,359
<u>Less: Current Liabilities</u>		
90 days Treasury Bills	3,711	
180 days Treasury Bills	9,856	
360 days Treasury Bills	36,536	
	50,103	
Sugar Industry Welfare, Labour, Rehabilitation, & Price Stabilisation funds	1,406	
Miscellaneous deposits	1,345	
Dependants' Pension Fund and Sugar Industry Welfare Committee	410	53,264
Net Current Liability As At 31 December 2003		20,905

75. In relation to the amount of $14.292 billion shown as balances held at the Bank of Guyana in respect of Central Government, the following gives a breakdown, with comparative figures at the end of the preceding year:

Description	Amount 2003 $M	Amount 2002 $M
Consolidated Fund	(44,434)	(45,455)
Deposits Fund	2,331	2,213
Contingencies Fund	580	969
General Account	10,557	8,113
Non-Sub-Accounting Ministries/Departments	4,000	7,477
Other Ministries/Departments' Accounts	(3,036)	(2,130)
Monetary Sterilisation Account	44,294	44,336
Total	14,292	15,523

76. 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 a 'nil' balance. However, as noted above, it reflected a balance of $10.557 billion at the end of 2003. In addition, the cash book was not written up to reflect cumulated balances and, as in the case of the Consolidated Fund, only the monthly transactions in the cash book were being reconciled with entries in the bank statement. It is also evident this account is not fulfilling its purpose.

The Audit Office recommends that the Accountant General's Department take steps to effect the closure of the General Account and to transfer the balance to the Consolidated Fund. (2003/15)

77. 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 $4 billion as at the end of 2003, mainly because the unspent amounts over the years had not been paid over to the Consolidated Fund. In addition, the cash book did not reflect cumulated balances and it could not be determined when last this account was reconciled.

The Audit Office recommends that the Accountant General's Department review the status of this bank account in the light of the large amount of funds held in it, and take the necessary steps to effect transfers to the Consolidated Fund. (2003/16)

78. In respect of the bank accounts of Ministries, Departments and Regions, as can be noted, the total of all the bank balances amounted to a negative balance of $3.036 billion at the end of 2003, of which the following reflected balances in excess of $200M:

Account No.	Description	Amount $'000
102	Accountant General Interest on Bonds	3,993,435
404	Redemption of Treasury Bills A/c	(19,457,709)
902	Ministry of Labour - Public Asst. Imprest A/c	(270,586)
946	Ministry of Health - Main A/c	(102,899)
954	Co-ordinator Urban Development - Main A/c	1,287,688
964	Government of Guyana Omai Royalties	527,853
981	Revenue & Deposits Fund Receipts	804,673
993	Student Loan Fund A/c	217,064
1010	Ministry of Public Works - Main A/c	228,132
1012	Counterpart Funds - Infrastructure Rehabilitation Proj	1,751,419
3014	Customs & Excise Revenue A/c	518,516
3025	Inland Revenue Department - Revenue A/c	1,302,500
3046	Region 6 Sub-Treasury A/c	263,571
3051	Guyana Defence Force - Sub-Treasury A/c	272,617
3061	Ministry of Education & Cultural Dev. - Main A/c	307,856
3079	Ministry of Health - Main A/c	361,020
3119	New National Lotteries A/c	315,001
3195	GRA Internal Revenue	257,971
3198	Guyana Revenue Authority	208,398
Total		7,213,480

79. As can be noted, the Redemption of Treasury Bills Account No. 404 was overdrawn by $19.458 billion. It is evident that the balance on this account was not being carefully monitored to ensure the timely transfers of funds from the Consolidated Fund as and when Treasury Bills are redeemed.

80. In my 2002 Report, it was stated that there was a large balance of $4.361 billion in the Inland Revenue Main Account No. 3025, resulting from a technical error made in 1999. As at 31 December 2003, the balance on this account was reduced to $1.303 billion. The Accounting Officer of the Guyana Revenue Authority had explained that efforts were being made to transfer this latter amount to the Consolidated Fund and close the account. However, up to the time of reporting, this was not done.

The Audit Office recommends that the Accountant General's Department in collaboration with the Guyana Revenue Authority take urgent measures to transfer the balance on Account No. 3025 to the Consolidated Fund. (2003/17)

81. There were 46 inactive accounts with net balances totalling $1.403 billion as at 31 December 2003. Twenty-eight of these reflected overdrafts of $665.441M. Shown below is a list of inactive accounts in overdraft (in excess of $1M).

Account No.	Description	Amount $'000
112	Commissioner Inland Revenue - PAYE A/c	32,949
213	Ministry of Labour & Social Security	26,565
301	Sub-Comptroller Customs - NA Imprest A/c	9,417
444	Ministry of Foreign Affairs - Imprest A/c	51,635
506	Accountant General - Salaries A/c	1,946
861	Region No. 10 - Salaries A/c, Education	5,466
902	Ministry of Labour - Public Assistance Imprest A/c	270,586
926	Ministry of Education & Cultural Dev. - Main A/c	78,115
929	Ministry of Public Works & Communication A/c	8,268
932	Office of the President & CAB - Main A/c	28,930
938	Ministry of Agriculture - Main A/c	6,597
946	Ministry of Health - Main A/c	102,899
3013	Comptroller of Customs & Excise - Salaries A/c	3,133
3024	Inland Revenue Department - Salaries A/c	1,242
3076	District Commissioner - East Coast	20,915
3077	District Commissioner - East Bank	8,548
3095	GAHEF - Salaries A/c	1,201
3112	West Demerara Magistrate District Bastardy & Maint.	5,466
	Total	663,878

The Audit Office recommends that the Accountant General's Department take steps to effect the closure of all inactive accounts with positive balances and to transfer these balances to the Consolidate Fund. (2003/18)

The Audit Office also recommends that, given the passage of time and the difficulty that might be involved in investigating the reasons for the overdrafts, the Ministry of Finance take steps to submit a supplementary estimate in the National Assembly in order to liquidate the overdrafts on the inactive accounts and to effect their closure. (2003/19)

82. The majority of the new bank accounts, particularly those of the larger Ministries, had not been reconciled since they were established. Needless to mention, the problems associated with the old bank accounts have been 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. In this regard, the Audit Office reiterates the importance of implementing recommendation 2003/03.

83. 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. Despite this legal requirement, as indicated above, numerous bank accounts continued to be overdrawn without the authority of the Minister.

84. 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 FAA Act, as is currently the practice in respect of short-term (i.e. 90 days) Treasury Bills. 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.

85. It would also appear that the issuing of medium-term Treasury Bills was not fulfilling the requirement of Section 22 of the FAA 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.

86. As can be noted, the Monetary Sterilisation Account reflected a balance of $44.294 billion as at 31 December 2003, compared with $44.336 billion as at 31 December 2002 and $40.228 billion at the end of 2001. However, according to the Public Debt Statement, as at 31 December 2003, amounts totalling $46.392 billion were outstanding in respect of medium-term Treasury Bills, giving an unexplained difference of $2.098 billion.

87. Given the use of actual bank balances instead of cash book balances, the absence of reconciliation of the vast majority of Government bank accounts, and independent recordings of Other Liabilities totalling $3.161 billion, the completeness, accuracy and validity of the amounts shown in the financial statements as current assets and liabilities of the Government as at 31 December 2003, could not be satisfactorily determined.

APPROPRIATION ACCOUNTS OF ACCOUNTING OFFICERS

88. The appropriation accounts of Accounting Officers for the year ended 31 December 2003 in respect of the votes for which they were responsible, comprising both capital and current, are shown on pages 2/43 to 2/206. 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

89. The statements of receipts and disbursements by Principal Receivers of Revenue for the year ended 31 December 2003 are shown on pages 2/207 to 2/223. 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 and DIVISIONS 501 & 502
OFFICE OF THE PRESIDENT

Current Expenditure

90. An examination of the bank reconciliation statements for the period under review in respect of the salaries bank account revealed that the actual cash book balances did not agree with the balances shown in reconciliation statements. The latter reflected negative balances ranging from between $253,505 to $221,918. It is evident that an unexplained discrepancy within this range has been coming forward from 2002.

Notwithstanding that this account is no longer in use, the Audit Office recommends that the Office of the President investigate the discrepancy so that the account can be properly closed and any resulting balance transferred to the Consolidated Fund. (2003/20)

91. The main bank account No. 932, which ceased to be operational in June 1996, was overdrawn by $28.929M as at 31 December 2001. The Audit Office had recommended that the Department make a special effort to investigate the reason(s) for the overdraft with a view to clearing it and to take steps to close the account. The Accounting Officer, however, explained that efforts to do so proved futile.

The Audit Office recommends that the Office of the President file a losses report with the Finance Secretary so that the loss can be written off by way of a supplementary estimate. (2003/21)

92. Amounts totalling $23.231M were expended on the maintenance of buildings. However, nine contracts valued at $2.701M and falling within the limits of $180,000 - $450,000, were made without a system of competitive bidding while the Department's tender board approved of the award of seven contracts valued at $3.928M and falling within the limits of $450,000 and $900,000 but without any form of competitive bidding. The Accounting Officer explained that competitive bids were not solicited because of security reasons. Notwithstanding the Accounting Officer's explanation, the Audit Office is of the view that there ought to be some form of competitive bidding for the procurement of goods and services in the interest of ensuring transparency as well as good value for money.

The Audit Office recommends that the Office of the President advertise publicly periodically for contractors to bid for proposed maintenance works on a pre-qualification basis. When it is decided that a specific maintenance work is to be undertaken, the pre-qualified contractors should be asked to submit tenders which should be evaluated and adjudicated upon by the appropriate authority level. (2003/22)

93. The maintenance costs of vehicles under the control of the Department continued to be high. For the period under review, ten vehicles incurred an average of $796,000 in maintenance costs, compared with $547,000 in the previous year. The Accounting Officer acknowledged this observation which she attributed to a number of accidents that occurred during the year. She indicated that the maintenance costs of the Department's vehicles were now being more closely monitored.

94. Amounts totalling $2.134M were expended on water charges in respect of twelve meters under the control of the Department. However, payments totalling $467,507 were made in respect of two meters whose locations could not be verified. A similar observation was made in 2002 where the Audit Office reported that amounts totalling $417,467 were expended on water charges in respect of three meters, the whereabouts of which were unknown. One of these meters had since been located.

> *The Audit Office recommends that the Office of the President cease making payments in respect of meters that cannot be located until such time that the Water Company can justify its claim for payment. To the extent that the company is unable to do so, the Office of the President should seek to recover the amounts involved not only for the period under review but also for previous accounting periods. (2003/23)*

95. Amounts totalling $16.439M were expended on telephone charges for 148 landlines and twenty-five mobile phones. An analysis of this expenditure indicated that overseas telephone charges amounted to $7.236M but an overseas telephone calls register was not maintained to monitor all calls made and to ensure that recoveries are made for private telephone calls. A similar observation was made in respect of telephone charges amounting to $3.550M for cellular services.

> *The Audit Office recommends that the Office of the President introduce an overseas telephone calls register as early as possible to enable it to monitor all overseas calls and to ensure that recoveries are made for all private calls. (2003/24)*

96. Amounts totalling $545.519M were expended on Subsidies and Contributions to Local Organisations. The following gives a breakdown of the expenditure:

Name Of Organisation	Amount ($'000)
Presidential Guard	156,830
National Parks Commission	72,476
Environmental Protection Agency	63,625
Government Information Agency	59,612
Guyana Office for Investment	41,875
Institute of Applied Science & Technology	30,954
Guyana Television Broadcasting Co. Ltd.	28,000
Guyana Energy Agency	26,693
Guyana Lands and Surveys Commission	21,000
Guyana Natural Resources Agency	17,025
Castellani House	15,118
Integrity Commission	7,133
Joint Intelligence Co-ordinating Centre	4,601
Amerindian Organisations	577
Total	545,519

97. The Presidential Guard, Castellani House, the Joint Intelligence Co-ordinating Agency, Guyana Information Agency and Amerindian Affairs are departments in the Office of the President and the expenditures therefore ought not to be met from this subhead.

The Audit Office recommends that the Office of the President in collaboration with the Ministry of Finance take the necessary steps to ensure that specific programmes are allocated to these units under the present programme budgeting arrangements. (2003/25)

98. The following table shows the status of the audits of the remaining entities:

No.	Name of Entity	Year Last Audited	Remarks
1	National Parks Commission	2002	Audit in progress for 2003.
2	Guyana Office for Investment	2002	Audit in progress for 2003.
3	Environmental Protection Agency	2002	Audit in progress for 2003
4	Guyana Energy Agency	2002	F/S not submitted for 2003.
5	Guyana Natural Resources Agency	2002	F/S not submitted for Jan. – Oct. 2003.
6	Institute of Applied Science & Technology	2001	Qualified opinion issued as a result of reservations on fixed assets and creditors. Audit in progress for 2002 - 2003.
7	Integrity Commission	2000	Audit in progress for 2001-2003.
8	Guyana Lands and Surveys Commission	2002	Disclaimer of opinion issued due to uncertainties regarding valuation and ownership of fixed assets, among others.
9	Guyana Television Broadcasting Co. Ltd	2003	Qualified opinion issued as a result of reservations on debtors and certain income items. Entity replaced by National Communications Networks.

99. It is a requirement under the FAA Act for the audited accounts of the above entities to be laid in the National Assembly. However, it could not be determined when last this was done.

The Audit Office recommends that the Office of the President take urgent measures to have the audited accounts of all legal entities under its control, laid in the National Assembly as required by Section 33 of the FAA Act. (2003/26)

<u>Capital Expenditure</u>

<u>Subhead 17001 – Minor Works</u>

100. There were seven payments totalling $12.5M for which no supporting documents such as bills and receipts were presented for audit examination. A similar observation was made in respect of 2002 where no supporting documents were seen for payments totalling $4M. In the absence of these documents, it could not be determined whether value was received in respect of the payments made. The Accounting Officer is urged to make every effort to have these documents available for audit inspection.

101. There was no evidence that a system of quotations was followed for the purchase of office furniture and equipment falling within the limits of $90,000 and $180,000. In respect of purchases falling within the limits of $180,000 and $600,000, there was also no evidence of adherence to a system of quotations and adjudication by the Departmental Tender Board. A similar observation was made in relation to expenditure incurred under Subhead 28001 – Pure Water Supply (GDF).

The Audit Office recommends that the Office of the President adhere strictly to the requirements of the Tender Board Regulations regarding competitive bidding procedures and adjudication by the appropriate authority levels. (2003/27)

<u>Subhead 28007 – Agriculture Development (GDF</u>**)**

102. Revenue derived from the agricultural development operations at Garden of Eden, such as from the sale of chicken and eggs, was not paid over to the Consolidated Fund but was kept in a separate bank account.

The Audit Office recommends that the GDF pay over to the Consolidated Fund all revenue derived from the agricultural development operations of the GDF at Garden of Eden, as required by the FAA Act. (2003/28)

Subhead 51003 – Equipment (GDF**)**

103. Tender procedures were not followed for the acquisition of three pick-ups, three outboard engines, a solar panel, four generators, three satellite telephones, radio set spares and activation charges, four chainsaws, a brush cutter, and a lap-top computer all valued at $18.506M. In addition, there was no evidence that approval was granted for a change in programme to acquire these items. The Accounting Officer of the GDF explained that reliance was placed on a waiver of tender procedures granted by Cabinet in July 2000. However, the waiver was in relation to military equipment and was only valid for the year in question.

The Audit Office recommends that the Guyana Defence Force adhere strictly to the requirements of the Tender Board Regulations regarding competitive bidding procedures and adjudication by the appropriate authority levels. (2003/29)

REVIEW OF THE OPERATIONS OF THE WILDLIFE DIVISION

104. Because of certain concerns raised publicly in relation to the operations of the Wildlife Division, the Audit Office decided to conduct a review of its operations. In this regard, the Audit Office wrote the Secretary of the Management Authority of the Wildlife Division on 11 October 2004 requesting that he make available the records of the Division from the date its operations were transferred to the Office of the President. The Secretary in response explained that the relevant records were available for inspection from July 2002 onwards and that the Division was in the process of putting together those for the earlier period, that is, from July 1998 to June 2002. He also indicated that there was a fraud in the earlier period and that the Police were investigating the matter.

Transfer of Operations to the Office of the President

105. Prior to July 1998, the operations of the Wildlife Division came under the Ministry of Agriculture, and amounts totalling $168.257M were held in deposit by the Accountant General. The Audit Office had recommended that, in view of the fact that the proceeds from the operations of this division are public revenues, this balance be transferred to the Consolidated Fund. In May 1998, Cabinet approved of the transfer of the Wildlife Division to the Office of the President but no amount was transferred to the Consolidated Fund. Instead, the Office of the President instructed the Accountant General to transfer the above amount into two bank accounts at the Bank of Baroda – Account nos. 2603 (Wildlife General) and 2604 (Wildlife Fish) with amounts of $114.619M and $53.638M respectively. There was, however, no evidence that the Minister of Finance approved of the opening of these bank accounts, as required by Section 13 of the FAA Act.

106. The Audit Office ascertained that the Bank allocated Account No. 2604 to the Wildlife Division but it was not opened and no amounts were received from the Accountant General. With regard to Account No. 2603, the Audit Office obtained information on the movement of this account from the date it was established and there was no evidence that the Accountant General transferred any amount to it. Further investigation indicated that the Accountant General had transferred the amount of $168.257M to the Office of the President's main bank account on 23 June 1998 but on the following day, the said amount was returned to the Accountant General for credit to the Deposits Fund bank account. Up to the time of reporting, the amount of $168.257M was still held in the Deposits Fund bank account maintained by the Accountant General.

The Audit Office recommends that the Office of the President in collaboration with the Accountant General's Department arrange for the transfer to the Consolidated Fund of the amount of $168.257M representing revenues derived from the operations of the Wildlife Division prior to the Office of the President assuming responsibility of the Division. (2003/30)

Legal Status of the Wildlife Division

107. The Audit Office sought to ascertain the legal status of the Wildlife Division. An activity of the State is either a central government activity or one that is governed by legislation. The Environmental Protection Agency (EPA) Act of 1996 provides, among others, for the management, conservation, protection and improvement of the environment and for the sustainable use of natural resources. The Act defines "natural resources" to include living plants, animals and organisms as well as ecosystems. It follows therefore that any activity relating the protection of species of plants and animals, including the granting of permits for their importation and exportation is the responsibility of the EPA.

108. To give effect to this and other requirements, Section 68 (1) of the EPA Act provides for the Minister to make regulations. In this regard, by Order No. 9 of 1999, the Species Protection Regulations came into force. It is these regulations that govern the operations of the Wildlife Division. It is clear that the Wildlife Division should be an integral part of the EPA operations and that all revenues, expenditures, assets and liabilities relating to this division should be recorded in the books and accounts, and hence reflected in the financial reporting, of the EPA.

109. The Wildlife Division in practice does not, however, form part of the operations of the EPA in that it is administered by a management authority established by the above-mentioned regulations but without any reporting relationship to the EPA. The Regulations make provision for the Minister to appoint a group of persons or body to be the Management Authority responsible for putting in place mechanisms for the protection of endangered species or animals and plants against over-exploitation through importation and exportation. But this should not be interpreted to mean that the Wildlife Division should operate as a separate legal entity notwithstanding the use of the word "Authority" in the Regulations. Only an act of Parliament can create such an entity.

110. The Management Authority should therefore be viewed as a mere technical committee of the EPA in the same way that the Regulations provide for the establishment of the Scientific Authority. In addition, the revenues, expenditures, assets and liabilities of the Wildlife Division were not reflected in the accounts of the EPA since its establishment.

111. It should be noted that the employment contracts of the ten officers currently employed by the Wildlife Division were signed by the Head of the Presidential Secretariat and one of the cheque signatories to the Division's bank account is the Permanent Secretary of the Office of the President. In addition, payment vouchers as well as receipt vouchers are printed in the name of the Office of the President. Further, all the correspondence emanating from the Wildlife Division were issued on the Office of President's letterhead. Of recent, however, the Wildlife Division has created its own computer-generated letterhead entitled "Guyana Wildlife Management Authority".

112. The legal status of the Wildlife Division is therefore very blurred in that in certain respects it is operating as if it is a separate legal entity but without any reporting relationship with the EPA whose regulations govern its operations. In other respects, the Division functions as if it is a central government activity. This state of affairs would obviously create problems relating not only to reporting relationships but also accountability relationships.

113. It is noteworthy to mention that since the operations of the Wildlife Division were transferred to the Office of the President in 1998, there have been no financial reporting and external audit of its accounts. Therefore, there has been a significant breach of one of the key pillars of public accountability. In this regard, the Audit Office shares some degree of blame for not insisting that the Division submit financial statements to it for audit, or alternatively for not undertaking audits of the Division as a central government activity at the Office of the President. The services of an internal auditor, who also prepared quarterly financial reports, are no substitute for an external audit. The latter is a statutory requirement, regardless of whether the activity is regarded as a central government one, or is one that is governed by legislation.

The Audit Office recommends that the Office of the President relinquish control of the operations of the Wildlife Division and transfer it to the Environmental Protection Agency. In particular, the Division's Management Authority, which was set up under the Species Protection Regulations 1999 and in accordance with the EPA Act, should have a reporting relationship with the Board of the EPA. In addition, the EPA should take steps to ensure that all revenues, expenditures, assets and liabilities are reflected in the books and accounts, and hence financial reporting, of the EPA. (2003/31)

Receipts and Payments for the Period July 1998 to June 2002

114. The Finance Officer of the Wildlife Division provided the Audit Office with a cash book for Account No. 2604 covering the period July 2002 to the time of the review. She indicated that to the best of her knowledge, the Division did not maintain such a record for the period July 1998 to June 2002 and that upon her appointment in July 2002 she introduced one. In the absence of a cash book for the earlier period, it could not be satisfactorily determined what revenues were collected and what expenditures were incurred during this period. This is a significant internal control weakness in that a cash book is the single most important record to monitor the collection of all revenues and to ensure that they are banked intact and in a timely manner. It also provides details of all payments made. In addition, a properly maintained cash book, with adequate supervisory checks on it, will facilitate the proper reconciliation of the bank account.

115. The Audit Office obtained some information from the Wildlife Division relating to receipts and payments for the period July 1998 to June 2002 but the information was incomplete. It therefore sought the assistance of the chartered accounting firm that was engaged to render internal audit services to the Division. The Audit Office ascertained that revenues totalling $233.756M were collected for this period while payments totalled $40.344M, giving a balance of $193.412M, as shown below. The adjustments shown relate to sixty entries in the bank statement that were not reflected in the records of the Division.

Year	Receipts $	Payments $	Balance $
July - Dec 1998	14,623,556	1,962,822	12,660,734
Jan – Dec 1999	51,188,669	13,925,332	49,924,071
Jan – Dec 2000	49,341,453	7,670,097	91,595,427
Jan – Dec 2001	96,096,687	13,541,606	174,150,508
Jan - June 2002	15,832,917	2,355,853	187,627,572
Adjustments	6,672,925	888,077	193,412,420
Total	233,756,207	40,343,787	-

116. The cash book that the Finance Officer introduced, however, commenced with a balance of $144.074M, giving a difference of $49.338M. When asked how she arrived at this balance, the Finance Officer stated that the figure was given to her by a former employee of the EPA. Further analysis indicated that the difference was due to discrepancies between the amounts collected and those reflected in the bank statements.

117. The Secretary of the Management Authority indicated that there was a fraud, the details of which were not made available to the Audit Office. The Chairman of the Management Authority, however, referred the Audit Office to the DPP who was unable to shed any light on the matter. She suggested that the Audit Office contact the Police who were also unable to provide any information relating to the fraud. The Secretary subsequently informed the Audit Office that from his recollections, receipts issued were tampered with, as the original copies issued to customers showed amounts higher than those shown in the duplicate copies. Taking into account the Secretary's recollection of the fraud, the discrepancy between the amounts collected and those reflected in the bank statements, would exceed $49.338M by an undetermined amount.

118. It is unfortunate that the Audit Office was not asked to investigate the fraud in keeping with the long-standing and established practice in circumstances where an apparent loss or deficiency in public resources is uncovered. Nor was the Audit Office requested to carry out a review of the operations of Wildlife Division immediately after its transfer to the Office of President to ensure that adequate systems and procedures were in place to safeguard public revenues as well as assets and liabilities.

119. The Audit Office sought to verify the basis under which the revenues were derived at during the period July 1998 to June 2002. In this regard, it requested the Wildlife Division to provide the necessary supporting documents and records relating to the authorisation of exports, species exported and levies collected. However, up to the time of reporting, these were not presented. The Finance Officer explained that she had received some records from the Office of the President and these had to be first sorted out. A similar observation was made in respect of payments during this period.

The Audit Office recommends that the Wildlife Division make a special effort to sort out the records submitted to it by the Office of the President so that the information requested can be submitted to the Audit Office as early as possible for examination. (2003/32)

120. The Audit Office noted that amounts totalling $1.618M were expended on the repairs and maintenance of vehicles PCC 9362, PDD 4231 and PDD 5146 which were registered in the names of the Ministry of Agriculture, Ministry of Communication and Works and the Guyana Forestry Commission respectively. There was, however, no documentation to suggest that the Wildlife Division had the benefit of the use of these vehicles. It should be mentioned that the repairs and maintenance of these vehicles were the responsibility of the subject ministries which would have budgeted for the associated costs. Also included in the receipts and payments statements were amounts totalling $1.073M which were expended on the purchase of a quantity of office equipment and furniture. However, in view of the non-presentation of the records for the period in question, it could not be determined whether the items purchased were received and properly accounted for.

Receipts and Payments for the Period July 2002 to July 2004

121. An analysis of the cash book of the Wildlife Division for the period July 2002 to July 2004 shows the position detailed below. Included in the payments made in 2003 was an amount of $150M which was paid over to the Accountant General for credit to the Consolidated Fund at the instruction of the Minister of Finance as per letter dated 24 March 2003.

Year	Receipts $	Payments $	Balance $
Opening Balance	-	-	144,073,603
July – Dec. 2002	43,394,920	9,888,144	177,580,379
Jan – Dec 2003	93,199,033	164,770,040	106,009,372
Jan. – July 2004	56,868,082	13,469,684	149,407,770
Total	193,462,035	188,127,868	-

122. The Audit Office noted that the Division has been maintaining a receipts cash book and a payments cash book. However, there was no summary cash book in order to establish the balance at any one time. It was only when the bank account was reconciled at the end of each month that the cash book balance was ascertained. In addition, entries were not made in the payments cash book in respect of bank charges and other bank advices such as those relating to the purchase of foreign currency drafts. These were instead reflected in the bank reconciliation statements.

The Audit Office recommends that the Wildlife Division maintain a summary cash book so as to be able to ascertain the balances on a daily basis. In addition, all bank charges and other bank advices should be recorded promptly in the payments cash book (2003/33).

123. The former Head of the Wildlife Division was seconded from Guyana Energy Agency in 2002 where his services were terminated in October 2003. Since then, there was no formalised agreement regarding the terms and conditions of his employment with the Division. As a result, he received a monthly salary advance of $120,000 and a travelling allowance $9,504. The former Head was sent on leave from 7 June 2004 and was subsequently dismissed on 12 July 2004. His termination letter stated that all benefits due to him would be paid. In August 2004, the Management Authority approved his monthly salary at $199,799 and the former Head was paid the sum of $899,422 (net of deductions) in full settlement of amounts due in respect of salaries, contract gratuity and pro-rated leave for the period 1 November 2003 to 11 July 2004.

124. The Audit Office also noted that for the year 2003 amounts totalling $225,000 were paid as uniform allowances to the staff of the Division. However, no uniforms were being worn. Management explained that the amounts were paid to assist the staff in obtaining apparel for work. When contacted, the Chairman of the Management Authority indicated that he was unaware of this practice.

The Audit Office recommends that the Wildlife Division desist from the practice of paying uniform allowances to the extent that staff members are not required to wear uniforms. (2003/34)

125. Amounts totalling $702,000 were paid as directors' fees to members of the Management and Scientific authorities. Included in this amount were fees totalling $72,000 paid to the Head of the Wildlife Division and Veterinary Officer for their attendance at the meetings of the Management and Scientific authorities respectively.

Since the two officers referred to above are full-time employees, the Audit Office recommends that the Wildlife Division cease the payment of fees to them.for their attendance at the meetings of the Management and Scientific authorities. (2003/35)

126. During the period July 2002 to July 2004 amounts totalling $6.072M were expended on the purchase of one vehicle, an air conditioning unit, a photocopier unit, one computer with printer and a quantity of furniture. However, these items were not inventorised nor were they marked to identify them as State property.

The Audit Office recommends that the Wildlife Division inventorise and mark all assets under its control to ensure proper accountability for such assets. (2003/36)

Licensing of Exporters & Quotas

127. The Wildlife Division submitted to the Audit Office a list indicating that there were fifty-seven licensed exporters in 2003. However, the minutes of Management Authority meeting held on 11 June 2003 stated that fifty-five applications were approved. In addition, approved applications were only seen for twenty-eight exporters. As a result, it could not be determined whether the remaining twenty-nine exporters had applied for licences.

128. The Audit Office reviewed the records relating to fifteen exporters and noted 460 instances where individual quotas were exceeded. In addition, these exporters utilised on average 31% of the national quotas and in one instance, the shipment represented 74 % of the national quota in respect of the particular specie. Further, an examination of the 2003 exporters' quota sheet indicated inconsistencies in the number of species allotted to exporters in that quotas were set for exporters ranging from 4 to 73 in number. The Audit Office's interview with the Secretary of the Management Authority had indicated that the national quotas were to be divided equally among registered exporters.

The Audit Office recommends that the Management Authority urgently investigate the above discrepancies with a view to taking corrective action and inform the Audit Office of the results. In this regard, it would appear necessary for the staffing situation of the Wildlife Division to be reviewed as a priority in order to ensure that there is greater monitoring and supervision of the various aspects of its work (2003/37)

129. Section 7 of the Species Protection Regulations provides for the Scientific Authority to prepare an annual report with regard to any specimen that is endangered or threatened as well as the status of the species of wild animals and plants. A copy of the report is to be laid before the National Assembly. However, there was no evidence that such a report was prepared since the Regulations were promulgated.

The Audit Office recommends that the Scientific Authority comply with Section 7 of the Species Protection Regulations by preparing annual reports and submitting them to the Management Authority for laying in the National Assembly. (2003/38)

130. Section 27 (1) of the above regulations also provides for the Management Authority to maintain registers containing information relating to, among others, the holder of the permit, type of permit granted, the date of expiration, the number of permits granted and the specimen of wild animal or plant in respect of which the permit is granted. However, there was no evidence that these registers were being maintained. The Finance Officer explained that she was unaware of this requirement.

The Audit Office recommends that the Wildlife Division comply with the requirements of Section 27 (1) by maintaining registers relating to the granting and monitoring of permits for the exportation of wild animals and plants. (2003/39)

<u>Export of Bottlenose Dolphins</u>

131. The Secretary of the Management Authority indicated that he received a proposal from a Mexican firm in November 2002 for the capture and export of fifty bottlenose dolphins. The Scientific Authority of the Division reviewed the proposal and recommended that the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) be contacted for guidance. When contacted, CITES in March 2003 recommended that the Scientific Authority make a non-detrimental finding before export permit is granted.

132. The Scientific Authority, however, did not ensure that the non-detrimental finding was independently carried out. Instead, it relied on the results of a survey carried out by a consultant contracted by the Mexican firm which survey concluded that a total of fifty-five dolphins could be harvested with out causing any detriment to the existing population. It should be mentioned that the consultant was also involved in the preparation of the proposal referred to in the preceding paragraph.

133. On 10 April 2003 and before the survey was completed, the former Head of the Wildlife Division informed the Mexican firm that permission was granted for them to harvest fifty dolphins. The Audit Office was unable to ascertain on whose authority this letter was issued. And in another correspondence dated 11 December 2003, the former Head informed the Mexican firm that approval was given for the capture and export of twenty-five bottlenose dolphins. However, the Scientific Authority had recommended that an annual quota of twenty dolphins be included on the national quota sheet. More importantly, there was no evidence that the Management Authority approved of the export of the dolphins.

134. The former Head contended that he acted on the basis of letter dated 9 December 2003 issued by the Head of the Presidential Secretariat (HPS) and addressed to the Secretary of the Management Authority. The letter stated that after discussions with the Wildlife Management Unit, he (the HPS) would like the Secretary to consider the following proposals:

- A one-off permit being issued to the exporter to govern export of species;

- The gender ratio of the shipment of twenty-five animals to be finalised but with male predominance;

- The cost of each animal being US$20,000; and

- The administrative arrangements and trading specifications being handled by the Wildlife Unit.

The former Head was dismissed on 12 July 2004 for the unauthorised export of dolphins from Guyana.

Export of Giant Anteaters

135. Giant anteaters are listed on schedule III in the Regulation as one of the species threatened with extinction and is banned from commercial exportation. Exportation is, however, allowed in exceptional circumstances, subject to the satisfaction of the Scientific Authority that the animals are for scientific use and the importer is an accredited zoological institution.

136. The Audit Office noted that during the period July 2002 to June 2004 forty-three giant anteaters were exported without the approval of the Management Authority. The Chairman of the Authority indicated that he had approved of the export of only four anteaters with the understanding that they were being shipped to a zoological institution and that there would be a significant loss of revenue as the anteaters were part of a larger shipment involving other animals. The former Head admitted that he had approved the licences for the export of the remaining thirty-nine giant anteaters but contended that at no time he acted on his own in so doing. The Audit Office was also unable to confirm whether the anteaters were shipped to accredited zoological institutions and on what basis the value of US$400.00 per animal was arrived at for the purpose of computing the export levy of 20%.

> *In view of the fact that the exportation of giant anteaters is prohibited, the Audit Office recommends that the Management Authority urgently investigate the export of forty-three of these animals with a view to avoiding a recurrence, including the imposition of sanctions on any other official who might be involved. (2003/40)*

Other Matters

137. The Accounting Unit of the Wildlife Division had a staff complement of three officers but there were no clearly defined duties and responsibilities to ensure that there are adequate checks and balances in the system. For example, the cashier was also involved in banking. Similarly, the Finance Officer prepared, checked and certified the bank reconciliation statements. The Division also did not maintain a register of controlled forms to record used and unused receipts books, cheque books and CITES permits.

The Audit Office recommends that the Wildlife Division ensure that there are clearly defined duties and responsibilities for each member of staff in the Accounting Unit so that there is adequate segregation of duties. In addition, the Division should introduce a register of controlled forms as early as possible. (2003/41)

HEAD 02
OFFICE OF THE PRIME MINISTER

138. A review of the expenditure incurred on the maintenance of vehicles indicated apparent excessive expenditure in respect of three vehicles. The following table shows the cost of maintenance over the period 2002-2003.

Vehicle No.	2002 $'000	2003 $'000	Total $'000
PEE 7511	1,045	404	1,449
PEE 236	1,079	858	1,937
PHH 4396	805	1,148	1,953
Total	2,929	2,410	5,339

The Accounting Officer explained that this state of affairs was due to the age of the vehicles and the extent of use and that representations made to the Ministry of Finance for their replacement were unsuccessful.

The Audit Office again recommends that the Office of the Prime Minister approach the Ministry of Finance with a view of obtaining the necessary funds for the replacement of the vehicles as there are likely to be significant cost savings in so doing. (2003/42)

HEAD 03 & DIVISION 526
MINISTRY OF FINANCE
PROGRAMME 1 - MINISTRY ADMINISTRATION

Current Expenditure

139. The Ministry has been operating at significantly below its authorised staffing. For the period under review, the authorised staffing was 193 while actual staff in place as at December 2003 totalled 85, giving a vacancy rate of 56%. It is obvious that this level of staffing would have an adverse effect on the operations of the Ministry and in particular the level of control needed to ensure adequate checks and balances. The Accounting Officer explained that this state of affairs was due mainly to budgetary restrictions.

140. Amounts totalling $11.748 billion were expended on Subsidies and Contributions to Local & International Organisations. The following gives a breakdown of the payments made, compared with those of the previous year:

Name of Organisation	2002 $'000	2003 $'000	Increase $'000
Local Organisations			
GRDB	49,974	9,653,648	9,603,674
Guyana Revenue Authority	1,321,000	1,786,339	465,339
State Planning Secretariat	105,265	117,187	11,922
CANU	77,195	68,712	(8,483)
Statistical Bureau	71,353	74,903	3,550
Privatisation Unit	52,112	NIL	(52,112)
Guyana Co-op. Financial Services	31,385	26,981	(4,404)
NDMA	21,575	18,614	(2,961)
BIDCO	15,000	NIL	(15,000)
NICIL	963	NIL	(963)
Ethnic Relations Commission	NIL	1,984	1,984
	1,745,822	11,748,368	10,002,546
International Organisations			
ACP	24,185	NIL	(24,185)
Total	1,770,007	11,748,368	(9,978,361)

141. The amount of $9.654 billion was paid to the Guyana Rice Development Board (GRDB) to allow for Rice Levy 'A' to be paid in as current revenue, as provided for in the Estimates. This levy relates to the exporting of rice to the European Union. Importers benefit from a levy reduction if documentary evidence can be produced that a corresponding amount has been paid to the authorities in Guyana. As the Rice Levy cheques are received from GRDB, the Accountant General issues corresponding refund cheques to GRDB. Documentary evidence of this arrangement especially in relation to the refund to GRDB was, however, very scant as this system had been in place since the 1980's.

142. This matter was raised in my previous reports. In response, the Ministry had stated that "the Lome Convention requires that the rice levy should be treated as revenue and utilised for the development of agriculture. The refund to the exporters through GRDB is a policy decision aimed at stabilising paddy prices".

143. As can be noted, amounts totalling $9.654 billion were paid to the GRDB for the period under review, compared with $49.974M in 2002 because a supplementary estimate of $3.757 billion could not have been processed in time for the closure of the country's accounts. As a result, expenditure for 2003 would have been overstated by $3.757 billion with a corresponding understatement in the 2002 accounts.

144. Amounts totalling $260.802M were expended to meet the cost of operations of the State Planning Secretariat, Customs Anti Narcotics Unit (CANU) and Statistical Bureau. These are departments within the Ministry of Finance and are not separate legal entities. The implications of having the operations of these units financed under contributions to local organisations are two-fold. The first is that Employment Costs and Other Charges are not categorised and shown in the Appropriation Account in the traditional manner, thereby distorting the true costs involved in respect of these two areas. Secondly, the present arrangement facilitates the circumvention of the application of the Government's pay scales as employees of these units enjoy enhanced compensation packages, instead of the approved Government rates.

> *The Audit Office recommends that the Ministry of Finance cease to fund the operations of the three departments referred to above from subsidies and contributions to local and international organisations and create specific programmes under the existing programme budgeting arrangements in respect of these departments. (2003/43)*

145. The State Planning Commission, which has the status of a separate legal entity, was to have been dissolved several years ago, and its operations transferred to the Ministry of Finance. However, no action was taken in relation to the former. In addition, for the period under review, the State Planning Secretariat had an actual staffing of fifty-one persons. However, only twenty-three officers were attached to it. The remaining twenty-eight officers were attached to various departments within the Ministry of Finance and other Ministries/Departments although their emoluments were met from the State Planning payroll.

146. These matters were drawn to attention in my previous reports. In response, the Ministry had stated that (a) the dissolution of the Commission had to be a policy decision and (b) the State Planning Act makes provision for employees to be posted to Ministries/Departments. However, the officers referred to above were not involved in the work of the State Planning Secretariat but were occupying official positions within the concerned Ministries and Departments. It should be mentioned that the last set of audited accounts of the Commission was in respect of 1991. It therefore means that the entity was twelve years in arrears in terms of financial reporting.

> *The Audit Office recommends that the Ministry of Finance take steps to formally dissolve the State Planning Commission and to produce financial statements for the period 1992 –2003 for audit examination. (2003/44)*

147. Although CANU was established to protect the Customs revenues, this Unit was not operating under the direction of the Commissioner of Customs and Trade Administration. This arrangement does not provide for proper financial and administrative control, and is not in conformity with the applicable Customs Laws and Regulations.

> *The Audit Office recommends that the Ministry of Finance take appropriate measures to transfer the operations of the Customs Anti Narcotics Unit to the Customs and Trade Administration. (2003/45)*

148. In previous reports, the Audit Office highlighted the Ministry's failure to pay over the Government's share of 24% of the proceeds of the Guyana Lotteries to the Consolidated Fund. Instead, such proceeds were paid into a special bank account No. 3119 and were used to meet public expenditure without Parliamentary approval. This matter was discussed some time ago with the Head of State who had agreed that at the end of each year transfers would be made to the Consolidated Fund to the extent of funds utilised from the Lotteries Account. A corresponding supplementary estimate would then be passed in the National Assembly to ensure Parliamentary approval of the expenditure and its recording in the Public Accounts. However, up to the time of reporting, no action was taken in this regard. As a result, the appropriation and revenue accounts of the Ministry continued to be understated by the amounts received from the Lotteries Company and the expenditures incurred respectively.

The Audit Office recommends that the Ministry of Finance take appropriate measures to close bank account No. 3119 and transfer the balance to the Consolidated Fund. Thereafter, the Ministry should ensure that Government's share of the proceeds of the Guyana Lotteries is paid over directly to the Consolidated Fund. (2003/46)

149. During the period 1996 to 2003, amounts totalling \$2.218 billion were received from the Guyana Lotteries Company and deposited into account No. 3119. The balance on this account as at 31 December 2003 was \$315M. Therefore, payments totalling \$1.903 billion were made during this period to meet expenditure of which sums totalling \$93.818M were expended in 2003. The following is a breakdown of the payments made:

Ministry/Department/Region	Amount $'000	Remarks
President's Youth Choice Initiative	42,634	Construction and rehabilitation works in Regions 1-7 and 10, purchase of furniture & equipment, payment for security services and administrative expenses.
Ministry of Culture, Youth & Sports	10,800	To meet Mashramani celebrations.
Office of the President	9,078	Grants to Berbice Youth Organisation and Port Mourant Islamic Mosque and funeral expenses for the late President.
Central Islamic Organisation of Guyana	11,000	Subvention to support the Headquarters Project.
Ministry of Health	2,799	Completion of Radiotherapy Building.
Guyana Rugby Association	5,000	Grant
Help and Shelter	3,000	Grant
Ministry of Public Works & Comm.	4,120	Investigational and land surveying works – Cricket Stadium.
Guyana Legal Aid Centre	2,000	Grant
Guyana Rifle Association	2,000	Grant
Others	1,385	Membership and secretarial fees and other miscellaneous expenses.
Total	93,818	

Capital Expenditure

Subhead 44003 – Student Loan Fund

150. The sum of $535M was allocated to provide loans to those students who are desirous of pursuing tertiary level education. The full amount of $535M was released to the Student Loan Agency and deposited in account No. 993 at the Bank of Guyana. The programme commenced in 1994 and amounts totalling $4.352 billion were paid over to the Loan Agency as at 31 December 2003. At the end of 2003, the balance on account No. 993 was $217.064M, indicating that sums totalling $4.135 billion were paid over to the University on behalf of students who have entered into agreements with the Loan Agency.

Subhead 45006 – Guyana Revenue Authority

151. The sum of $110M was allocated to rehabilitate buildings at Springlands and Linden and to purchase office equipment and furniture. According to the Appropriation Account, amounts totalling $85.919M were expended. Actual expenditure incurred was, however, $41.996M, resulting in an overstatement in the Appropriation Account by $43.923M. Enquiries indicated that the latter amount was not refunded to the Accountant General until 5 February 2004.

The Audit Office recommends that the Ministry monitor the capital expenditure of its related agencies more carefully in order to ensure that any unspent balance is refunded to the Ministry for credit to the Consolidated Fund before the close of the financial year. (2003/47)

152. Amounts totalling $5.593M were expended in the restructuring of the Authority's Secretariat. There was, however, no evidence that approval was granted for a change in programme to undertake the works. Management explained that the Commissioner General approved of the variation of the proposed works.

The Audit Office recommends that the Ministry take appropriate measures to ensure that the Guyana Revenue Authority desist from undertaking capital works that have not been specifically approved in the Ministry's capital profile without first obtaining the approval of the Chief Planning Officer. (2003/48)

153. Amounts totalling $35.693M were expended on the purchase of office equipment such as acoustical partition, workstations, desks, chairs, photocopiers, refrigerators, ladders and computers. Nine instances were, however, noted where purchases were made in a piecemeal manner to avoid adjudication by the Central Tender Board. In each case, the items were acquired on the same dates from the same suppliers. Management explained that the Commissioner General sanctioned the purchases in order to utilise funds before the end of the financial year.

The Audit Office recommends that the Ministry take appropriate measures to ensure that the Guyana Revenue Authority complies strictly with the requirements of the Tender Board Regulations to the extent that it is in receipt of funds from the Ministry to meet specific capital programmes. (2003/49)

154. In my previous reports, it was stated that three printers valued at $365,750 had not been received from the supplier. At the time of reporting, the position remained the same. Management explained that the supplier was no longer in the country and therefore legal action could not be taken against him.

The Audit Office recommends that the Ministry in collaboration with the Guyana Revenue Authority file a losses report with the Finance Secretary so that the loss of $365,750 can be written off. (2003/50)

Subhead 45007 – Guyana Sugar Corporation

155. An amount of $420M was provided to GUYSUCO as part of an on-lending agreement for the Corporation's drainage and irrigation project through a loan from the Caribbean Development Bank to the Government of Guyana. However, this amount was not reflected in the Statement of Loans and Advances made from the Consolidated Fund.

Subhead 45008 – Loans to Public Corporations

156. Amounts totalling $3.266M were paid to LINMINE as loans. However, this amount was not reflected in the Statement of Loans and Advances made from the Consolidated Fund. In addition, at the time of reporting, Government has divested 70% of its interest in the Company. Given this situation as well as the financial difficulties of the Corporation, the probability of Government's recovery of the loans granted to LINMINE, which according to the Ministry's records totalled $8.932 billion, appears to be very remote.

Capital Revenue

157. Accounting to the receipts and disbursement statement, amounts totalling $19.738 billion were collected as capital revenue and paid over to the Consolidated Fund. The following gives a summary of the amounts collected:

Description	Approved Estimates $M	Amount Collected $M	Under/(Over) Estimates $M
Sale of assets	2,000	2,335	(335)
HIPC Relief	2,605	4,636	(2,031)
External Grants	3,066	2,923	143
External Loans	12,841	9,796	3,045
Others	62	48	14
TOTAL	20,574	19,738	836

158. Of the amount of $2.335 billion shown as sale of assets, the sum of $2.3 billion relates to the sale of the assets of the Guyana National Cooperative Bank while the difference relates to the sale of a property in Jamaica.

159. Guyana Stores Ltd. was sold in October 2000 in the sum of US$6M, of which amounts totalling US$4M were received. The remaining US$2M was to have been paid in September 2002. However, up to the time of reporting, this balance remained outstanding. A similar observation was made in relation to the National Paints Company where US$900,000 remained outstanding on the purchase price. The Head of the Privatisation Unit explained that these matters were engaging the attention of the Court.

160. Significant differences were observed between the amounts shown as receipts in respect of external loans and those recorded in the Public Debt Statement, as shown below:

Lending Agency	Per Public Debt Statement $'000	Per Revenue Statement $'000	Difference $'000
Inter American Development Bank	7,539,260	8,257,552	(718,292)
International Development Assoc.	1,402,545	584,668	817,877
Caribbean Development Bank	2,048,283	779,374	1,268,909
EIB	160,990	99,379	61,611
China	18,729	-	18,729
Italy	3,174	-	3,174
IFAD	-	73,774	(73,774)
USAID/ PL480	-	561,360	(561,360)

161. These differences were due mainly to:

- The failure to update the disbursement column in the Public Debt Register at the time the foreign disbursements were brought to account in the Public Accounts. Instead, this column was being updated from confirmations received from the loan agencies; and

- The delay in the processing of foreign disbursements so that they can be brought to account in the relevant accounting period.

The Audit Office recommends that the Ministry take appropriate measures (a) to ensure that the Public Debt Register is updated at the time disbursements of loan proceeds are made and (b) to reconcile the entries in the Register with confirmations received from loan agencies. (2003/51)

162. The proceeds from a World Bank loan – Public Sector Technical Assistance Credit Agreement N0. 3726 – were not included in the Ministry's capital revenue statement nor were they reflected as corresponding capital expenditure. The agreement was signed on 21 January 2003 and provides assistance to the Government to meet its governance and poverty reduction objectives through:

- strengthening fiscal, financial and fiduciary management;
- improving coverage and efficiency of social safety nets; and
- developing institutional capacity to manage, monitor and evaluate the implementation of the poverty reduction strategy.

163. An examination of the audited financial statements of the Project revealed an expenditure of US$613,609. Of this amounts, sums totalling US$447,923 or 73% relates to payment for consultants' services in United States dollars to nineteen officers occupying positions in Ministries and Departments. Such positions include those of the Commissioner General of the GRA and his Deputy, five officers of the Ministry of Finance, the Head of the PCMU at the Office of the President and the Head of the Privatisation Unit. The following table gives a breakdown of the payments made by Ministry/Department:

Ministry/Department	No. of Officers	Payments Made US$	Remarks
Guyana Revenue Authority	2	30,000	Payments commenced from September 2003
Ministry of Finance	6	30,900	" " " July 2003
Office of the President	8	325,356	One officer paid US$186,000 or US$15,500 per month.
Bureau of Statistics	1	22,667	Payments commenced from May 2003
Privatisation Unit	1	24,000	" " " July 2003
Public Service Ministry	1	15,000	" " " July 2003
Total	19	447,923	

164. It should be mentioned that in accordance with the Income Tax Act, only the Head of State, the Chancellor and the Chief Justice are exempt from the payment of income tax. However, there was no evidence that these nineteen officers were discharging their tax obligations to the State.

The Audit Office recommends that the Ministry of Finance in collaboration with the Office of the President review the present arrangement involving the payment of emoluments in United States dollars out of loan resources. In addition, it should institute measures aimed at ensuring that the concerned officers discharge their tax obligations to the State. (2003/52)

165. Separate revenue accounts were also not kept for each loan. Instead, only one revenue account was maintained for all the loans. As a result, audit verification of the loan receipts was rendered difficult and time-consuming.

In order to ensure improved accountability and to facilitate audit checks, the Audit Office recommends that the Ministry maintain separate revenue accounts to ensure improved accountability and to facilitate audit checks. (2003/53)

HEAD 03
MINISTRY OF FINANCE
PROGRAMME 2 - ACCOUNTANT GENERAL'S DEPARTMENT

166. The Department was operating significantly below its authorised staffing in that actual staffing in place as at December 2003 was 132 compared with the authorised establishment of 261, giving a vacancy rate of 49%. It is obvious that this level of staffing would have an adverse effect on the operations of this department and in particular the level of internal control needed to ensure adequate checks and balances.

167. The Accounting Officer explained that this was mainly due to budgetary constraints. Notwithstanding this, it should not be over-emphasised that the Accountant General's Department carries out essential accounting tasks on behalf of all Ministries, Departments and Regions and is the custodian of not only the Consolidated Fund but also other essential funds. It follows therefore that this department's staffing level should be such that an acceptable level of internal control should be place.

> *The Audit Office recommends that the Accountant General's Department in collaboration with the Public Service Ministry review the staffing situation of the Department in order to ensure that adequate numbers are in place to provide the level of internal control that is needed for adequate checks and balances. (2003/54)*

168. The salaries bank account No. 506, which became non-operational in June 1996, reflected an overdraft of $1.946M at 31 December 2003. Explanations obtained indicated that a fraud had occurred in the early 1990's. The officer responsible had since died, and the Finance Secretary was written to with a view to writing off the loss. At the time of reporting, the position remained the same.

> *The Audit Office recommends that the Department follow-up with the Finance Secretary with a view to obtaining the necessary approval for the loss to be written off by way of a supplementary estimate. In this way funds will be made available to liquidate the overdraft and steps taken to close the account. (2003/55)*

169. Amounts totalling $3.339M were expended on the purchase of furniture and equipment such as printers, refrigerators, filing cabinets, vacuum cleaners, desks and chairs. These items are of a capital nature and should have been met from the Ministry of Finance's capital programme. A similar observation was made in respect of amounts totalling $3.212M which were expended on the acquisition of office equipment including photocopiers, fax machines, computers, filing cabinets, DVD burner, desks and chairs. The Accountant General contended that these are replacement items. Notwithstanding this explanation, the charging of the associated cost for these items to current expenditure is a breach of generally accepted accounting principles.

The Audit Office recommends that the Accountant General's Department desist from the practice of purchasing capital items from current appropriations. (2003/56)

170. The Stores Regulations provide for the accounting unit to maintain a Stores Ledger to provide for an independent check on the bin cards maintained by the storekeeper. However, the accounting unit did not maintain such a record. The Accounting Officer explained that this was due to staff constraints and that he had written the Public Service Ministry in relation to the filling of vacancies. At the time of reporting, the position remained the same.

171. Amounts totalling $128.208M were expended on the cost of overseas conferences and official visits. According to the Conference Advances Register, 277 advances were granted for this amount but up to the time of reporting 120 advances totalling $42.829M remained outstanding. Fifteen of these totalling $10.925M relate to the overseas travel a senior official in a key Department. A similar observation was made in respect of 2002 where a total of seventy-three advances totalling $24.695M remained uncleared at the time of reporting, of which eighteen advances totalling $14.110M relate to the overseas travel of the official referred to above.

172. The Accounting Officer explained that (a) the concerned official is exempted from clearing his advances (b) some of the other recipients were tardy in clearing their advances and (c) the remaining officers had submitted documentation to clear their advances but due to the Department's staffing situation, there were delays in the clearing of the advances. He further explained that the delinquent officers were written in June 2004, requesting them to submit documentation to clear their advances. The Audit Office, however, found no evidence in support of the explanation given at (a) above.

The Audit Office recommends that the Department notify the official referred to above of his obligation to clear all overseas travel advances through the submission of bills and receipts and other supporting documents to substantiate the payments made. (2003/57)

The Audit Office recommends that the Department submit to the Office of the President a list of the officials who have not cleared their overseas travel advances within the prescribed time period. In this way, Cabinet will be apprised of this undesirable situation. (2003/58)

173. It should also be pointed out that Cabinet would have approved of the overseas travel of the concerned officials but there was no evidence that these officials, upon their return, prepared and submitted reports to Cabinet, as has been the practice in the past. As a result, Cabinet would not have been in a position to ascertain the outcomes of the deliberations that took place at the various meetings at which government officials attended. The Permanent Secretary of the Public Service Ministry, however, explained that he was aware of some officers submitting reports and that, given the confidential nature of some of the deliberations, reports were not prepared.

The Audit Office recommends that the Accountant General's Department in collaboration with the Public Service Ministry institute measures aimed at ensuring that all public officers undertaking official travel submit reports to Cabinet through their heads of departments and subject ministers so that Cabinet can be apprised of the results of such travel. (2003/59)

174. The Revenue and Deposits Account No. 981 reflected a balance of $804.673M as at 31 December 2003. This situation resulted mainly from the failure of some Non Sub-Accounting Ministries and Departments to submit collectors' cash book statements (CCBS) to the Accountant General's Department for processing. In the absence of CCBSs, the completeness and accuracy of the amounts remitted to the Accountant General's Department could not be satisfactorily determined. The balance on this account at the beginning of 2003 was $809.668M. It is evident that a greater portion of the balance on this account relates to prior periods.

The Audit Office recommends that the Accountant General's Department follow-up in writing with the concerned accounting officers, reminding them of their obligation to submit CCBSs in support of all revenues remitted. (2003/60)

175. Excess expenditure totalling $34.704M was incurred under three line items. Since there were savings under other line items, it would have been more appropriate for a virement of funds to have been sought.

The Audit Office recommends that the Accountant General's Department seek the relevant approval from the Ministry of Finance for the virement of funds whenever it foresees that there is likely to be an overrun in expenditure under any line item. (2003/61)

Current Revenue – Customs & Trade Administration

176. The Automated System for Customs Data (ASYCUDA), which was introduced into the Department in 1996 with the aim of boosting efficiency in the assessment, collection and accounting for revenue, was still not fully implemented. The Commissioner explained that the functioning of the system was limited and needed upgrading from 2.7 to 3.0 version and that only the communication aspect was in operation at Timehri and at Head Office. The accounting aspect was also not functioning and there were no linkages with the various wharves. He further explained that he had recognised the problem since 2000 when he was appointed to the position and that his efforts to seek the necessary funding to purchase the updated version were unsuccessful.

177. The estimated cost of the package was US$2M, equivalent to G$440M which, in the opinion of the Commissioner, can be recovered by way of increased revenue collections in a short while. This is in addition to possible significant increases in revenue collections arising out of the acquisition and installation of the revised version of the ASYCUDA System.

The Audit Office recommends that the Commissioner of Customs and Trade Administration urgently renew his request to the Ministry of Finance for the provision of the necessary funding to acquire the revised version of the ASYCUDA System in order not only to boost the efficiency of operations in specific areas of this revenue collection agency but also to enhance revenue collections. (2003/62)

178. Amounts totalling $19.202 billion were collected as revenue for the period under review, compared with $18.727 billion collected in 2002. This represents a 2.54% increase in collection over 2002. Consumption tax on services was the main area of increased revenue collection. Actual collection for the period under review was $498.263M, compared with $220.820M collected in 2002, an increase of $277.443M. The following table summarises the Department's total collections for 2003, with comparative figures for the previous year:

Description	Collection 2002 ($'000)	Collection 2003 ($'000)	Increase $'000
Import Duties	3,483,043	3,343,308	(139,735)
Export Duties	7,886	11,699	3,813
Consumption Tax – Imported	11,423,517	11,612,270	188,753
Stamp Duties	8,535	5,151	(3,384)
Consumption Tax – Domestic	3,024,902	3,242,973	218,071
Consumption Tax – Services	220,820	498,263	277,443
Licence Liquor	15,190	15,470	280
Environmental Tax	326,110	344,217	18,107
Overtime Fees	45,859	53,684	7,825
Departmental Fines	62,640	42,558	(20,082)
Warehouse Rent & Charges	12,715	9,742	(2,973)
Miscellaneous Other Taxes	96,217	22,895	(73,322)
Sundries	224	224	-
Total	18,727,434	19,202,454	475,020

179. In relation to import duties, some of these transactions were facilitated through the Permit for Immediate Delivery (PID) system. PIDs are to be perfected within ten working days from the date of their issue. However, eight PIDs with a total CIF value of $14.940M remained outstanding at the time of reporting. Explanations were provided for only three of the outstanding PIDs. The failure to perfect PIDs within a reasonable timeframe would result in delays in finalising the related transactions for the purpose of collection of revenues.

The Audit Office recommends that the Customs and Trade Administration put in place mechanisms to expedite the processing of PIDs so that they can be perfected within the prescribed time-frame. (2003/63)

180. Duties remitted for the period under review totalled $15.771 billion or 82.13% of the actual collections, compared with $15.486 billion or 82.69% in 2002. The following is a breakdown of the remissions granted in 2003, compared with the previous year:

Description of Goods	Amount 2002 $'000	Amount 2003 $'000	Increase $'000
Petrol	8,276,738	8,796,766	520,028
Motor Vehicle	1,719,030	1,833,817	114,787
Forestry	204,416	184,327	(20,089)
Computer	67,509	49,159	(18,350)
Mining	220,891	324,101	103,210
Others	4,997,666	4,582,944	(414,722)
Total	15,486,250	15,771,114	284,864

181. In relation to the remission of duties on motor vehicles, during the period January to August 2003, a total of 170 remissions were granted to re-migrants. The following table shows the pattern of the granting of this concession on a monthly basis:

Month	No. of Concessions	Month	No. of Concessions
January	8	May	14
February	6	June	22
March	7	July	17
April	10	August	86

182. Prior to September 2003, the Minister of Finance was empowered to grant the remission of duties in accordance with Section 6 (1) of the FAA Act and Section 12 of the Customs Act. On 22 August 2003, the Fiscal Enactments (Amendment) (No. 2) Act 2003 was assented and came into effect on 1 September 2003. The latter removed the authority of the Minister to grant remissions of duties by repealing the two sections referred to above of the FAA Act and the Customs Act. That authority now vests with the Commissioner General.

183. The Audit Office examined the files relating to the eighty-six concessions that were granted in August 2003 and observed that fifty-two concessions appeared to have been falsified in that there was evidence to suggest that the signature of the Minister of Foreign Affairs was photocopied and placed on the authorising documents. In other words, the Minister did not approve of the concessions but his photocopied signature appeared in minute purportedly submitted to him for approval. Further examination revealed forty applicants did not meet the criteria for the grant of the concessions for various reasons. such as excess engine capacity, lack of evidence of ownership of the vehicle, and so on.

184. It should be mentioned that the Re-migration Officer at the Ministry of Foreign Affairs prepared the authorisation document in the form of a minute but there was no evidence of checking and certification before the minute was sent to the Minister for his approval. In addition, it is the same Re-migration Officer who prepared and signed on behalf of the Director of the Director General the memorandum to Finance Secretary stating that the concerned person has qualified for re-migration status. In other words, there was no segregation of duties so vitally necessary to minimise the extent to which abuses could occur

185. Of the remaining thirty-four concessions granted, nineteen did not meet the criteria for the granting of the concessions for the following reasons:

- Five applicants did not produce income tax returns for the four years prior to their return to the country;
- Five applicants did own the vehicles for six or more months;
- Four applicants did not produce evidence of ownership of the vehicle;
- Two applicants submitted invoices/quotations instead of certificates of title;
- One applicant was granted the concession prior to his entry into the country;
- One applicant was granted the concession after three months of his arrival; and
- One applicant was granted the concession on a motor car exceeding the engine capacity of 2000 c.c.

186. As a result of the above irregularities, the Re-migration Officer of the Ministry of Foreign Affairs and four officials from the Ministry of Finance were sent on leave, pending Police investigations. At the time of reporting, two officers were charged and placed before the Courts.

187. An examination of the Ships' Rotation Book kept at Customs House revealed that 968 vessels came into Port Georgetown for the period under review. However, up to the time of reporting, 247 files had not been submitted to the Quality Review Section for examination and to facilitate their closure. As a result, it could not be satisfactorily determined whether all revenues due to be collected for the period under review were actually collected. The Director of Wharves explained that this state of affairs was due to staff constraints. It should be mentioned that out of an authorised staffing of 412 for the Department, actual staffing at the time of reporting was 364, giving a vacancy rate of 11%.

> *The Audit Office recommends that the Customs and Trade Administration take urgent measures to review the staffing situation of the Department with a view to ensuring that its operations are not adversely affected by staffing limitations. (2003/64)*

188. Section 8 (1) of the Consumption Tax Regulations provides for every registered manufacturer to furnish the Commissioner with monthly returns and to make payments in respect of consumption tax within fifteen days of the close of the month. Section 25 (4) of the Consumption Tax Act also provides a fine of $25,000 and a further fine of $5,000 per day for manufacturers who fail to fulfil the above requirements after the Commissioner would have served notice of default.

189. For the period under review, there were 220 registered manufacturers. However, twenty-six did not submit any returns while thirteen submitted returns on average thirty-four days after the close of the month. There was no evidence that the Department took any action against these defaulters although the Audit Office noted that four inspections were carried out for the period under review.

The Audit Office recommends that the Customs and Trade Administration send out notices to all manufacturers who have not complied with Section 8 (1) of the Consumption Tax Regulations with a view to imposing the relevant penalties under Section 25 (4) of the Consumption Tax Acton defaulting manufacturers and also to update the Consumption Tax Manufacturers' Register. (2003/65)

190. Section 12 A (1) of the Fiscal Enactment (Amendment) Act 1995 provides for the collection of a tax of 10% on the gross sum paid in respect of every overseas telephone call or overseas fax message originating from Guyana. However, there was no evidence of the Telephone Company's records being inspected to verify the accuracy of the amounts remitted to the Department. A similar observation was made in respect of betting shops. The Assistant Commissioner explained that verification of the telephone records as well as those of betting shops is a very complex exercise and that the staffing situation did not permit the conduct of such an exercise. He indicated that the Department was in the process of recruiting Consumption Tax Auditors.

191. An examination of the registers relating to the sale of liquor indicated that a total of 3,256 premises were registered in Regions 2, 3, 4 and 10. However, for the period under review, 2,236 premises did not renew their licences. No evidence was seen that the defaulters were written to but the Audit Office noted that excise officers made 593 visits to various premises. The Assistant Commissioner explained that the lack of vehicles and resources prevented further inspections to be carried out.

The Audit Office recommends that the Customs and Trade Administration send out notices to the owners of all premises registered to sell liquor, who have not renewed their licence for the period under reviews. Based on the responses received, excise officers should carry out inspections for the purpose of prosecuting defaulters and to update the various registers. (2003/66)

192. An examination of the schedule of dishonoured cheques revealed that sixty-one cheques valued at $38.350M and dishonoured during the period 1996 to 2000, had not been cleared up to the time of reporting. Evidence was seen that the Department sought the assistance of the Police in locating the importers. Five of the business establishments were, however, reported to be defunct, leaving cheques valued at $2.251M uncleared. Two importers were also reported deceased, leaving three cheques valued at $2.848M still uncleared.

193. In my previous reports, it was stated that during the Public Service strike in May and June of 1999, goods were released to some importers and their cheques were held on hand. Documentation provided indicated that 145 cheques valued at $119.434M had become stale-dated The Commissioner had explained that most of these cheques had since been cleared, leaving cheques valued at $14.698M remaining outstanding. However, details of these cheques were not provided to the Audit Office, and up to the time of reporting, the position remained the same.

The Audit Office recommends that the Customs and Trade Administration make a final effort to recover the above amount from the concerned importers, failing which it should present a losses report to the Finance Secretary for any sums remaining uncollected to be written off. (2003/67)

194. The previous revenue bank account No. 3014 which became inactive in March 2000 reflected a balance of $518.516M at 31 December 2003. On 29 April 2003, the Accountant General wrote the Secretary to the Treasury requesting approval to close this bank account and to transfer the balance to the Consolidated Fund. However, up to the time of reporting, this was not done.

The Audit Office recommends that the Customs and Trade Administration renew its efforts to have account No. 3014 closed and the balance transferred to the Consolidated Fund. (2003/68)

GUYANA REVENUE AUTHORITY
INTERNAL REVENUE

195. Amounts totalling $22.393 billion were collected as revenue from various sources for the period under review, compared with $22.128 billion collected in the previous year, an increase of $265M or 1.2 %, as shown below:

Particulars	Amount 2002 $'000	Amount 2003 $'000	Increase $'000
Corporation Tax	7,447,499	7,399,042	(48,457)
Income Tax	9,024,925	9,515,129	490,204
Withholding Tax	1,372,759	1,365,183	(7,576)
Travel Tax	1,169,096	1,100,631	(68,465)
Income Tax – Self-employed	781,148	891,680	110,532
Net Property Tax	1,150,034	883,770	(266,264)
Purchase Tax	470,763	444,161	(26,602)
Licences – motor vehicles	228,322	248,983	20,661
Capital Gains Tax	140,741	138,323	(2,418)
Motor Vehicle & Road Traffic Ordinance	136,920	174,734	37,814
Sub-Total	21,922,207	22,161,636	239,429
Others	205,925	231,512	25,587
Total	22,128,132	22,393,148	265,016

196. In relation to corporation tax, of the 1,932 companies that are deemed to be active, only 731 submitted annual returns for the period under review up to the time of reporting. Evidence was seen where the Commissioner sent demand notices in September 2004 requesting the defaulting companies to furnish returns within two months. Up to the time of reporting, only 113 companies responded. The Commissioner explained that the normal procedure is to raise arbitrary assessments on the defaulting companies and if they fail to honour their obligations, legal proceedings will be instituted against them. He could not, however, state what action was taken in respect of the 1,088 defaulting companies.

197. In my 2002 Report, it was stated that five airlines had made late payments of travel tax but there was no evidence that the penalty of 15% of the gross amount of the tax plus $50 for each day of late payment, was imposed. The position remained the same at the time of reporting. The Commissioner explained that legal action had since been taken against three airlines.

198. According to the professional Fees Register, 100 professionals did not honour their obligations to the Department in terms of professional fees for 2003. However, there was no evidence that these persons were written to requesting that they honour their obligations.

199. An examination of the bank reconciliation statement in respect of Revenue Bank Account No. 3196 for December 2003 indicated that there were eleven dishonoured cheques totalling $1.709M covering the period 2000 to 2002. As at July 2004, these cheques still remained dishonoured. The Commissioner explained that the drawers from these cheques could not be identified.

200. The revenue bank account No. 3025, which became inactive in 2000, reflected a balance of $1.302 billion as at 31 December 2003. The Audit Office had recommended that this balance be transferred to the Consolidated Fund. Evidence was seen that the Accountant General had written the Secretary to the Treasury in October 2002 recommending that this account be closed and the amount transferred to the Consolidated Fund. A similar observation was made in respect of Licence Revenue bank account No. 3018 which reflected a balance of $128.765M as at 31 December 2003. However, at the time of reporting, the position remained.

The Audit Office recommends that the Commissioner in collaboration with the Ministry of Finance arrange for the transfer of the balances on account Nos. 3025 and 3018 to the Consolidated Fund and to take steps to close these accounts. (2003/69)

HEAD 04 & DIVISION 506
MINISTRY OF FOREIGN AFFAIRS
PROGRAMME 1 – MINISTRY ADMINISTRATION

201. The Ministry was operating significantly below its authorised staffing in that actual staffing in place as at December 2003 was 86 compared with the authorised establishment of 139, giving a vacancy rate of 38%. It is obvious that this level of staffing would have an adverse effect on the operations of this department and in particular the level of internal control needed to ensure adequate checks and balances. The Accounting Officer explained that this was mainly due to budgetary constraints and the lengthy procedures that have to be followed in the filling of vacancies.

202. Up to the time of reporting, the salaries bank account No. 3086, which reflected a balance of $24.824M as at 30 June 2004, was not closed and the balance transferred to the Consolidated Fund. In addition, the old imprest bank account No. 444, which became non-operational in July 1996, reflected an overdraft of $51.635M as at 31 December 2003. Evidence was seen where the accounting Officer wrote the Finance secretary in August 2004 requesting advice on the closure. However, up to the time of reporting, a response was not received.

The Audit Office recommends that the Ministry take appropriate measures to transfer the balance on account No. 3086 to the Consolidated Fund and to close the account. (2003/70)

The Audit Office also recommends that the Ministry file a losses report with the Finance Secretary in respect of the overdraft on account No. 444 so that the loss can be written off by way of a supplementary estimate. (2003/71)

203. Amounts totalling G$197.699M were remitted by Guyana’s Overseas Missions to the Ministry of Foreign Affairs for onward transmission to the Accountant General’s Department. The Accountant General’s Department was required to examine the revenues remitted along with the supporting documents and to deposit it into the Consolidated Fund. However, up to the time of reporting, only $9.682M was verified as deposited into the Fund. As a result, revenue has been understated by $188.017M. The Assistant Accountant General was unable to shed any light in relation to this matter.

The Audit Office recommends that the Ministry in collaboration with the Accountant General’s Department investigate the above discrepancy and institute measures aimed at ensuring that all revenues remitted from overseas missions are paid over promptly to the Consolidated Fund. (2003/72)

204. Although acknowledgement receipts were issued by the Accountant General’s Department, these were not forwarded to the relevant Missions. The Accounting Officer explained that a system is being put in place to ensure that receipts are uplifted and despatched to Missions.

205. During the period January to August 2003, a total of 170 remissions were granted to re-migrants. The following table shows the pattern of the granting of this concession on a monthly basis:

Month	No. of Concessions	Month	No. of Concessions
January	8	May	14
February	6	June	22
March	7	July	17
April	10	August	86

206. Prior to September 2003, the Minister of Finance was empowered to grant the remission of duties in accordance with Section 6 (1) of the FAA Act and Section 12 of the Customs Act. On 22 August 2003, the Fiscal Enactments (Amendment) (No. 2) Act 2003 was assented and came into effect on 1 September 2003. The latter removed the authority of the Minister to grant remissions of duties by repealing the two sections referred to above of the FAA Act and the Customs Act. That authority now vests with the Commissioner General.

207. The Audit Office examined the files relating to the eighty-six concessions that were granted in August 2003 and observed that fifty-two concessions appeared to have been falsified in that there was evidence to suggest that the signature of the Minister was photocopied and placed on the authorising documents. In other words, the Minister did not approve of the concessions but his photocopied signature appeared in minute purportedly submitted to him for approval. Further examination revealed forty applicants did not meet the criteria for the grant of the concessions for various reasons, such as excess engine capacity, lack of evidence of ownership of the vehicle, and so on.

208. It should be mentioned that the Re-migration Officer at the Ministry of Foreign Affairs prepared the authorisation document in the form of a minute but there was no evidence of checking and certification before the minute was sent to the Minister for his approval. In addition, it is the same Re-migration Officer who prepared and signed on behalf of the Director of the Director General the memorandum to Finance Secretary stating that the concerned person has qualified for re-migration status. In other words, there was no segregation of duties so vitally necessary to minimise the extent to which abuses could occur

209. Of the remaining thirty-four concessions granted, nineteen did not meet the criteria for the granting of the concessions for the following reasons:

- Five applicants did not produce income tax returns for the four years prior to their return to the country;
- Five applicants did own the vehicles for six or more months;
- Four applicants did not produce evidence of ownership of the vehicle;
- Two applicants submitted invoices/quotations instead of certificates of title;
- One applicant was granted the concession prior to his entry into the country;
- One applicant was granted the concession after three months of his arrival; and
- One applicant was granted the concession on a motor car exceeding the engine capacity of 2000 c.c.

210. As a result of the above irregularities, the Re-migration Officer of the Ministry of Foreign Affairs and four officials from the Ministry of Finance were sent on leave, pending Police investigations. At the time of reporting, two officers were charged and placed before the Courts. The Accounting Officer explained that the Ministry has since put in place mechanisms for the checking and certification of documents relating re-migrants before they are presented to the Minister for approval.

HEAD 04 & DIVISION 506
MINISTRY OF FOREIGN AFFAIRS
PROGRAMME 2 – FOREIGN RELATIONS

211. The Ministry was operating significantly below its authorised staffing in that actual staffing in place as at December 2003 was 119 compared with the authorised establishment of 237, giving a vacancy rate of 50%. It is obvious that this level of staffing would have an adverse effect on the operations of Guyana's overseas mission and in particular the level of internal control needed to ensure adequate checks and balances. The Accounting Officer explained that this was mainly due to budgetary constraints and the lengthy procedures that have to be followed in the filling of vacancies.

212. According to the appropriation account, amounts totalling $1.105 billion were expended in meeting the cost of operations of Guyana's missions overseas. However, there was an overall excess expenditure of $24.079M under thirteen line items. Since there were savings under other line items, it would have been more appropriate for a virement of funds to have been sought to cover the excess expenditure.

The Audit Office recommends that the Ministry put in place mechanisms to carefully monitor the expenditure of the various missions so that early action can be take to obtain the necessary approval for a virement of funds whenever it is foreseen that there is a likely cost overrun under any line item. (2003/73)

213. There was evidence to indicate that remittances to the various missions were not received in a timely manner to allow for the smooth execution of the operations of these missions. In particular, remittances to meet capital expenditure did not arrive at the missions until after the close of the financial year.

The Audit Office recommends that the Ministry put in place mechanisms to ensure that funds are remitted to the various missions early in the month in question to enable them to incur expenditure in a more timely manner. (2003/74)

214. In a written response, the Accounting Officer explained that this state of affairs was due not only the allocation system of the Ministry of Finance but also a lack of effective supervision by the Ministry's Finance Department. She further explained that the Ministry was addressing the problem and was in consultation with the Office of the Budget to ensure a more effective system is in place for the release of funds to the Missions.

215. Amounts totalling G$197.699M were remitted by Guyana's Overseas Missions to the Ministry of Foreign Affairs for onward transmission to the Accountant General's Department. The Accountant General's Department was required to examine the revenues remitted along with the supporting documents and to deposit it into the Consolidated Fund. However, up to the time of reporting, only $9.682M was verified as deposited into the Fund. As a result, revenue has been understated by $188.017M. The Assistant Accountant General was unable to shed any light in relation to this matter.

The Audit Office recommends that the Ministry in collaboration with the Accountant General's Department investigate the above discrepancy and institute measures aimed at ensuring that all revenues remitted from overseas missions are paid over promptly to the Consolidated Fund. (2003/75)

216. Although the Accountant General's Department issued acknowledgement receipts for revenues received from overseas missions, these were not forwarded to the relevant missions. The Accounting Officer explained that a system was being put in place to ensure that receipts are uplifted and despatched to the missions.

Guyana Embassy – Washington D.C.

217. The was a lack of adequate segregation of duties at the Accounting Unit in that the Financial Attaché was involved in (a) the preparation of payment vouchers (b) the writing up of the cash book and the votes ledger (c) the preparation and signing of cheques (d) the collection, depositing and remitting revenue and (e) the reconciliation of the bank account. This practice is not considered good internal control and can lead to irregularities. The officer-in-charge explained that this was due to restricted budgetary allocations.

218. A comparison of the expenditure of the Embassy for the period under review with its revised allocation indicated an overall excess expenditure of G$5.663M. Excess expenditure totalling G$10.366M was also incurred in respect of nine line items. It is evident that the Embassy's allocation was inadequate to meet its operating expenditure.

219. All official travel overseas for the Embassy's staff members are to be approved by Cabinet, and the associated costs are to be met from appropriations to the Accountant General's Department. In this regard, the Department provides the sums approved by Cabinet initially as advances, and officers are required to clear such advances through the submission of bills, receipts and other supporting documents. However, the Embassy over the years has not been adhering to these procedures in that it was using its main bank account to grant such advances. In addition, at the time of inspection, advances totalling US$96,617, some of which date back to 1995, remained outstanding. In each case, there was also no evidence that Cabinet had approved of the official travel overseas.

The Audit Office recommends that the Ministry take urgent measures to ensure that the Embassy strictly complies with the laid down procedures relating to official overseas travel for its staff. In particular, the Embassy should cease using its main bank account to provide advances for such travel. (2003/76)

The Audit Office also recommends that the Ministry take urgent measures to clear the outstanding advances referred to above so that the Embassy's main bank account can be replenished with the amount involved. (2003/77)

Guyana's Permanent Mission to the United Nations

220. The Mission continues to function without the services of a Permanent Representative to the United Nations. It is obvious that the absence of such a high-ranking official would have an adverse effect on the quality of the Government of Guyana's representation at the United Nations.

The Audit Office recommends that the Ministry in collaboration with the Office of the President take urgent measures to appoint a Permanent Representative to the United Nations in order to provide effective representation at this international institution of which Guyana is a member. (2003/78)

221. There were a number of discrepancies relating to the main bank which had been coming forward for some time. Some of these discrepancies have since been resolved while others remained outstanding despite exhaustive efforts on the part of the Mission to resolve them. The unresolved amounts totalled US$7,337.

The Audit Office recommends that the Ministry seek the relevant approval from the Finance Secretary to have the unresolved discrepancy of US$7,337 appearing in the Mission's main bank account written off. (2003/79)

222. Excess expenditure totalling G$7.180M was incurred in respect of nine line items. It is evident that the Mission's allocation was inadequate to meet its operating expenditure.

Guyana Consulate, New York

223. The was a lack of adequate segregation of duties at the Accounting Unit in that the Executive Officer was involved in (a) the preparation of payment vouchers (b) the writing up of the cash book and the votes ledger (c) the preparation and signing of cheques and (d) the collection, depositing and remitting revenue. This practice is not considered good internal control and can lead to irregularities

224. The Consulate continued to receive remittances either close to the end of the month or in the following month to meet expenditure for the month in question. As a result, the payment for goods and services had to be delayed. In addition, the remittances received did not appear to be adequate since excess expenditure totalling G$6.779M was incurred in respect of ten line items.

225. There was evidence of significant delays in the processing of new passports in that at the time of the inspection there were 2,517 applications awaiting processing of which 1,677 related to the period 2001 - 2003. This state of affairs would obviously result in dissatisfaction on the part of Guyanese living in the New York area. The Consul General explained that this was due to the inadequate supply of new passports.

> *The Audit Office recommends that the Ministry in collaboration with Ministry of Home Affairs take urgent measures to ensure that there is an adequate stock of new passports at the Guyana Consulate in New York so that the backlog of applications for new passports can be processed expeditiously. (2003/80)*

<u>Guyana Consulate, Toronto</u>

226. The Consulate continued to receive remittances either close to the end of the month or in the following month to meet expenditure for the month in question. As a result, the payment for goods and services had to be delayed. In addition, the remittances received did not appear to be adequate since excess expenditure totalling G$1.580M was incurred in respect of eleven line items. The Finance Officer explained that this was due to restricted budgetary allocations

227. Revenue is to be remitted to the Accountant General on a fortnightly basis. However, there was evidence of significant delays in doing so. For example, revenue for the period January to March 2003 was not remitted until October 2003. In addition, at the time of the inspection visit in August 2004, amounts totalling C$103,143 representing revenue for the period June to December 2003 had not been remitted. Discussions with the Finance Officer indicated that this state of affairs was due to the late receipt of remittances from Head Office to meet operating expenditure as well as the inadequacy of such remittances.

<u>Guyana High Commission, Ottawa</u>

228. The High Commission continued to receive remittances either close to the end of the month or in the following month to meet expenditure for the month in question. As a result, the payment for goods and services had to be delayed. In addition, the remittances received did not appear to be adequate since excess expenditure totalling G$5.210M was incurred in respect of fourteen line items. The Executive Officer explained that this was due to restricted budgetary allocations.

<u>Guyana High Commission - London</u>

229. There was a lack of adequate segregation of duties at the Accounting Unit in that the Accountant/Administrative Officer was involved in (a) the preparation of payment and receipt vouchers (b) the writing up of the cash book (c) the signing of cheques and (d) the preparation and checking of bank reconciliation statements. This practice is not considered good internal control and can lead to irregularities. The High Commissioner, however, explained that this was due to staff constraints imposed by restricted budgetary allocations and that he as well as the Sub-Accounting Officer carried out overall supervisory checks.

230. The High Commission continued to receive remittances either close to the end of the month or in the following month to meet expenditure for the month in question. As a result, the payment for goods and services had to be delayed. In addition, the remittances received did not appear to be adequate since excess expenditure totalling G$7.034M was incurred in respect of fourteen line items. There was also evidence to suggest that personal funds were temporarily used to fund the operations of the High Commission in order to avoid the bank accounts being overdrawn.

231. The Commission continued to under-utilise its premises situated at Palace Court, Bayswater Road. The two upper flats of this building remained empty for several years, while the upper of the flats was utilised intermittently for visiting dignitaries and other guests. A significant portion of basement was also being used for the display of Guyana products.

> *The Audit Office recommends that the Ministry consider the possibility of renting the unutilised portion of its premises at Bayswater Road in London in order to augment State revenues. (2003/81)*

232. The condition of the fire escape at its premises in Bayswater Road remained the same as previously reported. For the period under review, the sum of G$770,000 was allocated for the repairs to the fire escape but no works were undertaken. It should be pointed out that the state of the fire escape posed a serious risk in event of a fire.

> *The Audit Office recommends that the Ministry take urgent measures to repair the fire escape at its mission's premises at Bayswater Road in London. (2003/82)*

Guyana Embassy - Beijing

233. The Embassy did not maintain a Sub-Accountant's cash book, a votes ledger and a collector's cash book for the period under review. The absence of these essential records has resulted in the Embassy not being able to properly monitor actual expenditure against allocations received from Head Office as well as revenues remitted to the Accountant General's Department. The officer-in-charge explained that the Accountant was delinquent in the performance of his duties and as a result, was recalled by the Head Office. These deficiencies have since been remedied with the employment of a new accountant.

234. The Embassy operated three US dollar bank accounts to facilitate remittances to the Mission and make related payment for other charges, salaries and to Public Service Ministry students. In addition, two local bank accounts were operated to effect transfers from the US dollar account and to make payments in local currency, and to deposit all revenues collected. However, cash books for these accounts were not kept and therefore the bank accounts could not have been reconciled. It should be pointed out that the reconciliation of bank accounts is a very important aspect of internal control since this could result in irregularities committed not being detected.

HEAD 11
ELECTIONS COMMISSION

235. Amounts totalling $2.542M, representing payments to contractors to undertake maintenance works such as weeding of compound and repairs to vehicles and equipment, were incorrectly charged to employment costs. Similar observations were made in respect of:

- the purchase of compact disk recorders, a heavy-duty binding machine and items of furniture valued at $530,200 which was charged to Materials, Equipment & Supplies. These items are of a capital nature, the cost of which should have been met from the Commission capital programme; and

- Payments totalling $436,800 for security services provided to the residence of Chairman and charged to Other Goods & Services Purchased instead of Statutory Expenditure.

236. The Accounting Officer explained that the misallocations under current expenditure were an oversight. In the case of the capital items, he indicated that there was an urgent need to acquire these items, but there was no related capital provision.

> *The Audit Office recommends that the Commission put in place mechanisms to ensure greater monitoring and supervision of the work of the accounting staff to avoid the possibility of misallocation of expenditure. (2003/83)*
>
> *The Audit Office also recommends that the Commission ensure that adequate provision is made under its capital allocation whenever it foresees the need to acquire capital items. Alternatively, it should obtain the requisite approval for a change in programme to acquire any capital item not previously catered for. (2003/84)*

237. In relation to the payment of salaries and wages, the Commission suffered losses approximating $1.845M as a result of irregularities perpetrated during the period January 2004 to September 2004. The irregularities occurred mainly as a result of collusion among a number of employees as well as the absence of effective supervisory checks. The Audit Office issued a special report on the matter and made a number of recommendations aimed at strengthening the internal controls.

238. The Cheque Order Register was not maintained in a manner to ascertain the date when a cheque order is cleared through the submission of bills, receipts and other supporting documents. The Accounting Officer acknowledged this shortcoming and gave the assurance that efforts would be made to improve the record keeping.

239. The Tender Board Regulations provide for the Accounting Officer to be the chairman of the Departmental Tender Board. However, for the period under review, the Chairman of the Commission assumed the role of chairman of this board. In addition, the Departmental Tender Board had no representative from another ministry or department. The Accounting Officer explained that this practice had been in place for some time. At the time of reporting, the situation was regularised.

240. The Commission did not maintain historical records for its fleet of eighteen vehicles and equipment to monitor their operational and maintenance costs. The Accounting Officer acknowledged the need to have such a record in place and undertook to introduce one.

241. The Commission expended the sum of $2.812M during the period December 2000 to 31 December 2003 for the rental of three heavy-duty metal containers for the storage of election material. The Audit Office estimated that the cost of these containers would not exceed $800,000. It would appear more cost effective if the Commission were to acquire its own its own containers The Accounting Officer, however, explained that these containers could not be opened because of a pending court matter.

> *The Audit Office recommends that the Commission negotiate with the lessors of the containers with a view to acquiring them since there are likely to be cost savings in so doing. (2003/85)*

242. There was no evidence that Cabinet approved of the attendance of an officer at two conferences in the United Kingdom where the sum of $1.228M was expended. This apart, the expenditure should have been charged to the Ministry of Finance under which such provisions were made. As a result, the appropriation account was overstated by this amount. The Accounting Officer explained that he was unaware of the provision under the Ministry of Finance and the necessity for Cabinet's approval in this particular case.

> *Until such time that the Elections Commission ceases to be a budget agency, the Audit Office recommends that the Commission ensure that Cabinet approval is obtained for all future overseas travel for its officials and that the Ministry of Finance processes the financial aspects for such travel. (2003/86)*

243. In relation to capital expenditure, the Commission was to have rehabilitated its annex building and constructed a bridge at a cost of $6M. A roadway and a furnace were also constructed while timber shores were installed and eleven fireproof filing cabinets were purchased, all at a total cost of $3.848M. Evidence was seen that approval was sought for a change in programme to incur this expenditure but the Commission did not receive a response.

> *The Audit Office recommends that the Commission ensure that the relevant approval is granted for a change in programme before any expenditure, which has not been included in Commission's capital profile, is incurred. (2003/87)*

HEAD 13 & DIVISION 527
MINISTRY OF LOCAL GOVERNMENT & REGIONAL DEVELOPMENT

Capital Expenditure

Subhead 19003 – Urban Development Programme

244. The sum of $370.197M was expended in the rehabilitation of various roads, markets, the construction of town hall at Corriverton and institutional strengthening of the six municipalities. The programme is funded jointly by the Government of Guyana and the Inter American Development Bank at an estimated cost of US$25M and is subject to separate financial reporting and audit. The Project commenced in 1999 and is of 5-year duration. As at 31 December 2003, amounts totalling US$11.916M were expended, and the following works were completed:

- Rehabilitation of Norton, Robb, West Sideline, New Market and Pitt Streets and roads at One Mile, Canvas City, Anna Regina and Rose Hall;
- Rehabilitation of markets at Anna Regina, Linden, Rose Hall, Corriverton, Georgetown and New Amsterdam;
- Rehabilitation of Town Halls at Anna Regina and Rose Hall;
- Reorganisation and strengthening of the Ministry of Local Government and Regional Development and preparation of a provisional report for the functioning and operation of the Programme.

Subhead 19005 – Project Development Assistance

245. The sum of $262.459M was expended as capital subventions to municipalities and Neighbourhood Democratic Councils (NDCs) to assist them in the rehabilitation and upgrading of drainage and irrigation systems, roads and bridges. The following is a breakdown of the payments made:

Name of Agency	Amount $'000
Sixty-five Neighbourhood Democratic Councils	195,000
Georgetown City Council	16,000
New Amsterdam Town Council	10,000
Linden Town Council	6,265
Anna Regina Town Council	7,000
Rose Hall Town Council	7,000
Corriverton Town Council	7,000
Miscellaneous	14,194
Total	262,459

246. The Municipal and District Councils Act, Chapter 28:01 of the Laws of Guyana, requires the accounts of municipal and district councils to be made up yearly, not later than four months after the end of the financial year to which they relate, and for those accounts to be audited by me as soon as practicable. Under the Act, a treasurer shall be guilty of an offence if he neglects to make up accounts as described above.

247. 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, the majority of the municipal and district councils have been violating the provisions of the Law. The following table show the status of the audits in respect of the six municipalities at the time of reporting:

Name of Entity	Year Last Audited	Remarks
Corriverton Town Council	2001	Financial statements received for 2002 – 2003
Anna Regina Town Council	1996	" " " " 1997 – 1999
Georgetown City Council	2000	No financial statements received for later years
Rose Hall Town Council	1998	" " " " " " "
New Amsterdam Town Council	1996	" " " " " " "
Linden Town Council	1984	" " " " " " "

248. Prior to September 1994, there were seventeen District Councils and thirty-four Village and Country Councils. Most of these entities were significantly in arrears in terms of financial reporting, as previously reported. In September 1994, the local government system was reorganised and sixty-five NDCs were established as successor organisations to the District Councils and Village and Country Councils. Of these, only thirty-two have had some form of financial reporting since they were established

The Audit Office recommends that the Ministry take appropriate measures to ensure that the six municipalities and the sixty-three NDCs comply with the requirements of the Municipal and District Councils' Act relating to the requirement to prepare and submit financial statements for audit. (2003/88)

HEAD 21 & DIVISIONS 508, 509, 510 & 512
MINISTRY OF AGRICULTURE

Current Expenditure

249. A review of the staffing situation in all areas of the Ministry as reflected in the payrolls for December 2003 indicated a vacancy of 65%, compared with the authorised staffing. It is obvious that this level of staffing 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. The Accounting Officer explained that the staffing situation was due to difficulties being experienced in recruiting suitably trained and experienced staff as well as the restrictions placed on recruitment because of budgetary constraints.

250. The two salaries bank accounts and the main bank account were not closed and the balances were not transferred to the Consolidated Fund because of unreconciled differences totalling $44.945M appearing in the bank reconciliation statements. These differences came about because there was a 3-year gap in the reconciliation of these accounts. It should be mentioned that these accounts would remain dormant at the expiration of six months since all unpresented cheques would have become stale-dated

The Audit Office recommends that the Ministry (a) adjust the related cash books with the unreconciled differences (b) transfer the balances to the Consolidated Fund and (c) take steps to close the accounts. (2003/89)

251. Several instances were noted where annotations were not made in the travelling register to indicate why payments were not made to officers. In addition, details such as travelling scale, mileage ceiling, authority for payment and insurance policy were not always recorded in the register. As a result, alternative audit procedures had to be followed in order to verify the payments made. The Accounting Officer explained that this was due to staff constraints. In addition, sums totalling $45,000 were paid to an officer of the D & I Board during the period January to March 2003 as motor car allowance although he had the full-time use of a State vehicle. The Accounting Officer gave the assurance that the amount would be recovered from the concerned officer.

252. All appropriations lapse on 31 December and unspent balances are to be surrendered to the Consolidated Fund. The Ministry, however, continued to make payments for the financial year until 13 February 2004. In this regard, 386 cheques valued $73.664M were drawn but were backdated to 31 December 2003. The Accounting Officer explained that the Ministry received a release of $50M on 31 December 2003 from the Ministry of Finance for emergency works at the Drainage and Irrigation Department and that approval was sought and obtained from the Accountant General for the cash book to remain open.

253. The old main bank account No. 938, which became non-operational in May 1996, was overdrawn by $6.597M as at 31 December 2003. The Audit Office had recommended that the overdraft be investigated and steps taken to close the account. The Accounting Officer, however, explained that efforts to reconcile this account were unsuccessful since relevant records could not be located. He indicated that he had written the Secretary to the Treasury in March 2003 seeking advice on how to proceed with the matter but up to the time of reporting he had not received a response.

The Audit Office recommends that the Ministry file a losses report with the Finance Secretary so that the loss can be written off by way of a supplementary estimate. (2003/90)

254. Amounts totalling $582,235 were expended on the purchase of office and household furniture and equipment such as microwave, filing cabinets, chairs, and thermometer screens. These items are of a capital nature the cost of which should have been met from the Ministry's capital programme. The Accounting Officer explained that the Ministry was unaware that these items should have been acquired under the Ministry's capital programme. He has given the assurance that efforts would be made to avoid a recurrence.

255. Vehicle log books were not presented for ten vehicles and eight motor cycles while there was partial submission in respect of seven vehicles. A similar observation was made in respect of the two D & I pumps at Manaribisi, nine vehicles operated by the D & I Board and a number of outboard engines operated at EDWC, which in total consumed $2.189M worth of fuel. In the circumstances, it could not be determined whether effective control was exercised over the use of these vehicles and equipment. The Accounting Officer explained that some of the vehicles and equipment were located in the regions.

The Audit Office recommends that the Ministry arrange for the log books of vehicles and equipment located in the regions to be closed off and the end of each year and sent to Head Office to facilitate audit examination. (2003/91)

The Audit Office also recommends that the Ministry institute measures aimed at ensuring that the D & I Board and EDWC comply strictly with the requirements of the Stores Regulations dealing with the maintenance of log books for vehicles and equipment. (2003/92)

256. There was a duplication of a payment on forty-one bills valued at $125,342 for purchase fuel and lubricants for the vehicles of the Fisheries Department through the use of original as well as duplicate copies. The Accounting Officer explained that the officer concerned had since resigned.

257. Amounts totalling $6.331M were expended on telephone charges. However, the telephone register reflected amounts totalling $5.691M, resulting from the failure to reconcile the register with the Votes Ledger. The register also bore no evidence of supervisory checks. A similar observation was made in respect of electricity charges where the register reflected an amount of $13.582M while the Votes Ledger reflected an amount of $13.663M. The Accounting Officer explained that these shortcomings were due to staff constraints.

258. Amounts totalling $421.347M were expended on Contributions to Local Organisations. The following is a breakdown of the payments made:

Name of Organisation	Amount $'000
National Agricultural Research Institute	183,987
Guyana School of Agriculture	105,716
MMA/ADA	50,826
New Guyana Marketing Corporation	34,534
National Dairy Development Programme	30,320
Pesticide and Toxic Chemicals Board	12,564
Others	3,400
Total	421,347

259. The Audit Office issued a qualified opinion on the accounts of NARI for 2003 because the value of the land under the control of the Institute was not included. In addition, value of stocks on hand did not include laboratory supplies, stationery and items taken over from one of the sub-stores of the Ministry. It should also be noted that the Institute incurred a deficit of $45.678M in 2003, compared with a surplus of $6.259M for the previous year.

260. The Guyana School of Agriculture was last audited for the year 2000. Financial statements for the year 2001 and 2002 were received and at the time of reporting, the audits were in progress. In relation to the MMA/ADA, the Authority's accounts were last audited to 2002. Financial statements for 2003 were submitted for audit and at the time of reporting, the audit was in progress.

261. The National Dairy Development Programme (NDDP) was last audited to 2001 and a qualified opinion was issued because of an unreconciled difference of $3.192M appearing in the bank reconciliation statement. Of this amount, sums totalling $977,949 relate to revenue received from artificial insemination which was not reflected in the bank statements. NDDP was advised to inform the Commissioner of Police. Financial statements for the years 2002-2003 were submitted for audit but were returned for appropriate adjustments to be made.

262. A master inventory to record all fixed assets under the control of the Ministry was not maintained for the period under review. Sectional inventories were also not updated to reflect inter-departmental transfers. In addition, assets were not marked to readily identify them as Government property. The Accounting Officer explained that both the updating of the master inventory and the marking of assets were in progress. The Audit Office urges that the exercise be accelerated.

263. According to the Deposits Ledger, amounts held on deposits in respect of third parties totalled $42.995M. The greater portion of this balance relates to deposits which had accumulated over the years. This matter was raised in my previous reports and the Audit Office had recommended that the composition of this balance be reviewed with a view to making the necessary transfers to the Consolidated Fund. The Ministry did carry out this exercise and advised the Accountant General in April 2003 to transfer $41.647M to the Consolidated Fund. However, up to the time of reporting, there was no evidence that this was done.

The Audit Office recommends that the Ministry renew its efforts to have the Accountant General's Department transfer of the amount of $41.647M to the Consolidated Fund. (2003/93)

Capital Expenditure
Division 508 - Ministry of Agriculture

Subhead 13002 - Agriculture Sector/Support Programme

264. The sum of $94M was allocated for (a) design and feasibility studies for drainage and irrigation areas (b) the re-organisation of land management and administrative systems (c) conducting aerial and mapping surveys and (d) conducting geodetic and cadastral surveys. Amounts totalling $93.990M were shown as having been expended.

265. The Project commenced in 1996 and was initially for 3-year duration. However, the funding agency granted three extensions and the new completion date of the Project was 9 November 2004. As at 31 December 2003, expenditure incurred amounted to US$4.111M as against estimated project cost of US$7.339M and the following works/services were completed. At the time of reporting, the Project incurred an additional expenditure of US$1.812M and was in the process of receiving its final disbursement to facilitate the closure of the Project.

- Preparation of legislation for land administration and regularisation and strengthening of the Drainage and Irrigation Board;
- Implementation of policies for feasibility studies of surveys;
- Implementation of rent billing and collection systems;
- Implementation on the safe use of pesticides;
- Development of terms of reference and work plan for feasibility studies;
- Conducting seminars for Water Users Association;
- Conducting walk through surveys;
- Conducting cadastral and occupational surveys converting lease hold to free hold properties;

- Modification of the Lands and Surveys Commission building; and
- Acquisition of fixed assets.

Subhead 33006 – New Guyana Marketing Corporation

266. The sum of $4M was allocated for the continuation of renovation of the central packaging facility and the purchase of equipment for the central packaging facility. According to the Appropriation Account, the amount of $2.5M was expended. However, an examination of the records of the Corporation revealed that amounts totalling $922,700 were expended, giving a difference of $1.577M which should have been refunded to the Consolidated Fund. As a result, the Appropriation Account was overstated by this amount. The Accountant of the NGMC explained that the amount was withheld to facilitate the final payments on a contract. At the time of reporting, the liability was discharged.

The Audit Office recommends that for future accounting periods Ministry take steps to recover all unspent balances at the end of the year and to pay over such sums to the Consolidated Fund in keeping with the requirements of the FAA Act. (2003/94)

DIVISION 509 – MINISTRY OF AGRICULTURE
(RURAL SUPPORT PROJECT**)**

Subhead 17001 - Rural Support Project

267. The sum of $468.986M was provided for (a) the rehabilitation of drainage and irrigation infrastructure (b) upgrading of basic public support service/facilities (c) providing assistance and training for small scale farmers, (d) provision of credit facilities for farmers and (e) provision of technical training and conducting technical and socio-economic studies. Amounts totalling $223.249M were expended.

268. The Project is financed jointly by the GOG, IFAD and CDB at a cost of US$16.539M. The agreement with IFAD was entered into April 1997 for a period of six years. However, an extension was granted to 31 December 2007. The CDB loan and CDB grant agreements were entered into in September 1998. The former was initially for five years but was extended to December 2007. The CDB grant was initially for four years but was also extended to March 2005. As at 31 December 2003, amounts totalling US$3.874M were expended and the following works were completed.

- Construction of eleven structures;
- Rehabilitation of thirty-four channels/drains;
- Construction of two processing centres;
- Upgrading of two plants nurseries; and
- Upgrading of one fisheries station.

HEAD 31 & DIVISIONS 517, 519, 520 & 548
MINISTRY OF PUBLIC WORKS AND COMMUNICATIONS

Current Expenditure

269. The staffing situation in all areas of the Ministry as reflected in the payrolls for December 2003 indicated a vacancy level 76% of its authorised staff strength. It is obvious that this level of staffing 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. The Accounting Officer explained that this state of affairs was due to the Ministry's inability to employ staff and to replace those who had resigned because of a Public Service employment freeze.

270. It should be mentioned that the staffing situation at the Ministry has contributed to the reconciliation statements for the three bank accounts under the control of the Ministry for the period January - March 2004 being in draft while the reconciliation statements for January to December 2003 were not certified.

> *The Audit Office recommends that the Ministry seek to urgently address the staffing situation, 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. (2003/95)*

271. The main bank account No. 929, which ceased to be operational in March 1996, was overdrawn by $8.268M as at 31 December 2003. Evidence was seen where the Ministry sought the advice of the Accountant General in relation to this matter. However, up the time of reporting, the matter was still pending.

> *The Audit Office recommends that the Ministry of Public Works file a losses report with the Finance Secretary in respect of the overdraft of $8.268M in Account No. 929 so that the amount can be written off by way of a supplementary estimate. (2003/96)*

272. Amounts totalling $7.515M were expended on fuel and lubricants for the operation of thirty-nine vehicles and equipment. However, the Ministry was not reconciling the advance payments made on a monthly basis as well as the fuel consumption report with the bills and receipts received from the supplier. The Accounting Officer acknowledged this shortcoming.

> *The Audit Office recommends that the Ministry reconcile the monthly advance payments with the bills and receipts issued by the supplier. Such reconciliation should also be documented to facilitate ex post evaluation. (2003/97)*

273. In relation to the maintenance of sea and river defences, amounts totalling $21.514M were expended. Included in this amount were sums totalling $6.381M representing four inter departmental warrants issued to Region Nos. 3, 5, 6 and 10 for the purchase of boulders, conducting of surveys, executing of emergency works and the payment of wages to rangers. At the time of reporting, financial returns were not seen for $178,832. The Accounting Officer explained that the Ministry had experienced some difficulties in the timely submission of financial returns by some Regional Executive Officers and that he had sought the assistance of the ministers of Finance and Local Government in relation to this matter.

274. A review of the expenditure incurred on the maintenance of vehicles indicated apparent excessive expenditure in respect of six vehicles. The following table shows the cost of maintenance over the period 2001-2003.

Vehicle No.	2001 $'000	2002 $'000	2003 $'000	Total $'000
PDD 4890	393	548	404	1,345
PDD 2365	520	486	492	1,498
PDD 6086	247	470	437	1,154
PDD 4896	250	419	370	1,040
PDD 6171	922	789	692	2,403
PEE 2786	959	505	360	1,824
Total	3,291	3,217	2,756	9,264

275. The Accounting Officer explained that this state of affairs was due to the age of the vehicles and the extent of their use and that representations were made to the Ministry of Finance for their replacement but these were unsuccessful.

The Audit Office again recommends that the Ministry of Public Works renew its efforts to obtain the necessary funds for the replacement of the vehicles since there are likely to be significant cost savings in so doing. (2003/98)

276. Amounts totalling $3.665M were expended on telephone charges of which sums totalling $962,182 relate to overseas charges. However, although a telephone register was maintained, details of overseas calls made were not entered in the register at the time the calls were made. Instead, entries were made when the bills were received. The Accounting Officer explained that private overseas calls are not allowed to employees and only the Minister and the Permanent Secretary are allowed to make such calls.

The Audit Office nevertheless recommends that the Ministry record details of overseas calls at the time the calls are made in order to ensure that bills received accurately reflect overseas calls made as well as the approximate duration of such calls. (2003/99)

Current Revenue

277. Forty-one Government quarters located at Echilibar Villas, Main and New Market Streets and other locations were occupied by public officers and consultants attached to various Government departments. A calculation of the revenue receivable from the rental of these flats totalled $6.069M. However, an examination of the rental register indicated that the actual revenue received was $1.176M, resulting in a shortfall in the collection of revenue by $5.759M. The Accounting Officer explained that efforts were being made to recover the arrears from the respective tenants. He indicated that in one instance the assistance of the Attorney General's Chambers was sought.

Capital Expenditure
Division 517 – Air Transport Reform Programme

Subhead 16001 – Air Transport Reform Programme

278. The sum of $798.300M was allocated for (a) improvements to Cheddi Jagan International Airport (CJIA) (b) resurfacing of CJIA runway and perimeter road (c) refurbishing of terminal roof and sewerage system (d) creation of the GCAA and privatising of Ogle aerodrome and (e) the provision for two vehicles and equipment.

279. The Project is subject to separate financial reporting and audit. However, the Appropriation Account was overstated by $2.282M because of a duplication between this subhead and Subhead 16002 – Hinterland/Coastal Airstrip in the recording of expenditure. The Project Coordinator acknowledged the error which was attributable to the absence of effective supervisory checks.

280. The project commenced in 2000 and was initially for 4-year duration. However, the funding agency granted an extension to December 2005. As at December 2003, expenditure incurred amounted to US$6.672M, as against an estimated project cost of US$32M and the following works were completed:

- Resurfacing of the CJIA runaway;
- Rehabilitation of the Air Traffic Control Tower;
- Establishment of GCAA; and
- Acquisition of vehicles and equipment.

At the time of reporting, twelve contracts valued at approximately US$2.690M were entered into for the execution of other physical works at the CJIA while tenders had since been invited and assessed for other works.

Division 519 – Sea Defences

Subhead 15001 – Rehabilitation of Sea Defence (Essequibo and West Demerara)

281. The sum of $44M was voted for (a) the preparation of tender documents for remedial sea defence works at Capoey/Columbia, Tuschen, Meten-Meer-Zorg/De Kinderen and Hague, (b) rehabilitation of 5 kilometers of sea defence at Capoey/Columbia, Tuschen, Meten-Meer-Zorg/De Kinderen and Hague, (c) design and preparation of tender documents for works, and supervision contracts, (d) preparation of tender documents for the institutional capacity building activities on the sea defences and establishment of shorezone management systems and (e) socio-economic study. A supplementary estimate of $43.453M was approved, giving a revised allocation of $87.453M of which sums totalling $85.528M were expended.

282. This project is funded by a grant from the EU at a cost of $20M Euros and commenced in 2000 with an expected completion date of 2005. An examination of the records revealed that $2.075M was expended on salaries and administrative expenses while $83.453M was expended on payment to consultants for institutional capacity building activities on the sea defence and on the preparation of design and tender documents for remedial works at Capoey/Columbia, Tuschen, Meten-meer-Zorg/DeKendren and Hague.

283. With respect to rehabilitation works of sea defences at Capoey/Columbia, Tuschen, Meten-Meer-Zorg/De Kinderen and Hague, works continued in 2003 under a new contract prepared by the Ministry and the European Union. The first contract was terminated in 2002 because the Ministry did not accept the consultant's initial design concept since it varied from the proposed standard design for sea defence rehabilitation works in Guyana.

Subhead 15004 – Rehabilitation of Sea Defence (West Coast Berbice)

284. The sum of $61.5M was voted for the construction of 330 metres of sea defences at Profit/Foulis and the payment of retention for Bel Air/Mon Choisi. A supplementary estimate of $20M was approved, giving a revised allocation of $81.5M of which sums totalling $81.432M were expended.

285. This project is funded by the CDB and GOG at a cost of US$7.4M. It commenced in 1992 and was granted four extensions, with an expected completion date of 2004. An examination of the records of the project revealed that $1.432M was expended on salaries and administrative expenses while $30.225M was expended on the construction of 2.1 km of sea defence from Bel Air to Mon Choisi. In addition, expenditure totalling $21.837M was incurred on consultancy services for design and supervision of sea defence from Bel Air to Mon Choisi, while $27.938M was expended on engineering-design for Profit-Beladrum sea defence.

286. With respect to the construction of sea defence from Bel Air to Mon Choisi, a contact valued $934.999M was awarded in May 2001. As at 31 December 2002, the works were completed and physically verified and payments totalling $925.568M were made, while retention payment totalling $30.225M were made 2003, bringing the total payments on this contract to $955.793M. The difference of $20.794M between the contract sum and the amount paid represents the loss on exchange of foreign currency payments borne by the Ministry as per the contract agreement.

Division 520 – Ministry of Public Works and Communications

Subhead 16003 – Stellings

287. The sum of $15M was voted for the rehabilitation of Georgetown, Parika, and Wakenaam stellings. Approval for a change in programme was obtained for rehabilitation works at Parika, Leguan and Rosignol stellings at $5M each. However, the Parika and Leguan stellings were repaired at a cost of $12M and $3M respectively. The General Manager of T&HD explained that the additional amount of $7M was expended on Parika Stelling because of its critical state.

The Audit Office recommends that Ministry seek the relevant approval for a change in programme whenever it foresees that the cost of any proposed work would exceed the amount allocated to undertake it. (2003/100)

Subhead 26003 – Electrification Programme

288. The sum of $150M was voted for the (a) provision for feasibility study, (b) extension of distribution system in underserved areas, (c) development of regulations and (d) provision for institutional strengthening. Amount totalling $7.863M were expended.

289. The Project is financed jointly by the GOG and the IDB at a cost of US$260,000 and is subject to separate financial reporting and audit. It commenced in October 2001 and was initially for a 9-month duration. However, the funding agency granted two extensions and the new closing date for the Project was July 2003.

Division 548
Ministry of PublicWorks and Communications – Bridges/Roads

Subhead 12001 - Bridges

290. The sum of $704.5M was voted for (a) the construction and rehabilitation of bridges along the Timehri/Georgetown/Rosignol Highway (b) road safety programme, (c) the Berbice River Crossing and (d) technical cooperation. A supplementary estimate of $1.294 billion was approved, giving a revised allocation of $1.998 billion of which amounts totalling $1.659 billion were expended.

291. The Project is financed jointly by the GOG and the IDB at a cost of US$45.6M and is subject to separate financial reporting and audit. It commenced in 1998 and was initially for 5-year duration. However, the funding agency granted an extension, and the new closing date for the Project is March 2005. As at August 2004, expenditure incurred amounted to US$34.051M. At the time of reporting, the construction of twenty-five bridges and thirty-four culverts and the feasibility study for the Berbice River Crossing were in progress.

Subhead 12003 – Road Rehabilitation /Construction

292. The sum of $215M was voted for (a) construction of 4-lane highway from the Harbour Bridge to Ruimveldt, including a section of Mandela Avenue and Houston By-Pass (b) construction of additional lane from the Harbour Bridge to the West Demerara Hospital and bridges on West Demerara roads (c) resurfacing of Demerara Harbour Bridge and (d) replacement of three wooden bridges along the West Demerara Road. A supplementary estimate of $407.555M was approved, giving a revised allocation of $622.555M of which sums totalling $541.886M were expended.

293. This programme is funded by the CDB and GOG at a cost of US$23.109M and commenced in 2002 with a completion date of 2006. An examination of the records of the Project revealed that amounts totalling US$10.175M were expended to August 2004, and at the time of reporting work was in progress on the Harbour Bridge/West Demerara Hospital and the Harbour Bridge/Ruimveldt roads.

Subhead 12004 – Mahaica – Rosignol Road/Studies

294. The sum of $1.321billion was allocated for (a) the rehabilitation of the Mahaica/Rosignol Road (b) feasibility study for southern carriage way between Georgetown and Timehri and (c) design of East Berbice/Corentyne Highway. A supplementary estimate of $92.427M was approved, giving a revised allocation of $1.413 billion of which amounts totalling $1.306 billion were expended.

295. The Project is financed jointly by GOG and IDB at a cost US$40M and is subject to separate financial reporting and audit. It commenced in 2002 and is for 5-year duration. As at August 2004, expenditure incurred amounted to US$18.591M. At the time of reporting**,** both the rehabilitation of the Mahaica-Rosignol Road and feasibility study were in progress.

HEAD 41 & DIVISIONS 543, 544, 547 & 553
MINISTRY OF EDUCATION

Current Expenditure

296. As in the case of the Regions, the authorised staffing of the Ministry did not include 2,597 teachers attached to the various schools in the Georgetown area as at December 2003.

> *In order to provide for a meaningful comparison between the authorised staffing and actual staffing in place, the Audit Office recommends that the Ministry request the Ministry of Finance to include all categories of employees in its next estimate of expenditure. (2003/101)*

297. There was evidence of undue delays in making the necessary adjustments to the Ministry's payrolls when officers leave employment as evidenced by the fact that pay changes directives were forwarded to the Accounting Unit on average four months after their effective dates. This practice has resulted in a significant amount of unclaimed wages and salaries which had to be refunded and can result in irregularities being perpetrated. The Accounting Officer explained that most of the persons concerned were teachers.

> *The Audit Office recommends that the Ministry put in place mechanisms to expedite the flow of information from the various schools so that the necessary adjustments can be made to the payrolls in a more timely manner. (2003/102)*

298. As a result of the observation contained in the previous paragraph, salary deductions totalling $10.482M were paid over to the various agencies but there was no evidence that recoveries were made from these agencies. As a result, the appropriation accounts were overstated by this amount.

> *The Audit Office recommends that the Ministry aggressively follow up with the various agencies with a view to recovering the overpayment of $10.482M to them. (2003/103)*

299. In my 2002 Report, it was stated that two officers, whose services were terminated, were overpaid amounts totalling $1.541M as a result of the late notification of pay changes. Up to the time of reporting, a balance of $605,000 remained outstanding. A similar observation was made in respect of 2001 where it was reported that there was an overpayment of $2.747M. This amount also remained outstanding.

> *The Audit Office recommends that the Ministry renew its efforts to recover the above sums, failing which the assistance of the Police should be sought. (2003/104)*

300. An examination of the Register of Contributors to the National Insurance Scheme for December 2003 revealed 1,328 instances where the NIS numbers were not quoted, indicating that a significant number of employees might not have been registered with the Scheme. The Accounting Officer explained that some employees were indeed not registered with the Scheme and that a comprehensive exercise was carried out in May 2004 which resulted in a reduction of the number to 882.

Since registration with the NIS has implications for social security and other related benefits, the Audit Office recommends that the Ministry aggressively follow up with the concerned employees with a view to ensuring that all employees are promptly registered with the Scheme. (2003/105)

301. The salaries bank account and the main bank account reflected balances totalling $415.412M as at 31 December 2003. These accounts ceased to be operation with effect from January 2004.

Since cheques become stale-dated six months after there are issued, the Audit Office recommends that the Ministry transfer the balances on these two accounts as at 30 June 2004 to the Consolidated Funds and take steps to close the accounts. (2003/106)

302. Cheque orders were being cleared on average seventy-five days after they were issued instead of the stipulated sixteen day period and at the time of reporting, seventy-seven cheque orders valued at $8.583M remained outstanding.

The Audit Office recommends that the Ministry put in place mechanisms to expedite the clearing of cheque orders through the submission of bills, receipts and other supporting documents to substantiate the payments made. Meanwhile, the Ministry should make every effort to clear the outstanding cheque orders and inform the Audit Office of the results. (2003/107)

303. In previous reports, it was stated that two officers had been interdicted from duty as a result of an apparent misappropriation of funds totalling $136,637. The Accounting Officer explained that the matter was reported to the Police but no progress was made.

The Audit Office recommends that the Ministry file a losses report with the Finance Secretary to bring a closure to the matter. (2003/108)

304. The old main bank account No. 926, which ceased to be operational in May 1996, continued to be overdrawn by $78.115M. The Accounting Officer explained that efforts in the past to ascertain the reason(s) for the overdraft had proved futile and that the Ministry had written the Finance Secretary for advice on how to deal with the matter. However, up to the time of reporting, the matter remained pending.

The Audit Office recommends that the Ministry file a losses report with the Finance Secretary so that the loss can be written off by way of a supplementary estimate. (2003/109)

305. The Ministry continued to operate a BCM account at a commercial bank to facilitate letter of credit arrangements. However, the Ministry did not maintain a cash book for this account nor did it present bank statements for audit. As a result, the balance on this account and the transactions it represented, could not be determined.

The Audit Office recommends that the Ministry review the necessity for maintaining such an account and consider alternative ways of making payments to overseas suppliers in order to ensure proper accountability. (2003/110)

306. According to the appropriation accounts, amounts totalling $43.752M were expended in the printing of exercise books. However, the Ministry was not monitoring payments made to the Guyana National Printers Ltd. (GNPL) against the delivery of exercise books. As a result, the Audit Office has to seek the assistance of the GNPL to verify that the Ministry received value for all payments made. For the period under review, the Ministry received a total of 2.5 million exercise books valued at $69.823M. GNPL has confirmed that there were no outstanding orders in 2003 for which payments were made.

The Audit Office recommends that the Ministry take appropriate measures to monitor the delivery of exercise books against payments made to GNPL. (2003/111)

307. The Ministry bought a number of capital items such as microwave, digital camera and office furniture and equipment, all valued at $18.613M, from current appropriations in violation of generally accepted accounting practice. The Accounting Officer explained that funds under the relevant capital subhead were inadequate to accommodate these purchases.

The Audit Office recommends that the Ministry desist from acquiring capital items from current appropriations. Where it is considered necessary to acquire such items, a request for a supplementary estimate should be sought under the relevant capital subhead. (2003/112)

308. In previous reports, it was stated that goods to the value of $5.243M had not been received. At the time of reporting, an amount of $2.073M still remained outstanding. Similarly, in 2000 the Ministry had paid a local firm an amount of $2.073M to produce a two 1-minute television feature. This service was not rendered and up to the time of reporting, the payment was not recovered.

The Audit Office recommends that the Ministry follow up with the suppliers of the goods and services with a view to obtaining refunds for goods not delivered and services not rendered. (2003/113)

309. Log books were not presented for twenty-four of the thirty-two serviceable vehicles under the control of the Ministry while there were partial submissions for the remaining eight vehicles. In the absence of log books, it could not be satisfactorily determined whether effective control was exercised over the use of these vehicles. The Accounting Officer explained that most of the vehicles were based in the outlying areas.

The Audit Office recommends that the Ministry take steps to ensure that all vehicle log books are closed off at the end of the year and sent to Head Office to facilitate audit review. (2003/114)

310. There were also twenty-seven vehicles which were not in working order for a considerable period of time without evidence of any action taken to have them repaired or to dispose of them.

The Audit Office recommends that the Ministry review the state and condition of the vehicles in question and take measures to either repair them or to dispose of them. (2003/115)

311. Significant differences were observed between the amounts shown in the Votes Ledger in respect of electricity, water and telephone charges and those shown in the related registers due the failure to update the registers. The Accounting Officer gave the assurance that periodic reconciliation would be carried out of these records to ensure that there are in agreement.

312. An audit inspection of the records of the Essequibo Technical Institute for the period May 2001 to December 2003 revealed that revenue totalling $743,538 could not be accounted for. As a result, the Assistant Account was dismissed after making a restitution of $467,538.

Capital Expenditure

Division 543

Subhead 12001 - Nursery, Primary & Secondary Schools

313. The Uitvlugt Primary School was rehabilitated at a cost of $19.873M. The contract was awarded in 2002 to the third lowest bidder in the sum of $23.465M. The evaluation committee of the Central Tender Board had recommended that the award be made to the second lowest bidder at the bid price of $20.385M. The Central Tender Board, however, disregarded the recommendation and without stating reasons, recommended to Cabinet that the award be made to the third lowest bidder. In addition, there was a variation of $1.101M for which the relevant approval was not produced for audit examination.

Subhead 12007 - Buildings (National Library)

314. The sum of $10M was allocated for the extension of the New Amsterdam Library of which amounts totalling $9.685M were expended. Included in this figure were sums totalling $3.914M which were expended on the purchase of a collator and a drum unit for the Resource Development Centre. The expenditure should have been charged to Subhead 26010 - Resource Development Centre.

Division 544

Subhead 26001 - Secondary Schools Reform Project

315. The sum of $508.244M was voted for (a) school quality improvement (b) Regional and National institutional strengthening and (c) rehabilitation of multilateral, secondary and community high schools. According to the Appropriation Account, amounts totalling $499.705M were expended.

316. The Project is financed by the Government of Guyana and the International Development Agency (IDA) at an estimated cost of US$19.260M and is subject to separate financial reporting and audit. It commenced in 1996 and was to have been completed in June 2003. However, the Project was extended to August 2004.

317. The aim of the project is assist in the design and implementation of the first phase of a long-term reform programme with a view to (a) improving the quality, equity and efficiency of secondary education through the design and implementation of measures to improve the quality and efficiency of lower secondary education in pilot schools (b) improving school infrastructure in pilot and non-pilot schools and (c) strengthen the institutional capacity of Ministry of Education and Regional Education Departments. As at 31 December 2003, expenditure incurred amounted to US$13.929M.

Division 553

Subhead 12001 – Basic Education Access Management System

318. The sum of $388.844M was provided for (a) the development of numeracy and literacy programmes (b) curriculum development and technology improvement in nursery and primary schools (c) teachers' training (d) institutional strengthening and (e) improvement of the physical infrastructure of secondary schools. According to the Appropriation Account, amounts totalling $150.757M were expended.

319. The project replaces the Primary Education Improvement Programme (PEIP) and commenced July 2002. Funding in the sum of US$33.5M is provided jointly by the Government of Guyana and the Inter American Development Bank under Loan Agreement No. 1107/SF-GY. The programme is for 5-year duration and comprises the following three components:

- Improve school performance;
- Organisational and human resource development; and
- Civil works.

As at 31 December 2003, amounts totalling US$933,903 were expended, and works on each category were in progress.

HEAD 44 & DIVISION 541
MINISTRY OF CULTURE, YOUTH AND SPORTS

320. A comparison of the authorised staffing in the 2003 Estimates of Expenditure with the actual staff employed in the Ministry in December 2003 revealed a vacancy rate of 51%. It is obvious that this level of vacancy would have an adverse effect on the operations of the Ministry. The Accounting Officer explained that while there was indeed a shortage of staff, the authorized staffing did not reflect a realistic position in that three departments were merged in 1998 to form the Ministry of Culture, Youth and Sport. It was the authorized staffing of these departments and subsequently the Guyana National Service (GNS) that was used to arrive at the figure in the National Estimates.

> *The Audit Office recommends that the Ministry in collaboration with the Public Service Ministry urgently review its staffing requirements in the light of the merger of the three departments and the GNS to form the Ministry of Culture, Youth and Sports. (2003/116)*

321. It is a requirement for the salaries cash book to reflect a ‘nil’ balance at the end of each month as a control mechanism for the payment of wages and salaries. However, during the period under review, the cash book reflected significant positive and negative balances at the end of each month. The Accounting Officer explained that the positive balances relate to staff in the outlying areas who did not go to Head Office to uplift their salaries while the negative balances were due to salaries being paid before the necessary transfers were made from the Ministry’s main bank account. It should be mentioned that the salaries bank account in question was no longer in use.

322. An examination of reconciliation statements for the four bank accounts operated by the Ministry revealed that they were handwritten and entries were sometimes made in pencil. There was also no evidence of checking and certification of the statements. In the circumstances, the reconciliation statements could not be relied upon. The Accounting Officer explained that the reconciliation was done on loose sheets with the intention of having them typed. Because of the staffing situation, this exercise was not carried out.

323. An examination of the Register of Contributors to the National Insurance Scheme (NIS) for December 2003 indicated fifty-one instances where the employees' NIS numbers were not quoted in the Register, indicating that some of these employees might not have been registered with the Scheme. The Accounting Officer explained that some officers did not submit their numbers to the Personnel Section while others were not registered with the Scheme. At the time of reporting, the number was reduced to thirty.

The Audit Office recommends that the Ministry put in place mechanisms to have all employees registered with the Scheme as soon as possible. (2003/117)

324. For the period under review, the average maintenance cost for four vehicles under the Ministry's control was $579,517. The Accounting Officer explained that three of the vehicles were more than five years old while the other was a diesel-operated vehicle that was required to undertake all the long distance travelling to Kuru Kuru and Madewini.

In view of the age of the three vehicles in question and the high maintenance costs incurred, the Audit Office recommends that the Ministry take steps to dispose of these vehicles and acquire new ones since significant cost savings are likely to accrue in so doing. (2003/118)

325. Amounts totalling $440,000 were paid to a supplier for the purchase of dietary items for the Kuru Kuru and Sophia training centres on the 4 and 25 June 2003. However, only items to the value of $37,123 were supplied. The Accounting Officer explained that the supplier could not be located and that the matter had since been reported to the Police.

326. According to the Appropriation Account, amounts totalling $60.374M were provided to the National Sports Commission (NSC) which is a separate legal entity that was created by Act 23 of 1993. However, according to the records of NSC only $2.9M was paid over to the Commission. The Ministry of Culture expended the difference of $57.474M for the payment of salaries and other administrative costs. The Accounting Officer explained that the NSC records were not maintained in a satisfactory manner and as a result the Ministry decided to expend the amount of $57.474M on behalf of the Commission. The Director of the NSC, however, indicated that the Commission was faced with staffing difficulties.

The Audit Office recommends that the Ministry in collaboration with the National Sports Commission take urgent measures to ensure that the Commission's accounting unit is adequately staffed and that a satisfactory system of accounting and internal control is in place so as to facilitate the flow of funds to the Commission and the proper accountability thereof. (2003/119)

327. The National Trust, which is a statutory body, was also in receipt of a subvention of $12.017M. However, it could not be determined when last the accounts of the Trust were audited.

The Audit Office recommends that the Ministry in collaboration with the National Trust take urgent measures to prepare financial statements and to submit them to the Audit Office as early as possible. (2003/120)

328. Based of sample checks carried out, cheque orders were cleared on average sixty eight days after they were issued, and at the time of reporting, twenty-seven cheque orders valued at $2.540M remained outstanding. In the absence of bills, receipts and other supporting documents, it could not be determined whether the Ministry received value for all sums expended on these cheque orders.

The Audit Office recommends that the Ministry put in place mechanisms to carefully monitor the status of all cheque orders issued in order to ensure that they are cleared within the stipulated time frame. (2003/121)

The Audit Office also recommends that the Ministry investigate all outstanding cheque orders and inform the Audit Office so that follow-up checks can be carried out. (2003/122)

329. The Ministry operated a special project bank account No. 3174 into which funds from various sources, including funds from the Guyana Lotteries Commission, are placed and expenditures incurred. The balance on this account at the beginning of 2003 was $35.766M. During 2003, amounts totalling $24.071M were received and deposited into this account. Of this amount, sums totalling $10.8M relate to proceeds from the Guyana Lotteries which were received from the Ministry of Finance. The balance on this account as at 31 December 2003 was $14.773M, giving an expenditure of $45.064M. The following gives a breakdown of the expenditure:

Description	Amount $'000
Mashramani Celebrations	14,900
Carifesta Celebrations	9,121
Rehabilitation of Umana Yana	3,505
Equipment for National Cultural Centre	3,971
Chinese Acrobatic Show	1,806
Rehab. of Colgrain Swimming Pool	1,827
Overseas travel	311
Sporting Events	2,287
Youth camps and workshops	1,806
Advances to staff	1,882
Others	3,648
Total	45,064

330. As can be noted, a significant portion of this expenditure relates to the normal activities of Ministry, the expenditure relating to which should have been met from appropriations from the National Assembly. It is evident therefore that this account was being used to fund extra-budgetary expenditure.

331. The following observations were made in relation to payments from the Special Projects bank account:

- Twenty-five payment vouchers valued at $2.016M were not produced for audit examination. As a result, the nature of the related transactions and whether the Ministry received value, could not be determined; and

- Twenty-seven payments totalling $2.227M were made to meet routine expenditure of the Ministry. These payments were to have been reimbursed to the Special Projects bank account. However, up to the time of reporting, amounts totalling $1.205M remained outstanding.

> *The Audit Office recommends that the Ministry take appropriate measures to ensure that (a) the Special Projects bank account is used strictly for the purposes for which it was established and (b) all amounts due to this account are promptly refunded to it. (2003/123)*
>
> *The Audit Office also recommends that the Ministry make a special effort to locate the missing vouchers and supporting documents in respect of the payments referred to above and submit them for audit examination. (2003/124)*

332. The Ministry also operated a Cultural Centre current account No. 410004235 held at the National Bank of Industry and Commerce to account for the proceeds from the use of the National Cultural Centre. The balance on this account at the beginning of 2003 was $534,937. During the year, amounts totalling $24.793M were deposited into this account. As at 31 December 2003, the account reflected a balance of $1.148M indicating that amounts totalling $24.180M were expended.

333. The following observations were made in relation to an examination of this account:

- Thirty payment vouchers totalling $7.288M were not presented for audit. As a result, the nature of the related transactions and whether the Ministry received value, could not be determined;

- The receipt book for the period April to September 2003 was not presented for audit. In the circumstances, it could not be satisfactorily determined what revenues were collected during this period;

- The cash book bore no evidence of supervisory checks;

- Statements of account for five shows were not produced for audit although there was evidence of the receipts of the proceeds;

- A comparison of the total sales per show with the amounts banked revealed apparent short-banking totalling $166,150 on eighteen shows; and

- Ticket stubs were not filed according to shows, resulting in much difficulty being encountered in verifying the sale of tickets as shown on the statements.

The Audit Office recommends that the Ministry make a special effort to locate the missing vouchers as well as the receipt book referred to above and to improve supervisory checks on takings, the maintenance of the cash, banking and the reconciliation of the bank account. (2003/125)

HEAD 45 & DIVISIONS 523, 524, 530 & 552
MINISTRY OF HOUSING & WATER

Current Expenditure

334. Amounts totalling $1.831M were expended on office materials and supplies. Included in this amount were sums totalling $569,263 which were expended on the purchase of office equipment such as, computer, monitor, printer, filing cabinets, desk and book press. These items are of a capital nature, the cost of which should have been met from the Ministry's capital programme under Subhead 25002 – Equipment. However, only $1M was allocated under this subhead of which $997,759 was expended. It is evident that the charging of the amount of $569,263 to current expenditure was done to avoid overrunning the voted provision under Subhead 25002.

> *The Audit Office recommends that the Ministry desist from the practice of charging the cost of capital items to current expenditure. If the Ministry foresees that it is in urgent need of capital items for which no provision had been made in the National estimates, it should seek to obtain a supplementary estimate to provide for the expenditure. (2003/126)*

335. Included in the amount of $1.266M expended on telephone charges were sums totalling $308,902 representing the cost of overseas telephone calls. However, the Ministry did not maintain a register of overseas telephone calls to monitor such calls and to ensure that the cost of private calls is recovered from the persons concerned.

> *The Audit Office recommends that the Ministry introduce as early as possible a register to record the details of overseas telephone calls to enable it to monitor such calls and to ensure that recoveries are made for all private calls. (2003/127)*

336. Amounts totalling $250M and $63.291M were paid to the Guyana Water Inc. and the Central Planning and Housing Authority (CH&PA) respectively as subsidies and contributions. However, the finalisation of the audit of the Guyana Water Inc. for 2003 had to be delayed because the company had made a number of material adjustments to its accounts subsequent to the submission of the financial statements for audit. In relation to the CH&PA, the last set of audited accounts was in respect of 2000. The records for the period January to June 2001 were destroyed by fire. As a result, the Ministry submitted financial statements for the period July to December 2001 for audit but these were returned for certain adjustments to be made. At the time of reporting, the position remained the same.

Capital Expenditure
Division 524 & 552 – Guyana Water Inc.

Subhead 28001 – Water Supply Technical Assistance Rehabilitation

337. The sum of $2.427 billion was allocated for (a) rehabilitation of three major water supply systems at La Bonne Intention, Eccles and Bartica as well as minor water systems at Bath settlement, Nos. 52-58 villages and Eccles to Friendship and (b) provision for management assistance, financial review, design, supervision and operational support. The Project is funded jointly by the World Bank and the Government of Guyana and is subject to separate financial reporting and audit.

338. According to the appropriation accounts, amounts totalling $2.252 billion were expended as at 31 December 2003 and the following works were completed while five other projects were in various stages of completion:

- Installation of transmission water pipes and related works from Industry to Vigilance;
- Rehabilitation of water treatment plants at Mon Repos, Better Hope and Bartica; and
- Construction of water pipes from Vigilance to Nootenzuil.

Division 530 – Housing

Subhead 19002 – Low Income Settlement Programme

339. The sum of $995M was expended for (a) upgrading of squatter communities in areas such as Tuschen, Diamond, Golden Grove, Anna Regina, Waterloo Hope/Experiment, Bartica and Amelia's Ward (b) institutional strengthening Central Housing and Planning Authority and (c) development of new sites. The programme is funded jointly by the Government of Guyana and the Inter American Development Bank at an estimated cost of US$30M and is subject to separate financial reporting and audit.

340. The Project commenced in 2000 and is of 5-year duration. As at 31 December 2003, amounts totalling US$9.634M were expended in (a) the construction of roads, drains, bridges, culverts and structures at Tuschen East and West, Block Y Golden Grove, Non Pariel, Anna Regina, Pomona, Block X Diamond (b) the construction of water supply systems at Block Y Golden Grove, Block A Tuschen, Hope/Waterloo/Experiment, Tract A Good Hope, Block B West and Amelia's Ward (c) the payment of consultancy fees and (d) the purchase of equipment.

HEAD 46
GEORGETOWN PUBLIC HOSPITAL CORPORATION

341. A comparison of the authorised staffing as shown in the 2003 Estimates of Expenditure with the actual staff employed by the Corporation in December 2003 revealed a vacancy rate of 40%. The Accounting Officer explained that the authorised staffing might not represent a realistic staffing position since this was determined several years ago. He indicated that the Corporation was in the process of reviewing its staff requirements for the purpose of updating the authorised staffing. He further explained that allocations were restricted to the actual staff in place at the end of 2002.

342. For the period under review, amounts totalling $19.769M were refunded as unclaimed salaries. However, the Votes Ledger was credited with sums totalling $17.306M due to inadequate supervisory checks. As a result, expenditure has been overstated by $2.463M.

343. Up to the time of reporting, fifty-four payment vouchers totalling $6.098M were not presented for audit examination. A similar observation was made in respect of 2002 where 329 payment vouchers totalling $74.523M had not been presented. In the absence of payment vouchers and supporting documents, it could not be determined whether the Corporation received value for the sums expended.

> *The Audit Office recommends that the Corporation make a special effort to locate the vouchers referred to above along with the supporting documents and present them for audit examination. (2003/128)*

344. The salaries bank account No. 3181 and the main bank account No. 3182, which ceased to be operational with effect from January 2004, reflected balances totalling $139.164M as at 31 December 2003. Up to the time of reporting, however, there was no evidence that the balances on these accounts were transferred to the Consolidated Fund.

> *Since cheques become stale-dated six months after they are issued, the Audit Office recommends that the Corporation transfer the balances on the bank accounts referred to above to the Consolidated Fund and take steps to close these accounts. (2003/129)*

345. The Corporation continued to use the Ministry of Health's Cabinet approval of May 1997 for selective tendering to purchase drugs and medical supplies from specialised agencies overseas. Given the time period that would have elapsed and the fact that the Hospital is now a corporate entity, it would appear necessary for the present arrangements for the supply of drugs and medical supplies from overseas to be reviewed.

> *The Audit Office recommends that the Corporation advertise internationally every three years for the supply of drugs and medical supplies and pre-qualify suppliers. The pre-qualified list should obtain the sanction of Cabinet. (2003/130)*

346. Excess expenditure totalling $9.782M was incurred in respect of twelve line items. Since there were savings under other line items, it would have been more appropriate for a virement of funds to have been sought to cover the excess expenditure.

> *The Audit Office recommends that the Corporation seek the relevant approval for a virement of funds whenever it foresees that there is likely to be a cost overrun on any line item of expenditure. (2003/131)*

347. Although the Corporation is a separate legal entity, it continued to receive appropriations instead of a subvention from the Government. This practice is not in keeping with the requirement of the legislation establishing the Corporation. Such legislation requires it to keep separate books of accounts to record assets and liabilities as well as income and expenditure and to have separate financial reporting and audit.

> *The Audit Office recommends that the Corporation make the necessary representation to the Ministry of Finance with a view to obtaining a subvention instead of an appropriation. In this way the Corporation would be in a position to have separate books of account as well as separate financial reporting and audit. (2003/132)*

348. Amounts totalling $14.925M were expended on Office Equipment & Supplies of which sums totalling $5.923M relate to the purchase of computers and accessories, filing cabinets, workstations, desks, refrigerators, microwaves, television sets and fax machines. These are items of a capital nature the cost of which should have been met from the Corporation's capital allocation under the Ministry of Health.

> *The Audit Office recommends that the Corporation desist from incurring capital expenditure and charging the related cost to current expenditure as such a practice constitutes not only a fundamental breach of generally accepted accounting principles but also a violation of Parliamentary approval to incur expenditure. (2003/133)*

349. The Stores regulations provide for the Accounting Unit to maintain a stores ledger to provide for an independent check on the bin cards maintained by the storekeeper. Although such a record was introduced, it was not updated for a considerable period of time. As a result, a vital control mechanism for ensuring proper accountability for stores items, was not in place.

> *The Audit Office recommends that the Corporation take steps to ensure that a stores ledger is maintained and kept up-to-date for all stores items. (2003/134)*

350. The Corporation carried out a physical inventory of its store in August 2003. However, there was no evidence that a discrepancy report was submitted to the Corporation's Board for consideration so that the relevant approval is granted for the stock records to be brought in line with the results of the physical count. Despite this, the Corporation proceeded to adjust the stock records and the Audit Office's review indicated that approximately 50% of the items reflected discrepancies.

> *The Audit Office recommends that for future inventory exercises the Corporation prepare discrepancy reports for consideration by its Board which should sanction all adjustments to the stock records. (2003/135)*

351. As noted above, the Corporation was in receipt of an appropriation instead of a subvention. As such, it ought not to incur expenditure out of revenue. However, a motor car valued at $3.2M was acquired using the resources of the Corporation's revenue bank account. This is a breach of Parliamentary authority to incur capital expenditure.

> *The Audit Office recommends that the Corporation pay all revenue over to the Consolidated Fund until such time that it is in receipt of a subvention from the Government. (2003/136)*

HEAD 47 & DIVISION 516
MINISTRY OF HEALTH

Current Expenditure

352. A comparison of the authorised staffing as shown in the 2003 Estimates of Expenditure with actual staff employed by the Ministry as at December 2003, revealed a vacancy rate of 32%. It is obvious that the actual level of staffing would have had an adverse effect on the operations of the Ministry and in particular the level of internal control necessary to ensure adequate checks and balances. The Accounting Officer explained that this state of affairs was due to budgetary constraints and that the Ministry was employing staff within certain categories on a contractual basis to alleviate the problem.

353. The Personnel Department has not been timely in submitting pay change directives to the Accounting Unit to enable changes to be made to the payrolls. This practice has resulted in persons' names remaining on the payrolls on average of two months after they ceased to be employed. As a result of the late notification of pay changes, amounts totalling $3.547M were reflected as unclaimed salaries for the period under review. The Accounting Officer explained that the Ministry did not receive the related Government Orders in time for the adjustments to be made to the payroll in a more timely manner.

354. As a result of the late notification of pay-change directives, the deductions relating to the unclaimed salaries would have been paid over to the relevant agencies. However, there was no evidence of recovery from these agencies. In addition, expenditure would have been overstated by an undetermined amount. A similar observation was made in my 2002 Report.

The Audit Office recommends that the Ministry make every effort to recover the overpayments to the various agencies for not only the period under review but also previous accounting periods. (2003/137)

355. The salaries bank account No. 3083 and the main bank account No. 3079, which ceased to be operational with effect from January 2004, reflected balances totalling $370.557M as at 31 December 2003. Up to the time of reporting, there was no evidence that the balances on these accounts paid over to the Consolidated Fund.

Since cheques become stale-dated six months after they are issued, the Audit Office recommends that the Ministry pay over the balances on the above-mentioned accounts to the Consolidated Fund and take steps to close them. (2003/138)

356. An examination of the bank reconciliation statements for the period under review in respect of the salaries bank account No.3083 revealed that an amount of $1.178M was reflected in the cash book as having been deposited in December 1998. This amount was, however, not reflected on the bank statements. The Accounting Officer explained that the Bank of Guyana was written to on the 28 June 2004 but up to the time of reporting the matter was not resolved.

In view of the time period involved, the Audit Office recommends that the Ministry file a losses report with the Finance Secretary so that the loss can be written off thereby bringing a closure to the matter. (2003/139)

357. The old main bank account No. 946, which became inactive in July 1996, was overdrawn by $102.899M as at 31 December 2003. This account was also not reconciled since it was established. The Accounting Officer explained that the Ministry had written the Finance Secretary requesting a closure of the account.

The Audit Office recommends that the Ministry file a losses report with the Finance Secretary so that the loss can be written off by way of a supplementary estimate. (2003/140)

358. The Ministry continued to use the Cabinet approval of May 1997 for selective tendering to purchase drugs and medical supplies from specialised agencies overseas. Given the time period that would have elapsed, it would appear necessary for the present arrangements for the supply of drugs and medical supplies from overseas to be reviewed.

The Audit Office recommends that the Ministry advertise internationally every three years for the supply of drugs and medical supplies and pre-qualify suppliers. The pre-qualified list should obtain the sanction of Cabinet. (2003/141)

359. Amounts totalling $28.891M expended on electricity charges were in respect of thirty of the forty-seven meters under the control of the Ministry. Although an electricity register was kept to record the electricity charges, this record reflected a balance of $38.352M, giving a difference of $9.461M. A similar observation was made in respect of the Telephone Register where there was a difference of $3.372M. The Accounting Officer gave the assurance that periodic reconciliation would be carried out between the electricity and telephone registers and the Votes Ledger to ensure that these records are in agreement with each other.

360. Included in the amount of $13.261M shown as telephone charges, were sums totalling $2.811M representing the cost of overseas telephone calls. Although there were restrictions on telephone lines, amounts totalling $969,536 were expended on unauthorised telephone calls and there was no evidence that these amounts were recovered.

> *The Audit Office recommends that the Ministry take appropriate measures to recover the amount of $969,536 from the concerned officials. (2003/142)*

361. Amounts totalling $275.146M were expended on Subsidies and Contributions to Local Organisations of which sums totalling $213.433M relate to the Wismar/McKenzie Hospital. In view of the fact that the Hospital has not been given statutory status, it should not have been in receipt of a subvention.

> *The Audit Office recommends that the Ministry make representation to the Ministry of Finance for the operations of the Wismar/McHospital to be funded by way of a separate appropriation on a programme basis either under the Ministry or Region 10. (2003/143)*

362. An inspection of the Pharmacy Bond revealed the following unsatisfactory features:

- Stock records were not updated for a considerable period of time;
- Items stored in cartons were still not opened and checked in the presence of the In-Take Officer and the individual bond clerks to verify the quantities and condition of the items received prior to their being posted to the stock records;
- The Government Analyst Department continued to send drugs for testing in Jamaica and the results were being received six months later by which time most of the drugs on hand would have been distributed; and
- Expired drugs were not kept in a separate bond due to the shortage of storage space.

> *The Audit Office recommends that the Ministry take appropriate measures to ensure that (a) the stock records are brought up-to-date (b) expired drugs are stored separately from other drugs (c) all containers are opened and the items physically counted before entries are made in the stock records. (2003/144)*

Capital Expenditure

Subhead 12014 - Buildings (Health)

363. A contract valued at $3.273M was awarded on the 19 December 2003 for the tiling of the floor at the Linden Hospital. However, the full sum was paid on 31 December 2003 on behalf of the contractor into an escrow account held a commercial bank although no work had yet been undertaken. The amount of $3.273M was subsequently refunded to the Consolidated Fund on 28 January 2004 and the work was re-budgeted for in 2004. As a result, the Appropriation Account was overstated by $3.273M.

HEAD 48 DIVISIONS 545 & 546

MINISTRY OF LABOUR, HUMAN SERVICES AND SOCIAL SECURITY

Current Expenditure

364. The salaries bank account No. 3166, which became non-operational with effect from January 2004, reflected a balance of $15.404M as at 31 December 2003 and was only reconciled to March 2003. In addition, up to the time of reporting, the balance on this account was not transferred to the Consolidated Fund.

> *Since cheques become stale-dated six months after they are issued, the Audit Office recommends that the Ministry pay over the balance on the above-mentioned account to the Consolidated Fund and take steps to close it. (2003/145)*

365. The public assistance imprest bank account No. 902, which ceased to be operational several years ago, was overdrawn by $270.586M as at 31 December 2003. This state of affairs was due to inadequate provisions made over the years in the National Estimates to facilitate the payment of old age pensions and public assistance, as discussed at length in my previous reports.

> *In view of the time period that would have elapsed and the difficulty involved in trying to ascertain the transactions that contributed to the overdraft, the Audit Office recommends that the Ministry approach the Ministry of Finance with a view to seeking a supplementary estimate to clear the overdraft on bank account No. 902. (2003/146)*

366. In my previous reports, mention was made of the old age pension and public assistance imprest bank account No. 3039, with an allocation of $130M. This account was established in May 1996 but was discontinued in April 1998 when the Ministry was re-organised. The balance of $8.2M in this account was transferred to the Consolidated Fund in 2003. The difference of $121.8M represents (a) reimbursements totalling $30.5M which were incorrectly deposited into the present imprest account No. 3191 and (b) payments totalling $91.3M which were made but had not been reimbursed by the Accountant General's Department.

The Audit Office recommends that (a) Ministry in collaboration with the Accountant General's Department take appropriate measures to reimburse the imprest bank account No. 3039 with the amount of $91.38M and (b) the Ministry transfer the amount of $30.5M from account No. 3191 to account No. 3039. In this way, the full imprest sum of $130M can be surrendered to the Consolidated Fund and steps taken to close the account. (2003/147)

367. In my 2002 Report, it was stated that irregularities involving 8,078 old age pension and social security coupons valued at $13.959M were uncovered. Some of the officers implicated had made restitutions totalling $3.844M. At the time of reporting, the Police were still investigating the matter.

<u>Capital Expenditure</u>
<u>Division 546 – SIMAP</u>

<u>Subhead 19002 - SIMAP (PHASE III)</u>

368. The sum of $355.302M was expended to (a) improved physical infrastructure, curriculum development and technology in nursery and primary schools (b) teachers' training (c) institutional strengthening and capacity building projects (d) provision for social and economic growth and development in poor communities and (e) provision for Amerindian projects. The Project is funded jointly by the Government of Guyana and the Inter American Development Bank at an estimated cost of US$22.2M and is subject to separate financial reporting and audit.

369. The Project commenced in 2002 and is of a 4-year duration. As at 31 December 2003, amounts totalling US$2.402M were expended and the following works were completed:

- Construction and rehabilitation of schools at Watooka, One Mile, Hampton Court, La Harmonie, Cornelia Ida and Enterprise;
- Rehabilitation of the Wismar Day Care Centre and drains at Leguan;
- Rehabilitation and extension of the Hopetown Community Centre; and
- Construction of Nappi Women's Centre.

HEAD 51 & DIVISION 507
MINISTRY OF HOME AFFAIRS
(EXCLUDING POLICE)

Current Expenditure

370. The authorised staffing of the Ministry was 1,029 while the actual staff in place as at December 2003 totalled 823, giving a vacancy rate of 20%. Some of these vacancies were at senior levels. It is obvious that this level of vacancy would have an adverse effect on the operations of the Ministry and in particular, the level of internal control needed to ensure adequate checks and balances. The Accounting Officer, however, explained that this state of affairs was due to budgetary restrictions.

371. The salaries bank account No. 3022 and the main bank account 3020, which ceased to be operational with effect from January 2004, reflected balances totalling $217.130M as at 31 December 2003. As at 30 June 2004 the balances were reduced to $91.280M. Up to the time of reporting, there was no evidence that the balances on these accounts were transferred to the Consolidated Fund.

> *Since cheques become stale-dated six months after they are issued, the Audit Office recommends that the Ministry transfer the balances on account Nos. 3022 and 3020 to the Consolidated Fund and take steps to close them. (2003/148)*

372. An examination of the Register of Contributors to the National Insurance Scheme for December 2003 indicated that 350 employees were without NIS numbers due to the failure of the Ministry to uplift the registration cards from the Scheme. At the time of reporting, the number has since been reduced to twenty-one.

373. Cheque orders are required to be cleared within sixteen days of their issue through the submission of bills, receipts and other supporting documents. However, for the period under review, cheque orders were cleared on average seventy days after they were issued. In addition, at the time of reporting, four cheque orders valued at $32.296M remained outstanding. The Accounting Officer explained that efforts would be made to ensure that there is strict compliance with the system as it relates to the clearing of cheque orders.

374. Three officers were paid travelling allowances for the use of their personal vehicles in the performance of their official duties. However, the related files did not contain the registration certificates attesting to the ownership of the vehicles. In the circumstances, the validity of the payments could not be properly substantiated. Fourteen instances were also noted where there was no documentary evidence of insurance coverage to validate the quantum of allowances paid. The Accounting Officer explained that the three officers have since retired and that staff constraints prevented the updating of the files referred to above.

375. Amounts totalling $150,000 were expended to pay eight officers "no car allowances" at a rate of $2,000 per month. The Accounting Officer explained that the officers concerned were part of the Country's military establishment and were entitled to this arrangement. She was, however, unable to provide documentary evidence of this practice. In addition, one of the officers had extensive use of a State vehicle and was in receipt of a duty-free concession in August 2001.

> *The Audit Office recommends that the Ministry desist from the practice of paying "no car allowances" until such time that it is in a position to produce the authority for such an arrangement. (2003/149)*

376. The Ministry acquired a number of mattresses, handcuffs, a bicycle, video tapes, towels and mosquito nets valued at $419,324 but incorrectly charged the cost to Benefits & Allowances. A similar observation was made in relation to the acquisition of a number of capital items valued at $953,834 which was charged to current expenditure instead of the relevant subheads under the Ministry's capital programme. The items include microwaves, rechargeable lamps, transformers, water tanks and cameras.

> *The Audit Office recommends that the Ministry desist from acquiring capital items and charging the related cost to current expenditure, as this practice constitutes not only a fundamental breach of generally accepted accounting principles but also a violation of parliamentary approval to incur capital expenditure. (2003/150)*

377. Ninety-five advances totalling $2.105M were granted from the Main Bank Account instead of the Imprest Bank Account. The Accounting Officer explained this was due to the inadequacy of the imprest sum of $1.2M.

> *The Audit Office recommends that the Ministry make the necessary representation to the Accountant General's Department for an increased allocation for its imprest account in order to avoid the above situation. (2003/151)*

378. The minutes of the Ministerial Tender Board was prepared using a stereotype form indicating the date of the meeting, the members of the committee who were present, matter to be adjudicated upon, the number of bids received, the Engineer's Estimate and the Tender Board decision. There was, however, no mention about the opening of the bids nor was there reference to the discussions that led to the award of the various contracts.

> *The Audit Office recommends that the Ministry take appropriate measures to ensure the minutes of the Ministerial Board are prepared in such a manner so as to provide for a complete picture of all the procedures leading to the award of a contract and in particular the discussions that transpired leading to the award. (2003/152)*

379. Log books were not presented for fifteen of the Ministry's vehicles while there were partial submissions in respect of eight vehicles. In the circumstances, it could not be satisfactorily determined whether effective control was exercised over the use of these vehicles. In addition, the Prisons Department did not maintain historical records of the twenty-four vehicles under its control in order to monitor their maintenance costs. The Accounting Officer acknowledged these shortcomings and gave the assurance that corrective action would be taken.

380. Excess expenditure totalling $453,000 was incurred under nine line items. Since there were savings under other subheads, it would have been more appropriate for a virement of funds to have been sought to cover the excess expenditure.

> *The Audit Office recommends that the Ministry seek the relevant approval for a virement of funds whenever it foresees that there is likely to be a cost overrun under a particular line item. (2003/153)*

Current Revenue

381. Amounts totalling $18.289M were collected as revenue from immigration activities, fire inspections and the sale of tender documents. However, this amount was not paid over to the Consolidated but was placed in the Deposits Fund. As a result, revenue was understated by this amount in the Public Accounts. In addition, of this amount, sums totalling $7.675M were expended in the purchase of various items for the Ministry's operations. When this matter was drawn to the attention of the Accounting Officer, she requested the Accountant General's Department to transfer the unspent balance to the Consolidated Fund.

382. A total of 113 receipts for revenue amounting to $3.237M were not presented for audit examination since copies of these were not retained in the used receipt books. In the circumstances, the revenue reported could not be substantiated.

> *The Audit Office recommends that the Ministry take appropriate to secure all used receipt books to enable the verification of revenue collected. (2003/154)*

Capital Expenditure

Subhead 12002 - Police Stations & Buildings

383. The Timehri Police Station was to have been rehabilitated under this subhead. However, it was rehabilitated at a cost of $2.504M, which was met from the current appropriation of the Guyana Police Force.

> *The Audit Office recommends that the Ministry adhere strictly to the programme of activity outlined in its capital profile and desist from charging the cost of capital works to current expenditure. (2003/155)*

384. Works were undertaken at the police stations at Wisroc and Albion at a cost of $804,463 but there was no evidence that approval was granted for a change in programme to undertake the works. The approved variation of $195,783 in respect of the Blairmont Police Station was also not provided for audit examination. The Accounting Officer acknowledged these observations which she explained were due to an oversight.

Subhead 24001 - Land and Water Transport (Police)

385. The Ministry purchased two armoured cars, three patrol cars and two prison vans. However, up to the time of reporting, the armoured cars were not received. The Accounting Officer explained that the Central Tender Board's approval for the freight charges and the grant of duty-free concessions had delayed the delivery of these vehicles.

Subhead 26001 - Equipment (Police)

386. The sum of $70M was provided for the purchase of (a) traffic, laboratory, communication, photographic, ballistic, fingerprint and handwriting equipment (b) arms and ammunition and (c) equipment for the mounted police. The full amount was expended. However, there was evidence that the purchase of road marking paint valued at $1.699M was subdivided to avoid adjudication by the Central Tender Board.

The Audit Office recommends that the Ministry adhere strictly to the requirements of the Tender Board Regulations. As far as possible, it should coordinate its purchases in such a manner so that adjudication is done at the appropriate level, as there are likely to be cost savings derived from bulk purchases. (2003/156)

387. In relation to the purchase of arms and ammunition, up to the time of reporting, $17.290M worth of these items had not been received. The Accounting Officer explained that the delay was due to the late receipt of transhipment licences by the supplier.

HEAD 51
MINISTRY OF HOME AFFAIRS
PROGRAMME 2 – GUYANA POLICE FORCE

Current Expenditure

388. Fifteen cheque books of 100 cheque leaves each were not presented for audit examination in respect of the salaries bank account No. 3032. A similar observation was made in respect of the main bank account No. 3034 where forty-two cheque books and fifteen deposit books were not presented.

Since these documents can be used to perpetrate irregularities, the Audit Office recommends that the Department take immediate steps to locate them for presentation to the Audit Office. (2003/157)

389. The above-mentioned bank accounts, which ceased to be operational with effect from January 2004, reflected balances totalling $239.076M as at 31 December 2003. Up to the time of reporting, however, the balances on these accounts were not paid over to the Consolidated Fund.

Since cheques become stale-dated six months after they are issued, the Audit Office recommends that the Ministry transfer the balances on account Nos. 3022 and 3020 to the Consolidated Fund and take steps to close them. (2003/158)

390. The Department did not maintain an unclaimed salaries register for the period January to April 2003 to monitor all unclaimed salaries and it could not be determined what amounts were involved. For the period for which this record was maintained, amounts totalling $14.831M were recorded in the register but no corresponding entries were made in the Votes Ledger. As a result, the Appropriation Account was overstated by this amount. In addition, this amount was incorrectly deposited into the Deposits Fund bank account instead of the department's main bank account.

391. The Departmental Tender Board was not properly constituted in that there was no representation from another ministry or department. In addition, two of the four members were from the Quartermaster's Store. These persons ought not to be part of the adjudication process leading to the award of contracts for goods and services since they were the custodians of such goods. Indeed, such a practice can lead to serious irregularities being perpetrated.

The Audit recommends that the Department take urgent measures to have its Departmental Tender Board properly constituted in accordance with the requirements of the Tender Board Regulations. (2003/159)

392. The staff of the Quartermaster's Store were also involved in the soliciting of bids, the preparation of purchase orders, the uplifting of cheques, the procurement of the goods, their receipt, custody and issuing, and the maintenance of the stock records. This lack of proper segregation of duties has resulted in irregularities in the purchase of uniform material, as described below.

The Audit Office recommends that the Department desist from having the members of the Quartermaster's Store involved in the soliciting of bids, the preparation of purchase orders, the uplifting of cheques and the procurement of goods. These should be the responsibility of a procurement officer or an expediter having no involvement with the operations of the Quartermaster's Store. (2003/160)

393. Amounts totalling $168.514M were expended on the purchase of items of uniform, including material. However, there was no evidence of the involvement of the Central Tender Board. In fact, there were 279 purchases totalling $145.926M falling within the limits of $180,000 and $600,000 and which would have been adjudicated by the Departmental Tender Board. It is evident that the purchases were divided into lots of on average $523,000 to bring them within the limits of the Departmental Tender Board.

The Audit Office recommends that the Department desist from the practice of splitting purchases to avoid adjudication by the Central Tender Board. In this regard, the Department should assess its annual requirement for items of uniform at the beginning of the year having regard to stocks on hand and advertise publicly for the solicitation of bids. (2003/161)

394. An examination of the Departmental Tender Board minutes relating to the above purchases revealed that there were no minutes for 102 transactions valued at $58.316M although there was reference to such minutes on the payment vouchers. Further examination of the foolscap book in which the minutes were kept revealed that the preparation of minutes was discontinued in June 2003. In addition, the minutes were not written by the Secretary of the Tender Board but by a junior rank who was not part of the proceedings of the Tender Board. These observations would raise doubts as to whether or not meetings were actually held especially in view of the fact that there were no details relating to the opening bids and the discussions that followed leading to the award.

395. One hundred and three (103) payments totalling $58.509M were made to an individual for the supply of items of uniform. The Audit Office was able to access the paid cheques for ninety transactions and observed that eighty-two of these cheques valued at $46.816M were endorsed and deposited into three bank accounts held at two commercial banks. One account was held jointly between the payee and a senior official at the Ministry of Home Affairs while the other was held exclusively by the senior official. The third account was held by another individual. In eleven cases the signature of the payee appeared to be the handwriting of the senior official. In thirty instances also the receipt issued and valued at $17.417M appeared to be the handwriting of the senior official.

396. In all the above cases, three quotations were used to award the contract to the individual for the supply of items of uniform, two of which were from an established business operating under two different names. In all cases, the quotations from the established business were photocopied documents and in some cases the year was altered. In addition, all three quotations were for the same price and therefore it would appear unreasonable for the contract to be awarded to an individual in preference to an established business. This observation raised some serious questions as to the involvement of the members of the Departmental Tender in relation to the above purchases.

397. The Audit Office was unable to conclude whether the items purchased were actually received in the Quartermaster’s Store since the stock records were not properly maintained. They were updated for varying periods and for different items. Given the fact that staff members were integrally involved in procurement activities, the stock records maintained by them could not be relied upon and there was no stores ledger in place at the Accounting Unit to provide for an independent check on the records of the Store. In addition, an inspection of the Quartermaster’s Store revealed large quantities of items of uniform stockpiled in the store. The Audit Office estimates that stocks on hand would amount to approximately three years of supplies. Given this situation as well as above observations, the Audit Office has serious reservations as to whether the items purported to have been purchased were actual supplied. As a result, the Commissioner of Police was invited to investigate the matter.

398. Amounts totalling $87.538M were expended on Fuel & Lubricants. Fuel was being stored in tanks but stock records were not maintained to record receipts, issues and balances on hand. In addition, of the 345 vehicles in use by the Force, log books for 334 vehicles were not presented for audit examination. In the absence of log books for most of the vehicles, it could not be determined whether there was proper accountability for the fuel purchased and whether there was effective control over the use of these vehicles.

The Audit Office recommends that the Department introduce stock records to account for fuel stored in bulk. In addition, it should make effort to ensure that log books are maintained for all vehicles under its control. (2003/162)

399. An examination of the schedule of contributors to the National Insurance Scheme revealed that one hundred and fifty three (153) employees were without NIS numbers, indicating that these employees were not registered with the scheme. The Accounting officer explained that these ranks were stationed in remote areas and the requisite forms were not distributed to enable their registration.

Since registration with the NIS has implications for social security and other benefits, the Audit Office recommends that the Department conduct the registration of ranks at the time of induction to the Force, rather than at any later time. (2003/163)

400. At the time of reporting, 120 payments vouchers valued at $23.702M were not presented for audit examination. In the circumstances, it could not be determined whether value was received for the sum expended.

The Audit Office recommends that the Department make a special effort to locate these vouchers and to have them presented for audit examination. (2003/164)

401. Amounts totalling $54.422M was expended on vehicles spares and services. However, historical records were not kept for each vehicle to record and monitor the cost of maintenance of the Department's vehicles and to determine whether it is economical to retain certain vehicles or to dispose of them.

The Audit Office recommends that the Department introduce historical records for all the vehicles under its control. (2003/165)

402. Amounts totalling $34.677M were expended on telephone charges for 352 permanent telephones lines, thirty short-term lines and nineteen mobile phones. An analysis of this expenditure revealed that overseas telephone calls amounted to $1.808M, but an overseas telephone calls register was not maintained to monitor the calls made and to ensure that the cost of private calls is recovered. A similar observation was made in respect of telephone charges amounting to $5.929M for cellular calls.

The Audit Office recommends that the Department introduce an overseas calls register as early as possible to enable it to monitor all overseas calls and to ensure that recoveries are made for all private calls. (2003/166)

HEAD 52 & DIVISION 514
MINISTRY OF LEGAL AFFAIRS

Current Expenditure

403. A comparison of the authorised staffing of the Ministry with the actual staffing in December 2003 indicated a vacancy level of 32%. It is obvious that this level of vacancy would have an adverse effect on the operations of the Ministry and in particular the level of internal control needed to ensure adequate checks and balances. The Accounting Officer, however, explained that this state of affairs was due to budgetary restrictions.

404. The salaries bank account was only reconciled to November 2003 at the time of reporting. The reconciliation was also done in a foolscap book and there was no evidence of checking and certification. In addition, the cash book was not cast and balanced for December 2003. It should be noted that this account was no longer being used, but up to the time of reporting it was not closed and reflected a balance of $4.612M.

The Audit Office recommends that Ministry take steps to transfer the balance of $4.612M to the Consolidated Funds and to close the account. (2003/167)

405. It is a requirement for cheque orders to be cleared within sixteen days of their issue through the submission of bill/receipts and other documents in support of the payments made. However, an examination of the cheque order register for the period under review revealed that cheque orders were being cleared on average fifty-three days after they were issued, and up to the time of reporting 148 cheque orders valued at $7.568M remained outstanding. The Accounting Officer explained that supporting documents were submitted to the Accountant General's Department to clear the cheque orders but the register was not updated.

The Audit Office recommends that the Ministry put in place mechanisms for the expeditious clearing of cheque orders and the updating of the related register. (2003/168)

406. Excess expenditure totalling $144,000 was incurred in respect of eight line items. Since there were savings in other line items, it would have been more appropriate for a virement of funds to have been sought.

The Audit Office recommends that the Ministry seek and obtain the requisite approval for a virement of funds whenever it foresees that it is likely to overrun the allocation under a particular line item if there are savings under other line items. (2003/169)

407. For the period under review, the Deeds Registry received a total of 3,102 applications in respect of the registration of business names. However, seventy-two applications were not produced for audit examination. As a result, the fees payable on these applications could not be properly verified. The Accounting officer explained that these applications might have been misplaced due to the relocation of the Deeds Registry.

408. In relation to trademarks, a total of 467 applications were received for the period under review. However, no licenses were issued in respect of these applications. The Accounting Officer explained that there was a huge backlog of applications due to staff constraints and that the earlier years were being given priority. At the time of reporting, applications for 2001 were being processed.

409. An examination of the reconciliation statements of the Public Trustee's bank account No. 270, the Official Receiver's Insolvency Estate bank account No. 330 and State Solicitor's bank account No. 120, revealed the following shortcomings:

- There were several reconciling items reflected in the reconciliation statements, some of which have been coming forward for several years;

- Reconciliation was done in a foolscap book and some of the entries were made in pencil. There was also no evidence of checking and certification of these statements; and

- The related cash books bore no evidence of supervisory checks while the balances in respect of account No. 120 were written in pencil.

The Accounting Officer attributed these shortcomings to staff constraints.

410. Amounts totalling $821,180 were collected for the rental of rooms at the First Federation Building but only $526,000 could be traced as having been deposited into the Official Receiver's bank account No. 330. The Accounting Officer explained that the difference of $295,180 was banked in March and June 2004. In addition, there was no record to indicate the number of rooms rented, the names of the occupants and the monthly rental in order to verify the accuracy of the amounts collected.

> *The Audit Office recommends that the Department introduce a register to monitor the occupancy of the rooms in the First Federation Building so the revenues derived can be verified against occupancy. (2003/170)*

<u>Capital Expenditure</u>

<u>Subhead 15002 – Strengthening of the Deeds Registry</u>

411. The sum of $61M was provided for (a) review of the legal framework for moveable and immovable property and development of an action plan for reform (b) institutional strengthening of the Deeds Registry and (c) project management. According to the

Appropriation Account, amounts totalling $48.923M were expended.
412. The Project is financed by the Government and the Inter-American Development Bank (IDB) at an estimated cost of US$1.355M and is subjected to separate financial reporting and audit. The Agreement was signed on the 24 January 2000 with a completion date of 24 April 2005.

HEAD 53
GUYANA DEFENCE FORCE

413. An examination of the reconciliation statements of the salaries bank account held at a commercial bank indicated an unreconciled amount of $13.510M which existed during the period January to August 2003. This figure was, however, reduced to $11.904M as at December 2003. The Accounting Officer explained that they were in the process of identifying these differences.

414. The cash book for the above-mentioned account reflected considerable balances ranging from $4.851M to $27,797M at month ends, instead of the required 'nil' balance. As a result, a major control mechanism was not in place. The Accounting Officer explained that this resulted mainly from the failure effect prompt payment of deductions as well as salaries for officers stationed at interior locations.

The Audit Office recommends that the Department put in place mechanisms to ensure that the salaries cash book reflect nil balances at the end of each month as a control mechanism for the payment of salaries. (2003/171)

415. The unpaid salaries account No. 436 held at Bank of Guyana reflected a balance of $15.301M that had accumulated over several years. This balance did not agree with the amount of $52.661M that represented the aggregate of balances shown in the related registers. Attempts to determine the reasons for the difference of $37.360M revealed that amounts totalling $9.984M was transferred to Consolidated Fund, while $14.690M was utilized to settle outstanding liabilities in the year 1995. The remaining amount of $12.686M was not accounted for during the inspection.

The Audit Office recommends that the Department investigate the discrepancy of $12.686M on the unpaid salaries account. (2003/172)

416. In relation to the amount of $14.690M, which was inappropriately utilized to meet appropriation account expenses, this amount was not recovered from subsequent appropriations. As a result, the expenditure was not reflected in the Country's accounts.

The Audit Office recommends that the Department provide the necessary documentation of the expenditure incurred so that the liability to the unpaid salaries account can be discharged. (2003/173)

417. Up to the time of reporting, ninety-two payment vouchers totalling $48.964M were not presented for audit examination. The failure to present the vouchers for audit examination inhibited the determination of the propriety of these payments and whether value was received for the amounts expended.

The Audit Office recommends that the Department make a special effort to locate these vouchers and supporting documentation and present them for audit examination. (2003/174)

418. In relation to compliance with tender procedures, the Department did not adhere strictly to these procedures. The following are examples are highlighted:

- Amounts totalling $17.028M were expended in seven cases under the Materials, Equipment & Supplies where purchases between the limits of $600,000 to $6M did not have the approval of the Central Tender Board. Under Transport, Travel & Postage, there was one transaction amounting to $990,000 for vehicle hire that also required similar approval;

- The Departmental Tender Board's approval was not sought for one transaction for $267,500 under Materials, Equipment & Supplies. Similar situations occurred with respect to charges for Rental & Maintenance of Buildings, Maintenance of Infrastructure, and Transport, Travel & Postage involving purchases totalling $1.850M, the construction of a bridge for $299,765 and twenty-seven transactions amounting to $14.866M for the hire and servicing of vehicles;

- Ten instances were also observed of transactions totalling $2.532M that should have had Departmental Tender Board adjudication but were sub-divided and awarded on the basis of a system of quotations. A similar observation was made in five instances totalling $922,039 that were awarded by the Accounting Officer, under Rental & Maintenance of Buildings, which were also subdivided. There were also 167 payments totalling $10.850M for dietary supplies, which had been subdivided in breach of tendering regulations; and

- Under the Materials, Equipment & Supplies, there were fourteen transactions totalling $2.198M requiring a system of quotations but there was no evidence of adherence to this requirement. There were also similar situations affecting four payments totalling $560,000 under Rental & Maintenance of Buildings, seventeen transactions totalling $3.791M allocated to Maintenance of Infrastructure and 152 transactions totalling $43.823M included under Transport, Travel & Postage.

The Audit Office recommends that the Department desist from the practice of subdividing contracts to avoid adjudication and higher levels and take appropriate measures to ensure strict compliance with the requirements of the Tender Board Regulations. (2003/175)

419. Amounts totalling $130.905M were expended on Fuel & Lubricants. An analysis of this expenditure revealed that vehicles utilized amounts totalling $72.095M, while a sum of $45.505M was expended on three aircraft. The difference of $16.305M was expended on the acquisition of cooking gas. Fuel was purchased in bulk and stored in tanks but no the stock ledger that was maintained did not reflect balances. In addition, a stores ledger was not maintained at the Accounting Unit to provide for an independent check on the stock ledger.

The Audit Office recommends that the Department (a) introduce a stores ledger at the Accounting Unit for fuel stored in bulk and (b) take appropriate measures to ensure that the stock ledger kept at the storage area reflect balances. (2003/176)

420. Log books were not presented for twenty-three of forty vehicles requiring such records to be kept. In the absence of these books, it could not be determined whether the journeys undertaken by these vehicles were properly authorized and whether effective control was exercised over their use. In addition, circularized instructions require that a historical record be kept of each vehicle to record the cost of maintenance. However, Department did not maintain such records for its fleet of eighty-two vehicles and other equipment. In the circumstances, it was not in a position to monitor the cost of maintenance in each case and to determine whether it was economical to retain or dispose of them.

The Audit Office recommends that the Department institute measures (a) to ensure that log books are maintained for all vehicles (except in certain cases) (b) to introduce historical records for all vehicles and equipment. (2003/177)

421. The maintenance costs of vehicles under the control of the Department continued to be high. For the period under review, a sample of twenty-two vehicles incurred an average of $595,318 in maintenance costs, compare with $369,106 in the pervious year. In addition, the purchases of vehicle spares totalling $12.942M could not be traced to individual vehicles, since the related payment vouchers did not give details of the vehicles for which the purchases were intended. It was also noted that expenditure totalling $399,000 was incurred on three vehicles which the Department did not own.

The Audit Office recommends that the Department review the maintenance costs of vehicles with a view to not only keeping costs to a minimum but also with a view to determining whether it would be more economical to dispose of vehicles that recorded high maintenance costs. (2003/178)

422. During the year, the Department disposed of eleven vehicles from its fleet at a total price of $4.633M. It was noted that a sum of $1.619M was expended on repairs and maintenance to five of these vehicles, which had attracted gross revenues of $2.414M. As can be noted, the resulting net selling price for those vehicles was $795,000.

423. Amounts totalling $12.528M were expended on overseas conferences and visits. However, Cabinet approval was not obtained in forty-seven instances where amounts totalling $10.869M were paid as travelling expenses for twenty-seven army personnel. The Accounting Officer explained that approval was now being sought for such travel.

424. Amounts totalling $38.185M was expended as telephone charges. An analysis of the charges indicated that overseas telephone calls amounted to $4.608M, but an overseas telephone calls register was not maintained to monitor all calls made and to ensure that the cost of private calls were recovered.

> *The Audit Office recommends that the Department introduce a register of overseas calls to monitor all overseas calls and to ensure that the cost of all private calls is recovered from the concerned persons. (2003/179)*

425. Revenue derived from the commercial operations of the Guyana Defence Force aircraft, agriculture corps and the sale of vehicles were used to defray expenses in connection with the respective departments. Such revenue should have been paid over to the Consolidated Fund, as required by Section 17 of the FAA Act. Of revenues totalling $141.982M which were collected, amounts totalling $122.880M were expended. As a result, the Appropriation Account was understated by the latter amount while revenue was understated by $141.982M in the Public Accounts.

> *The Audit Office recommends that the Department adhere strictly to the requirements of the law to pay over revenue to the Consolidated Fund. (2003/180)*

HEAD 55
SUPREME COURT OF JUDICATURE & MAGISTRATES

Current Expenditure

426. A comparison of the authorised staffing of the Supreme Court with the actual staff in place in December 2003 indicated a vacancy rate of 14%. In particular, there were sixty-six vacant positions at the senior and middle management levels. A similar observation was made in respect of the Magistrates' Department. The Accounting Officer explained that this state of affairs was due to budgetary constraints and that the Department was in contact with the Public Service Ministry with a view to restructuring the Department.

427. The salaries bank account No. 4002 and the main bank account No. 4004, which ceased to be operational with effect from January 2004, reflected balances totalling $157.138M as at 31 December 2003. However, up to the time of reporting, the balances on these accounts were not transferred to the Consolidated Fund. A similar observation was in respect of six other salaries bank accounts held on behalf of the various magisterial districts. It should be mentioned that over the years revenue collected were not transferred to the Consolidated Fund but was retained in the main bank account, resulting in a build up of the balance on the latter account.

Since cheques become stale-dated six months after they are issued, the Audit Office recommends that the Ministry transfer the balances on the above-mentioned account to the Consolidated Fund and take steps to close them. (2003/181)

428. The Maintenance and Bastary Account No. 3115 for Georgetown Magisterial District was not reconciled since its establishment in October 1996 and the related cash book was not cast and balanced. A similar observation was made in respect of the Suitors' Deposit account Nos. 3114 and 3101 for Georgetown and East Demerara Magisterial Districts. These were also not reconciled since their establishment in 1996.

The Audit Office recommends that the Department make a special effort to have these accounts reconciled in order to avoid the possibility of irregularities from occurring. (2003/182)

429. In my previous reports, twelve cases of apparent irregularities totalling $22.509M were uncovered at various magisterial districts during the years 1995 to 2001. Up to the time of reporting, these matters were still pending before the Court or with the Police. The following are the details:

Magisterial Courts/Districts	Nature of Apparent Irregularity	Amount $	Year
Providence Magistrate Court	Alteration in amounts shown on the case jackets and receipt issued to defendants.	946,575	1998
Georgetown Magistrate Court	Tampering of receipts and short banking.	818,250	1998
Georgetown Magistrate Court	Tampering of receipts to show lesser amounts collected.	242,100	1999
East Demerara	Tampering of receipts and CCBS.	5,000	2000
East Demerara	Cheques were written for a higher amount from the Maintenance & Bastardy Account.	40,000	1999
West Demerara	Amounts paid for affiliation were converted to personal use by an officer	5,466,000	2000
West Demerara	Misappropriation of funds	6,221,000	1992 – 93
West Demerara	Receipts were altered to show higher amounts, resulting in overpayments to bailers/ defendants.	2,447,000	1999
West Demerara	Records were adjusted to reflect different amounts	555,000	1999
West Demerara	Overpayment of disbursements of bail money.	3,565,000	1994 – 97
Berbice	Three fraudulent transactions	54,000	1998
Berbice	Short banking	2,149,204	2000 – 01
Total		22,509,129	

430. For the period under review a total of 18,799 criminal cases and 1,904 civil cases were filed before the various Magistrate Courts. However, 1,686 criminal and 228 civil case jackets were not produced for audit examination.

The Audit Office recommends that the Department make a special effort to locate these case jackets and present them for audit examination. (2003/183)

HEAD 71 & DIVISION 531
REGION 1 - BARIMA/WAINI

431. The actual staffing of the Regional Administration was 257 as at December 2003 compared with the authorised staffing of 480, giving a vacancy rate of 46%. It is obvious that this level of staffing would have an adverse effect on the operations of the Region. The Accounting Officer explained that this was mainly due to budgetary constraints imposed by the Ministry of Finance. In addition, the authorised staffing did not include teachers in the Region who numbered 386.

> *In order to ensure a meaningful comparison between authorised and actual staffing, the Audit Office recommends that the Ministry of Local Government and Regional Development approach the Ministry of Finance so that teachers can be included in the authorised staffing in the next estimates of expenditure. (2003/184))*

432. Forty-one employees' NIS numbers were not quoted in the schedule of deductions relating to NIS for December 2003. Twenty-five of these employees' names were coming forward since 2002. It is evident that some employees were not registered with the Scheme despite being in the employ of the Region for a considerable period of time. It should be emphasised that registration with the Scheme has implications for social security and other benefits. The Accounting Officer, however, explained that application forms were sent to these persons but they were not returned and that the Personnel Section was not adequately staffed to take follow-up action.

433. Amounts totalling $4.172M were refunded to the Sub-Treasury as unclaimed net salaries. However, the related deductions paid over to the various agencies were not recovered. The Accounting Officer explained that these agencies were written to with a view of recovering the amounts involved. The Audit Office was, however, not provided with evidence to this effect nor was there evidence of any follow-up action taken. A similar observation was made in my 2002 report. It should be emphasised that the failure to recover deductions would result in over-payments to the various agencies and a corresponding over-statement of the appropriation accounts.

> *The Audit Office recommends that the Regional Administration aggressively follow-up with the relevant agencies with a view to recovering all overpayments made to them in respect of not only the period under review but also previous accounting periods. (2003/185)*

434. Cheque orders are required to be cleared within sixteen days of their issue through the submission of bills, receipts and other supporting documents. However, sample checks carried out revealed that cheque orders were cleared several months later. As at July 2004, 1,157 cheque orders valued at $185.258M had not been cleared 996 of these orders valued at $160.951M relate to employment costs while the remainder relates to purchases.

435. The Accounting Officer explained that the supporting documents were returned to the Sub-Treasury but because of the staffing situation there, these documents were not attached to the cheque orders to enable the appropriate entries to be made in the cheque order register.

The Audit Office recommends that the Regional Administration in collaboration with the Sub-Treasury mount a special exercise with a view to ensuring that all outstanding cheque orders are cleared by attaching all bills, receipts and other supporting documents to the cheque orders. As soon as the exercise is finalised, the Regional Administration should inform the Audit Office so that follow-up checks can be carried out to ensure the Region received full value for all sums expended on these cheque orders. (2003/186)

436. Vehicle log books were not presented for audit examination for eleven of the seventeen serviceable vehicles and equipment operated by the Region. As a result, it could not be determined whether effective control was exercised over the use of these vehicles and equipment. The Accounting Officer explained that because of the locations of some of the vehicles and equipment, logbooks could not have been presented.

The Audit Office recommends that the Regional Administration close all log books at the end of each year and transfer them to the Regional Accounting Unit to facilitate audit examination. (2003/187)

437. The two power plants at Mabaruma provide electricity to the Administration and to communities at Mabaruma, Kumaka and Hosororo. Electricity supplied to the communities was, however, not metered but monthly charges were made at $100 a bulb, $800 per fridge and $1,200 per freezer, regardless of wattage. It should be mentioned that the Region had purchased 300 electrical meters in June 2003 but at the time of the audit in July 2004, the meters were still in the stores. The Accounting Officer explained that the Region was in the process of acquiring the necessary expertise to install these meters. The Audit Office urges that the process be accelerated.

438. There were four instances of overpayments totalling $422,853 on contracts for the repairs and maintenance to buildings, based on the physical verification of the works undertaken. The following are the details:

#	Description	Payments Made $	Physical Verification $	Overpayment $
1	St. Peter & Paul Primary School	675,198	484,868	190,330
2	Barabina Primary School	557,370	463,184	94,186
3	AREO Quarters at Moruca	396,150	335,000	61,150
4	Administration at Moruca	938,478	861,291	77,187
	TOTAL			422,853

439. A similar observation was made in respect of construction works under the Region’s capital expenditure programme, as shown below:

#	Description	Payments Made $	Physical Verification $	Overpayment $
1	Construction of Health Post at St. John’s	1,902,458	1,767,656	134,802
2	Extension of Karaburi Primary School	3,791,366	3,619,618	171,748
3	Constr. of Teachers’ Quarters at Hobodia	2,671,969	2,497,071	174,898
	TOTAL			481,448

The Accounting Officer explained that additional works were undertaken in respect of the above amounts but this was not documented.

The Audit Office recommends that whenever additional works are undertaken the Regional Administration ensure that there is adequate documentation as well as approval at the appropriate level in order to facilitate ex post evaluation. (2003/188)

440. An amount of $504,300 was expended in the purchase of twenty drums of bitumen. However, up to the time of reporting the bitumen was still not received. A similar observation was made in respect of the purchase of eighty drums of bitumen valued $2.017M under the Region’s capital programme. The Accounting Officer explained that the supplier was encountering difficulties in obtaining the item and that the company was written to in July 2004 with a view to seeking a refund.

The Audit Office recommends that the Regional Administration aggressively follow-up with the supplier with a view to recovering the above amounts. (2003/189)

441. Amounts totalling $1.440M were paid to the Mabaruma/Kumaka/Hosororo and Matthew’s Ridge/Arakaka/Port Kaituma Neighbourhood Democratic Councils (NDCs) as subventions. These entities are required to prepare financial statements and submit them for audit examination and certification. However, it could not have been ascertained when last these NDCs had done so.

The Audit Office recommends that the Regional Administration in collaboration with the Ministry of Local Government and Regional Administration take the necessary measures to ensure that all NDCs in receipt of Government subventions properly account for the funds through the preparation and submission of financial statements for audit, as required by the Municipal and District Councils Act. (2003/190)

442. The records of the Mabaruma/Kumaka/Hosororo NDC could not have been examined because they were kept by the Overseer who was on annual leave. The Audit Office was, however, able to examine the records of the Matthew’s Ridge/Arakaka/ Port Kaituma NDC and the following observations were made:

- There were no supporting documents to substantiate the expenditure of $558,920 which was incurred in November 2003;

- A register of controlled forms was not maintained to record the receipt and issues of receipt books and cheque books; and

- The NDC also received income through the rental of the multi-purpose hall at Port Kaituma. However, the revenue was neither brought to account in the cash book nor banked. Instead, it was used to offset expenses but a separate cash book was not maintained so as to ascertain what revenues were collected and what expenditures were incurred.

HEADS 72 & DIVISION 532
REGION 2 - POMEROON/SUPENAAM

443. The authorised staffing of the Regional Administration did not include teachers who numbered 762. The Accounting Officer explained that this practice has been in place for several years. He indicated that the Education Department was in the process of compiling a list of teachers by categories for submission to the Ministry of Finance for inclusion in the authorised staffing of the Region.

444. For the period under review, the Personnel Section forwarded 111 pay change directives to the Regional Accounting Unit. A review of these directives, however, indicated that they were issued on average of two months after their effective dates. This practice has resulted in the payrolls not being adjusted until several months later and can lead to irregularities. The Accounting Officer explained that this was mainly due to the late submission of information relating to teachers to the Personnel Section.

> *The Audit Office recommends that the Regional Administration put in place mechanisms to expedite the flow of information from the various schools to the Personnel Section so that the necessary pay changes can be made as early as possible. (2003/191)*

445. In my 2002 report, it was stated that seven officers were overpaid salaries totalling $698,709 resulting from the late notification of pay changes. However, up to the time of reporting, $538,709 was not recovered from six officers. The Accounting Officer explained that the whereabouts of these officers were unknown.

> *The Audit Office recommends that the Regional Administration refer the matter to the Police for investigation. (2003/192)*

446. During the period June 2001 to May 2003, a senior official of the Regional Administration was paid commuted travelling allowances totalling $198,936 for the official use of his personal vehicle while at the same time being provided on a full-time basis with a chauffeur-driven vehicle. The Accounting Officer had explained that the allowances were paid for the use of the official's personal motorcar after working hours. However, there was evidence that the services of the chauffeur and the official vehicle had been used extensively on a daily basis beyond normal working hours. The Accounting Officer wrote the concerned official on 8 July 2003 with a view to recovering the above amount but up to the time of reporting, recovery was not made.

> *The Audit Office recommends that the Regional Administration renew its efforts to recover the above amount from the concerned officer. (2003/193)*

447. Log books were not presented for nine sets of equipment under the control of the Region. The Accounting Officer explained that these relate to outboard engines assigned to the riverian areas and that it was not possible for the log books to be presented.

> *The Audit Office recommends that the Regional Administration close all log books at the end of each year and transfer them to the Regional Accounting Unit to facilitate audit examination. (2003/194)*

448. According to the records of the Anna Regina Town Council, the Regional Administration was indebted to the Council in the sum of $79.805M as at 31 December 2003. However, only $2.170M was paid to the Council. The Accounting Officer explained this was due to restricted budgetary allocations. In addition, although the Region maintained a register of properties, this record was not annotated when payments are made for rates and taxes.

> *The Audit Office recommends that the Regional Administration approach the Ministry of Finance with a view to providing the necessary funding to liquidate the liability of $77.635M to the Anna Regina Town Council. In addition, the register of properties should at all times be annotated when payments are made to the Council for the purpose of avoiding duplications and/or omission of payments. (2003/195)*

449. Several unserviceable machinery and equipment were still on hand at the time of the audit. The Accounting Officer explained that he had written the Finance Secretary on 9 June 2003 for the relevant approval to be granted to dispose of these items but a response had not yet been received.

> *The Audit Office recommends that the Regional Administration renew its efforts to obtain the necessary approval from the Finance Secretary to have all unserviceable items disposed of as early as possible. (2003/196)*

450. In my previous reports, mention was made of an apparent shortage of 8,309 gallons of diesel fuel. The Accounting Officer had explained that a water tender collided with the fuel tank, causing 5,751 gallons of fuel to spill while the remaining discrepancy of 2,558 gallons was still engaging the attention of the Police. The Accounting Officer further explained that he had written the Police on several occasions but no response was received. It should be mentioned that the stock records were adjusted with the apparent shortage but there was no evidence that the Finance Secretary approved of the loss to be written off.

451. A similar observation was made in respect of an apparent shortage of 19,576 gallons of gasoline that was discovered in 1998. As a result, three officers were charged and placed before the courts but the matter was concluded without any conviction. As in the case of the apparent shortage of diesel fuel, the Region proceeded to adjust the stock records without the relevant approval from the Finance Secretary.

The Audit Office recommends that the Regional Administration write back to stock the apparent shortages referred to above until such time that the necessary approval is granted for the amount involved. Meanwhile, the Regional Administration should renew its efforts to have the Police conclude the investigation in respect of the apparent shortage of 2,558 gallons of diesel fuel. (2003/197)

452. Forty-two officers were occupying government quarters but only twenty-four officers were paying rentals and electricity charges. The Accounting Officer explained that the remaining eighteen officers were medical personnel and teachers and that this practice had been in place for several years.

The Audit Office recommends that the Regional Administration seek the advice from the Public Service Ministry as to whether or not the officers in question are entitled to rent-free quarters as well as free electricity as a condition of service. (2003/198)

HEAD 73 & DIVISION 533
REGION 3 - ESSEQUIBO ISLANDS/WEST DEMERARA

453. A comparison of the authorised staffing shown in the 2003 Estimates of Expenditure with the actual staff employed in the Region in December 2003 revealed a vacancy rate of 31%. It is obvious that this level of vacancy would have an adverse effect on the operations of the Regional Administration. The Accounting Officer, however, explained that this state of affairs was due to budgetary restrictions. In addition, the authorised staffing did not include teachers who numbered 1,382.

In order to ensure a meaningful comparison between authorised and actual staffing, the Audit Office recommends that the Regional Administration approach the Ministry of Finance with a view to including all categories of employees in the Estimates. (2003/199)

454. Seventy-four instances were noted where the Personnel Section forwarded pay change directives to the Regional Accounting Unit on an average of three months after their effective dates. This practice has resulted in the payrolls not being adjusted until several months later and can lead to irregularities. The Accounting Officer explained that this was due to the late submission of information relating to teachers to the Personnel Section.

The Audit Office recommends that the Regional Administration put in place mechanisms to expedite the flow of information from the various schools to the Personnel Section so that the necessary pay changes can be made as early as possible. (2003/200)

455. As a result of the above observation**,** amounts totalling $25.690M were refunded to the Sub-Treasury as unclaimed salaries. However, up to the time of reporting, deductions totalling $2.650M paid over to the various agencies had not been recovered. A similar observation was made in respect of 2002 where amounts totalling $3.994M still remained outstanding, inclusive of $297,397 representing the salaries of three teachers that were paid into their bank accounts. The failure to recover the deductions would result in not only over-payments to the agencies concerned but also an over-statement in the appropriation accounts.

The Audit Office recommends that the Regional Administration aggressively follow-up with the agencies concerned with a view to recovering all overpayments made over the years. (2003/201)

456. Despite mention in previous reports, the cash books for the three wages and salaries bank accounts reflected significant balances at the end of each month, instead of nil balances. As at 31 December 2003, the balances amounted to $24.315M. The Accounting Officer explained that because of staff constraints, there were delays in paying over deductions to the relevant agencies and therefore the cash books could not have been properly closed off at the end of each month. The above bank accounts were also not reconciled since 1998 and reflected balances totalling $56.849M as at 31 December 2003.

In view of the fact that these accounts are no longer in use, the Audit Office recommends that the Regional Administration arrange for the transfer the balances on these accounts to the Consolidated Fund and take steps to close them. (2003/202)

457. An examination of the Register of Contributors to the National Insurance Scheme (NIS) for December 2003 revealed 382 instances where the employees' NIS numbers were not quoted in the Register. Most of these persons were in the employ of the Regional Administration for a considerable period of time and therefore there appeared to have been some laxity in ensuring that employees are promptly registered with the Scheme. It should be pointed out that the failure to register employees with the NIS in a timely manner can have implications for social security and other related benefits. The Accounting Officer, however, explained that most of these employees were teachers and that the Education Department was not prompt in receiving the relevant information from the various schools and forwarding it to the Personnel Section.

The Audit Office recommends that the Regional Administration put in place mechanisms to expedite the flow of information from the various schools to the Personnel Section so that the necessary pay changes can be made as early as possible. (2003/203)

458. Amounts totalling $32,858 were paid to three officers as mileage allowance. However, an examination of the security gate pass book of the Regional Administration Office in Vreed-en-Hoop indicated that on the days in question these officers had parked their vehicles in the Administration's compound. The Accounting Officer acknowledged this observation and gave the assurance that the amount involved would be recovered from the concerned officers.

459. Cheque orders are required to be cleared within sixteen days of their issue through the submission of bills, receipts and other supporting documents. However, sample checks carried out revealed that cheque orders were cleared on average forty-five days after they were issued. In addition, at the time of reporting, 302 cheque orders valued at $33.012M remained outstanding. The Accounting Officer explained that the supporting documents were returned to the Sub-Treasury but because of the staffing situation there, these documents were not attached to the cheque orders to enable the appropriate entries to be made in the cheque order register. A similar observation was made in respect of 134 payments vouchers valued at $19.748M that were not presented for audit examination. As a result, a proper examination of the related transactions could not be carried out.

The Audit Office recommends that the Regional Administration in collaboration with the Sub-Treasury mount a special exercise to locate the missing payment vouchers as well as bills, receipts and other supporting documents relating to the outstanding cheque orders. As soon as the exercise is finalised, the Regional Administration should inform the Audit Office so that follow-up checks can be carried out to ensure the Region received full value for all sums expended on the outstanding cheque orders as well as on the payment vouchers referred to above. (2003/204)

460. Amounts totalling $226,650 were paid to five staff members of the Sub-Treasury for overtime work done in the processing of payments on behalf of the Regional Administration. This expenditure should have been met from the Accountant General's allocation and not from the Region's allocation. This apart, the rates charged were $3,500 per day on weekdays for three hours of work and $4,000 per day on weekends for five hours of work.

461. The Accounting Officer explained that due to the large workload of the Sub-Treasury, the Regional Administration agreed to pay these amounts. However, there was no evidence that representation was made to the Public Service Ministry for the relevant approval to be granted for overtime work to be undertaken, as required by circular instructions. In addition, it appears improper for the Regional Administration to compensate the staff of the Sub-Treasury for work done since the latter provides the necessary checks and balances relating to the disbursement of funds on behalf of the Regional Administration.

462. The Audit Office estimated that if actual overtime payments were made based on the concerned officers' salaries and taking into account a reasonable cost for the purchase of meals and snacks, there might have been a cost saving of approximately $100,000. A similar observation was made in respect of overtime work undertaken by staff of the Regional Administration. In this case, amounts totalling $2.363M were expended on overtime, meal and travelling allowances. As in the case of the Sub-Treasury staff, there was no evidence that the Public Service Ministry had given approval for the overtime work. In addition, the amounts paid as meal allowances did not confirm with the respective rates of $100 and $70 for midday and after hours worked. Instead, the Regional Administration paid subsistence allowances varying from $400 to $3,500 per day for a maximum of three hours overtime. In addition, an overtime register was not maintained to monitor overtime work undertaken.

> *The Audit Office recommends that the Regional Administration desist for the practice of paying for overtime work done by staff of the Sub-Treasury and obtain prior approval from the Public Service Ministry before Regional Administration staff undertake overtime work. In addition, all overtime work undertaken should be properly documented in an overtime register which should be duly checked and certified before payments are made. (2003/205)*

463. The Regional Administration did not maintain historical records for vehicles and equipment under its control in order to monitor their maintenance costs. In the absence of these records, it could not be satisfactorily determined whether the maintenance costs incurred by the Region in respect of these vehicles and equipment were reasonable. The Audit Office nevertheless noted that the maintenance costs for six vehicles averaged $743,667 for the period under review. The Accounting Officer explained that this was due to the age of the vehicles in question.

> *The Audit Office recommends that the Regional Administration introduce as early as possible historical records for all vehicles and equipment under its control. In addition, it should review the state and condition of each vehicle and equipment to determine whether it is more economical to retain or to dispose of them. (2003/206)*

464. Amounts totalling $26.719M were expended as Utility Charges. However, the balances shown in the telephone and electricity charges registers were not in agreement with those shown in Votes Ledger due to several omissions in the registers. In addition, a water charges register for Programme 5 – Health was not maintained to record payments against the various properties. The Accounting Officer attributed this state of affairs to the absence of effective supervisory checks and gave the assurance would be made to rectify these deficiencies.

465. Excess expenditure totalling $4.722M was incurred under nineteen line items. Since there was an overall saving of $48.596M, it would have been appropriate for a virement of funds to be sought to accommodate the excess expenditure.

The Audit Office recommends that the Regional Administration monitor its expenditure more carefully so that it is a position to seek and obtain the necessary approval for the virement of funds whenever it anticipates that budgetary allocations under individual line items are likely to be overrun. (2003/207)

466. A review of the operations of the stores at Vreed-en-Hoop, Crane and WDRH revealed the following shortcomings:

- Several items such as plastic chairs, wheel barrow and lumber were issued on loan to individuals during the period May 2002 to November 2003 from the Vreed-en-Hoop Store but up to the time of reporting they had not yet been returned;

- The storekeeper did not maintain bin cards for the WDRH Store. Instead, he kept the stores ledger which should have been maintained by the Accounting Unit to provide for an independent check on his records;

- The stores ledger for the Vreed-en-Hoop Store was being written up using the goods received book kept by the storekeeper, instead of from bills, receipts and other supporting documents.

- Six timekeeping clocks complete with transformers and valued at $1.008M were purchased in December 1998 and were still lying in the Vreed-en-Hoop Store. These clocks were to be used in the monitoring of employee's attendance at various locations. The Accounting Officer explained that efforts were being made to have the clocks installed at suitable locations by January 2005.

The Audit Office recommends that the Regional Administration take appropriate measures to ensure that an effective storekeeping and stores accounting system is in place at the three regional stores. (2003/208)

HEAD 74 & DIVISION 534
REGION 4 - DEMERARA/MAHAICA

467. A comparison of the authorised staffing shown in the 2003 Estimates of Expenditure with the actual staff employed in the Region in December 2003 revealed a vacancy rate of 53%. It is obvious that this level of vacancy would have an adverse effect on the operations of the Regional Administration and in particular the level of internal control needed to ensure adequate checks and balances. The Accounting Officer, however, explained that this state of affairs was due to budgetary restrictions. In addition, the authorised staffing did not include teachers who numbered 1,564.

> *In order to ensure a meaningful comparison between authorised and actual staffing, the Audit Office recommends that the Regional Administration approach the Ministry of Finance with a view to including all categories of employees in the Estimates. (2003/209)*

468. An examination of the Register of Contributors to the National Insurance Scheme (NIS) for December 2003 revealed ninety-two instances where the employees' NIS numbers were not quoted in the Register. It should be pointed out that the failure to register employees with the NIS in a timely manner can have implications for social security and other related benefits. The Accounting Officer, however, explained that most of these persons were weekly employees who were not employed for lengthy periods.

> *The Audit Office recommends that the Regional Administration put in place mechanisms to expedite the flow of information from the various schools to the Personnel Section so that the necessary pay changes can be made as early as possible. (2003/210)*

469. The salaries bank account Nos. 3029, 3030 and 3036, which became non-operational in January 2004, reflected balances totalling $34.164M at 31 December 2003. However, up to the time of reporting, there was no evidence that the balances remaining on these accounts were transferred to the Consolidated Fund.

> *In view of the fact that these accounts are no longer in use, the Audit Office recommends that the Regional Administration arrange for the transfer of the balances on these accounts to the Consolidated Fund and take steps to close them. (2003/211)*

470. Cheque orders are required to be cleared within sixteen days of their issue through the submission of bills, receipts and other supporting documents. However, cheque orders were being cleared on average 109 days after they were issued. In addition, up to the time of reporting, 333 cheque orders valued $235.240M remained outstanding. A similar observation was made in respect of 2002 where sixteen cheque orders valued at $11.350M remained outstanding. In the absence of supporting documents, it could not be determined whether value was received in respect of the outstanding cheque orders.

> *The Audit Office recommends that the Regional Administration put in place mechanisms to monitor cheque orders so that they can be cleared within the stipulated time period. (2003/212)*
>
> *The Audit Office also recommends that the Regional Administration in collaboration with the Sub-Treasury make every effort to locate the supporting documents relating to the outstanding cheque orders and present them for audit examination. (2003/213)*

471. Amounts totalling $34.051M were expended on electricity charges in respect of ninety-two meters. However, the electricity register was not updated for the greater part of the year. A similar observation was made in relation to the telephone register where a difference of $2.183M existed when comparison was made with the Votes Ledger. The Accounting Officer explained that these shortcomings were due staff constraints.

472. Inventory records were not updated since 1996 to reflect the acquisition and disposal of assets. In the circumstances, it could not be determined whether all assets under the control of the Region were properly accounted for and adequately safeguarded. The Accounting Officer explained that this was due to staff constraints.

HEAD 75 & DIVISION 535
REGION 5 - MAHAICA/BERBICE

473. It is a requirement for the salaries cash book to reflect a nil balance 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 was not balanced. The Audit Office, however, recomputed the balances at the end of each month using the opening balance of $189,910 as at 1 January 2003 and observed that an average of $545,745 was being carried out from one month to the next. The computed balance at the end of 2003 was $588,091.

> *In view of the fact that above account is no longer in use, the Audit Office recommends that the Regional Administration pay over to the Consolidated Fund the balance of $588,091 and take steps to close the account. (2003/214)*

474. In my 2002 Report, it was stated that an amount of $230,000 was misappropriated from the salaries bank account and that the Police were investigating the matter. Evidence was seen where the Accounting Officer wrote the Police enquiring about the status of the investigation but up to the time of reporting, no response was received. The Accounting Officer explained that the officer responsible was no longer in the employ of the Region and had since migrated.

> *The Audit Office recommends that the Regional Administration file a losses report with the Finance Secretary so that the above amount can be written off. (2003/215)*

475. Amounts totalling $29.437M were refunded as unclaimed wages and salaries for 2003 of which sums totalling $25.252M relate to the Education Department. The Accounting Officer explained that this was due to the late submission of information relating to teachers to the Personnel Section. It should be mentioned that the Audit Office's review indicated that it took on average three months for the necessary pay changes to be made to the Administration's payrolls..

> *The Audit Office recommends that the Regional Administration put in place mechanisms to expedite the flow of information from the various schools to the Personnel Section so that the necessary pay changes can be made as early as possible. (2003/216)*

476. As in the case of 2002, there was also no evidence that the Regional Administration took steps to recover the related deductions from the unclaimed wages and salaries that were paid over to the various agencies. The failure to recover the deductions would result in not only over-payments to the agencies concerned but also an overstatement in the appropriation accounts.

> *The Audit Office recommends that the Regional Administration aggressively follow with the agencies concerned with a view to recovering all over-payments made over the years. (2003/217)*

477. A comparison of the authorised staffing as shown in 2003 Estimates of Expenditure with the actual staff employed by the Region in December 2003 revealed a vacancy rate of 44%. The Accounting Officer explained that this was due to budgetary restrictions. In addition, the authorised staffing did not include teachers who numbered 771.

In order to ensure a meaningful comparison between authorised and actual staffing, the Audit Office recommends that the Accounting Officer approach the Ministry of Finance with a view to including all categories of employees in the Estimates. (2003/218)

478. An examination of the Register of Contributors to the National Insurance Scheme revealed that NIS numbers in respect of 112 employees were not quoted in the register, indicating that they were not registered with the Scheme. Most of these persons were teachers and were in the employ of the Region for a considerable period of time. This matter was drawn to attention in my 2002 Report. The Accounting Officer explained that prior to 2004, the responsibility for registering teachers with the Scheme vested with the various headmasters. Because of the above problem, Regional Administration decided to transfer this responsibility to the Personnel Section of the Region. He indicated that with this new arrangement in place there is likely to be a significant improvement in the registration of teachers.

479. Cheque orders are required to be cleared within sixteen days of their issue through the submission of bills, receipts and other supporting documents. However, cheque orders were being cleared on average 98 days after they were issued. In addition, at the time of reporting, ten cheque orders valued at $1.349M in respect of purchases and sixteen valued at $1.774M in respect of wages and salaries, remained outstanding. In the absence of supporting documents to substantiate payments made, it could not be satisfactorily determined whether value was received in respect these payments.

The Audit Office recommends that the Regional Administration put in place mechanisms to carefully monitor the status of all cheque orders issued in order to ensure that they are cleared within the stipulated time frame. (2003/219)

The Audit Office also recommends that the Regional Administration investigate all outstanding cheque orders to ensure that it received full value for the amounts expended and communicate the results to the Audit Office as early as possible. (2003/220)

480. Log books were not presented for seven vehicles and equipment under the control of the Region. Those that were presented were not satisfactorily maintained as several columns were not filled in and supervisory checks were not always seen. The Accounting Officer explained that the log books that were not presented were misplaced and that the drivers lacked the necessary experience in the maintenance of log books. He indicated that he proposed to hold a seminar in early January 2005 with the drivers in the hope that there would be an improvement.

481. In relation to the maintenance of buildings, physical inspection of the works undertaken at three schools revealed overpayments totalling $321,700, as follows:

#	Name of School	Amount $
1	De Hoop Primary School	200,000
2	Zeeland Primary School	91,700
3	Hopetown Practical Institution Centre	30,000
	TOTAL	321,700

The Accounting Officer gave assurance that recovery will be made of the amounts.

482. Several unsatisfactory features were observed based on a survey of the operations of the stores at Fort Wellington and Mahaicony hospitals. These include:

- Payments totalling $789,887 representing the purchase of dietary items, drugs and other miscellaneous items could not be traced to the stock records. Of this amount, $288,250 relates the Fort Wellington Store while the remainder relates to Mahaicony Hospital;

- Stock records were not maintained for vegetables, fruits and provisions for both hospitals;

- The storekeeper did not maintain bins cards were not maintained at Mahaicony Hospital. Instead, she kept the stores ledger which should have been maintained by the Regional Accounting Unit;

- An examination of internal stores requisitions revealed numerous alterations after the requisitions were approved to reflect higher quantities and additional items;

- Significant discrepancies were observed when comparison was made between the results of a physical count of selected items and the balances shown in the stock records; and

The Accounting Officer acknowledged these observations and attributed them to the absence of supervisory checks by the hospital administrations.

> *The Audit Office recommends that the Regional Administration put in place mechanisms to ensure effective storekeeping and stores accounting procedures are in place at the Fort Wellington and Mahaicony hospitals in order to ensure that all items purchased are properly accounted for. (2003/221)*

483. A master and sectional inventories of the assets of the Region were not maintained. The Accounting Officer explained that this was due to staff constraints. At the time of reporting, sectional inventories were being compiled.

HEAD 76 & DIVISION 536
REGION 6 - EAST BERBICE/CORENTYNE

484. A comparison of the authorised staffing, as shown in the 2003 Estimates of Expenditure, with the actual staff as at December 2003, revealed a vacancy rate of 38%. The Accounting Officer explained that this was mainly due to budgetary constraints imposed by the Ministry of Finance. In addition, the authorised staffing did not include teachers in the Region who numbered 1,242.

> *In order to ensure a meaningful comparison between authorised and actual staffing, the Audit Office recommends that the Ministry of Local Government and Regional Development approach the Ministry of Finance so that teachers can be included in the authorised staffing in the next estimate of expenditure. (2003/222)*

485. The following is the status with regard to the reconciliation of the three salaries bank accounts and the maintenance of the related cash books at the time of reporting:

A/c #	Description	Reconciled to	Cash Book Balance at 31/12/03	Bank Balance as at 31/12/03 $
3070	Salaries – Admin.	June 2003	Nil	8,968,387
3071	Salaries- Education	Nov. 2002	Nil	18,961,202
3072	Wages	Nov. 1996	Unknown	1,267,192

> *In view of the fact that above accounts are no longer in use, the Audit Office recommends that the Regional Administration pay over to the Consolidated Fund the balances on these accounts and take steps to close the account. (2003/223)*

486. For the period under review, amounts totalling $13.968M were refunded as unclaimed salaries of which sums totalling $10.533M relate to the Education Department. The Accounting Officer explained that this was due mainly to the late submission of information relating to teachers to the Personnel Section.

> *The Audit Office recommends that the Regional Administration put in place mechanisms to expedite the flow of information from the various schools to the Personnel Section so that the necessary pay changes can be made as early as possible. (2003/224)*

487. As in the case of 2002, there was also no evidence that the Regional Administration took steps to recover the related deductions from the unclaimed wages and salaries that were paid over to the various agencies. The failure to recover the deductions would result in not only overpayments to the agencies concerned but also an overstatement in the appropriation accounts.

The Audit Office recommends that the Regional Administration aggressively follow up with the agencies concerned with a view to recovering all overpayments made over the years. (2003/225)

488. An examination of the register of contributors to the National Insurance Scheme for December 2003 revealed that 1,112 employees were without NIS numbers. Most of these names have been coming forward for a considerable period of time and relate mainly to teachers. At the time of reporting, this number has been reduced to 504. The Accounting explained that the Teaching Service Commission employ teachers and that the related documents were not being forwarded to the Personnel Section in a timely manner. It should be emphasised that registration with the Scheme has implications for social security and other related benefits.

The Audit Office recommends that the Regional Administration put in place mechanisms to expedite the flow of information from the Teaching Service Commission to the Administration so that teachers can be promptly registered with the Scheme. (2003/226)

489. During the period January to August 2003, a senior official of the Region was paid commuted travelling allowances totalling $58,023 for the use of his car in the performance of his official duties. However, he was also provided with the full-time use of a State vehicle and a chauffeur. Although this arrangement ceased with effect from September 2003, there was no evidence that the above amount was recovered. A similar observation was made in respect of 2002 where the amount involved was $99,468.

The Audit Office recommends that the Regional Administration recover the two amounts involved from the concerned official as soon as possible. (2003/227)

490. Cheque orders are required to be cleared within sixteen days of their issue through the submission of bills and/or receipts and other supporting documents. However, based on sample checks carried out, cheque orders were being cleared on average sixty-nine days after they were issued. In addition, at the time of reporting, 224 cheque orders valued at $104.058M remained outstanding, of which 174 cheque orders valued at $67.644M related to the years 1998 to 2002. In the absence of supporting documents to substantiate payments made, it could not be determined whether value was received for the amounts expended on these cheque orders. This state of affairs should be viewed seriously since it represents a lack of accountability for public resources.

The Audit Office recommends that the Regional Administration put in place mechanisms to carefully monitor the status of all cheque orders issued in order to ensure that they are cleared within the stipulated time frame. (2003/228)

The Audit Office also recommends that the Regional Administration investigate all outstanding cheque orders and the results communicated to the Audit Office as early as possible. (2003/229)

491. Of the forty-two serviceable vehicles and equipment for which log books were required to be maintained, log books were not presented for thirty-six vehicles and equipment. As a result, it could not be determined whether effective control was exercised over these vehicles and other equipment.

492. Amounts totalling $5.050M were expended on water charges. However, the Region did not maintain a register to record the charges against individual properties to avoid the possibility of overpayments and/or duplication of payments. In addition, amounts totalling $35.681M were expended on electricity charges but the related register reflected only $3.770M, indicating that it was not written up for a greater part of the year. The Accounting Officer explained that this was due to staff constraints.

493. The Region operates six stores. However, no stores ledgers were maintained at the Accounting Unit to provide for an independent check on the bin cards kept by the storekeepers. The failure to maintain this record can lead to irregularities being perpetrated without detection. The Accounting Officer explained that this was due to staff constraints and that efforts were being made to introduce the stores ledger.

HEAD 77 & DIVISION 537
REGION 7 – CUYUNI/MAZARUNI

494. The Region has been operating at significantly below its authorised staffing in that actual staffing in place as at December 2003 was 203 compared with authorised establishment of 319, giving a vacancy rate of 36%. The Accounting Officer explained that this was mainly due to budgetary constraints imposed by the Ministry of Finance. In addition, the authorised staffing did not include teachers in the Region who numbered 275.

> *In order to ensure a meaningful comparison between authorised and actual staffing, the Audit Office recommends that the Ministry of Local Government and Regional Development approach the Ministry of Finance so that teachers can be included in the authorised staffing in the next estimate of expenditure. (2003/230)*

495. A physical count of all fuel and lubricants carried out on 9 June 2004 indicated a net shortage of $210,829, as shown below:

Description	Unit	Bin Card Balance	Actual Stock	Shortage/ (Excess)	Value $
Gasolene	Gln	36	15	21	12,684
Dieselene	Gln	431	160	271	117,343
Kerosene	Gln	619	362	257	83,076
# 37 SAE Oil	Pt.	132	144	(12)	(2,100)
# 40 SAE Oil	Pt.	324	284	40	6,920
# 50 SAE Oil	Pt.	346	327	19	3,287
# 90 Oil	Pt.	199	252	(53)	(8,798)
# 140 Gear Oil	Pt.	115	124	(9)	(1,998)
Nautilus Oil	Bot.	836	835	1	415
Total					210,829

496. The Accounting Officer explained that some of these discrepancies have been coming forward from 2002. It should also be mentioned that prior to 2002, the Audit Office had reported a shortage of gasoline valued at $1.119M and had recommended that an investigation be carried out to ascertain the reason(s) for the discrepancy after which a losses report should be filed with the Finance Secretary.

497. The storekeeper, however, carried out the investigation instead of an independent person. She identified spillage, contamination, evaporation and pilfering as the reasons for the discrepancy, and a losses report was submitted to the Finance Secretary. However, up to the time of reporting, the Region did not receive a response. Meanwhile, the Regional Administration had opened new bin cards based on a physical count carried out when the discrepancy was discovered and therefore the above discrepancy of $210,829 did not include the earlier discrepancy of $1.119M.

The Audit Office recommends that the Regional Administration investigate the discrepancy of $210,829 and follow up with the Finance Secretary in relation to the earlier discrepancy of $1.119M so that the loss can be written off. (2003/231)

The Audit Office also recommends that the Regional Administration discontinue the practice of writing off of a loss without first obtaining the approval of the Finance Secretary. (2003/232)

498. A contract for the construction of 450ft of concrete drain on Second Avenue from First Street to Second Street was awarded to the third lowest bidder in the sum $1.323M without reasons being stated in the minutes of the Regional Tender Board why the lower bidders were not considered. The lowest bid was $1.249M. The Accounting Officer explained that this was an oversight.

499. A total of 500ft of seawall between Seventh and Ninth Avenue was rehabilitated at a cost of $4.223M. The contract was initially awarded for $916,800. However, there was a variation of $3.306M due to engineering necessity. The Accounting Officer approved of this variation but there was no evidence that the Finance Secretary, the Accountant General and Auditor General were informed of it, as required by the Tender Board Regulations. When this matter was drawn to the attention of the Accounting Officer, he forwarded a copy of the variation order.

The Audit Office recommends the Regional Administration adhere strictly to the requirements of the Tender Board Regulations relating to the issuing of variation orders as a result of engineering necessity and price variations where the latter is subject to a contractual agreement. (2003/233)

500. The sum of $17M was allocated for the construction, rehabilitation and completion of schools in the Region. However, no works were undertaken in relation to the rehabilitation of Waramadong Secondary School and construction of a primary school at Falls Top, Middle Mazaruni. The Accounting Officer explained that these works could not have been undertaken because the Ministry of Finance released only $13.3M and that SIMAP had agreed to construct the primary school at Falls Top in 2004. At time of reporting, tenders were invited for the construction of the school.

501. The sum of 15M was voted for various repairs and construction on the Bartica Hospital (including the construction of an incinerator), the rehabilitation and extension of the Jawalla Health Post and payment of retention fees. However, of the amount of $8.390M expended, no works were undertaken on the construction of an incinerator at Bartica Hospital and the rehabilitation and extension of the Jawalla Health Post. The Accounting Officer explained that subsequent checks revealed that the existing incinerator could be serviceable after some minor repairs. These repairs were met from the Region's current budgetary allocation. In relation to the rehabilitation and extension of the Jawalla Health Post, the Accounting Officer explained that the works could not have been undertaken due to budgetary constraints. However, as can be noted there were savings totalling $6.610M under this subhead.

502. The sum of $6M was allocated for the purchase of analytical scales, examination couches, beds, mattresses, refrigerators, filing cabinets, etc. Amounts totalling $6.3M were expended on the purchase of an anesthesia works station and surgical table. The difference was met from a contribution made by a private company. However, there was no evidence that approval was granted for a change in programme to purchase these items to the exclusion of the other items listed.

The Audit Office recommends that the Regional Administration obtain the necessary approval of the Chief Planning Officer whenever it proposes to undertake any capital work that is not specifically approved by the National Assembly. (2003/234)

HEAD 78 & DIVISION 538
REGION 8 - UPPER POTARO/SIPARUNI

503. The Regional Administration has been operating at significantly below its authorised staffing in that actual staffing in place as at December 2003 was 87 compared with authorised establishment of 205, giving a vacancy rate of 58%. It is obvious that this level of vacancy would have an adverse effect on the operations of the Region. The Accounting Officer explained that this was mainly due to budgetary constraints imposed by the Ministry of Finance. In addition, the authorised staffing did not include teachers in the Region who numbered 114.

In order to ensure a meaningful comparison between authorised and actual staffing, the Audit Office recommends that the Ministry of Local Government and Regional Development approach the Ministry of Finance so that teachers can be included in the authorised staffing in the next estimate of expenditure. (2003/235)

504. The two salaries and wages bank accounts were only reconciled to July 2003 at the time of the audit in July 2004. The Accounting officer attributed this to the staffing difficulties. These accounts reflected balances of $13.158M and $322,773 respectively as at 31 December 2003.

In view of the fact that above accounts are no longer in use, the Audit Office recommends that the Regional Administration pay over to the Consolidated Fund the balances on these accounts and take steps to close the account. (2003/236)

505. Cheque orders are required to be cleared within sixteen days of their issue through the submission of bills, receipts and other supporting documents. However, twenty-two cheque orders valued at $1.844M had not been cleared at the time of the audit. A similar observation was made in my 2002 report where it was stated that thirty-three cheque orders were outstanding. These still remained uncleared at the time of the audit. In the absence of bills, receipts and other supporting documents, it could not be determined whether the Region received value for all sums expended on these cheque orders.

The Audit Office recommends that the Regional Administration put in place mechanisms to carefully monitor the status of all cheque orders issued in order to ensure that they are cleared within the stipulated time- frame. (2003/237)

The Audit Office also recommends that the Regional Administration investigate all outstanding cheque orders and the results communicated to the Audit Office as early as possible. (2003/238)

506. The Region's maintenance costs for the five vehicles under its control continued to be high. For the period under review the average maintenance cost per vehicle was $752,144. The Accounting Officer attributed this high cost to the terrain and the state and condition of the roads. However, the average age of these vehicles was eleven years.

In view of the age of the vehicles under the control of the Region, the Audit Office recommends that the Regional Administration take steps to dispose of these vehicles and acquire new ones since significant cost savings are likely to accrue in so doing. (2003/239)

507. The Regional Administration purchased a bulldozer on 21 November 2003. However, at the time of the audit, the Region did not receive the bulldozer. The Accounting Officer explained that the Region was awaiting an improvement of the weather to transport the equipment to the Region.

HEAD 79 & DIVISION 539
REGION 9 - UPPER TAKATU/UPPER ESSEQUIBO

508. The Region has been operating at significantly below its authorised staffing. Out of an authorised staffing of 346, actual staffing as at December 2003 was 189, giving a vacancy rate of 45%. It is obvious that this level of staffing would have an adverse effect on the operations of the Region. The Accounting Officer explained that this was due mainly to restricted budgetary allocations to meet employment costs. In addition, the authorised staffing did not include teachers who number 344 as at December 2003.

In order to ensure a meaningful comparison between authorised and actual staffing, the Audit Office recommends that the Ministry of Local Government and Regional Development approach the Ministry of Finance so that teachers can be included in the authorised staffing in the next estimates of expenditure. (2003/240)

509. Cash books were not maintained for the two salaries and wages bank accounts operated by the Region. As a result, these accounts could have only been reconciled against cheque stubs and deposit slips. The Accounting Officer explained that this was due to the staffing situation. It should nevertheless be emphasised that the cash book is an essential accounting record without which irregularities can be perpetrated.

The Audit Office recommends that the Accounting Officer critically review the operations of the Regional Accounting Unit with a view to ensuring that the work is allocated in such a way that cash books are maintained for all bank accounts operated by the Region. (2003/241)

510. The salaries and wages bank accounts were last reconciled to September 2000 and December 2002 respectively. The Accounting Officer explained that the related documentation to proceed with the reconciliation of these accounts for subsequent periods could not be located and that the Bank of Guyana and the Accountant General were written to with a view of obtaining the missing information. However, no response was received. It should be emphasised that the failure to reconcile bank accounts can lead to irregularities being perpetrated without detection.

> *The Audit Office recommends that a fresh start be made to reconcile these accounts from a current period. This approach will result in an unreconciled difference which will be reduced over a six month period after which the cash book should be adjusted with any residual unreconciled difference. (2003/242)*

511. The Region did not maintain a register of contributors to the National Insurance Scheme and an examination of the deductions schedule for December 2003 indicated that the NIS numbers for 148 employees were not included. This is an indicator that some of these employees might not have been registered with the Scheme. At the time of the audit in May 2004, however, 49 of these employees had since been registered. The Accounting Officer explained that application forms were sent out to all new employees but because of the remoteness of the area there were delays in the receipt of completed applications. In addition, there were only two employees in the Personnel Section against an authorised staffing of six.

512. Amounts totalling $4.879M were refunded to the Sub-Treasury as unclaimed wages and salaries for 2003. However, as in previous years, there was no evidence that the related deductions paid over to the various agencies were recovered. The Accounting Officer explained that he had written to these agencies but no response was received.

> *The Audit Office recommends that the Regional Administration aggressively follow-up with the relevant agencies with a view to recovering all overpayments made to them in respect of not only the period under review but also previous accounting periods. (2003/243)*

513. Cheque orders are required to be cleared within sixteen days of their issue through the submission of bills, receipts and other supporting documents. At the time of the audit in May 2004, 2,302 cheque orders dating back as far as 2001 and valued at $306.267M had not been cleared. Of this amount, 1,902 cheque orders valued at $226.961M relate to employment costs, while the remainder relates to purchases. The Accounting Officer explained that supporting documents for most of these cheque orders were returned to the Sub-Treasury but these were attached to the cheque orders. When contacted, the officer in charge of the Sub-Treasury explained that this was due to staffing constraints in that of an authorised staffing of nine, only four persons were in place.

The Audit Office recommends that the Regional Administration in conjunction with the Sub-Treasury mount a special exercise with a view to ensuring that all outstanding cheque orders are cleared by attaching all bills, receipts and other supporting documents to the cheque orders. As soon as the exercise is finalised, the Regional Administration should inform the Audit Office so that follow up checks can be carried out to ensure the Region received full value for all sums expended on these cheque orders. (2003/244)

514. The Stores Regulations provide for all purchases to be subject to storekeeping procedures, except in certain circumstances. However, a significant number of purchases made for the period under review did not follow these procedures. Instead they were charged out to immediate use. The Accounting Officer explained that because of the remoteness of the area, it was not practicable for all the items purchased to pass through the stores at Lethem. He has indicated that by the end of October 2004, two sub-stores would be established at Annai and Aishalton.

515. Of the twenty-three serviceable vehicles and equipment for which log books were required to be maintained, log books were not presented for seventeen such vehicles and equipment. Those that were presented were not properly written up and supervisory checks were lacking. The Accounting Officer explained that due to the location of some of the vehicles and equipment, log books could not be presented for audit scrutiny.

The Audit Office recommends that the Regional Administration close all log books at the end of each year and transfer them to the Regional Accounting Unit to facilitate audit examination. (2003/245)

516. A physical verification of fuel and lubricants carried out in May 2004 revealed apparent shortages valued at $1.473M. The following are the details:

Description	Unit	Balance per Stock records	Physical Balance	Apparent Shortage
Gasolene	Gallon	1,543	261	1,282
Lubricants	“	1,651	1,339	312
Kerosene	“	407	343	64
Grease	Lb.	913	693	220

517. In addition, the stock records had not been updated for a considerable period of time and the stock balances had to be computed using receipt and issue documents. The Accounting Officer explained that there was a fire in 1995 and that some of these discrepancies have been coming forward since then and that the failure to update the stock records was due to staff constraints.

The Audit Office recommends that the Regional Administration seek the necessary approval from the Finance Secretary for the above discrepancies to be written off. (2003/246)

518. The sum of $1.5M was expended on Subventions to Local Authorities in relation to the Ireng/Sawariwau Neighbourhood Democratic Council. The Council is required to prepare financial statements and submit them for audit examination and certification. However, since its establishment in 1994, the Council had not done so. It did submit some form of reporting for the period 1995 to 1997, which was not considered acceptable. This matter was communicated to the NDC, but at the time of reporting, no re-submission was made. This matter was drawn to attention in my previous reports.

519. In my 2002 report, it was stated that the inventory records of the Region were destroyed by fire. Recommendations had been made for a physical inventory to be carried out and for new inventory records to be maintained. Although the inventory was carried out and new records introduced, these records were not updated with acquisitions and disposals for the period under review. In addition, office equipment and furniture were not marked to readily identify them as State property. The Accounting Officer explained that an assistant field auditor was in the process of updating the inventory record. The Audit Office urges that the process be accelerated.

520. The storekeeper maintained both the bin cards and the stores ledger. The latter should have been kept by the Regional Accounting Unit to provide for an independent check on the records of the storekeeper. In addition, these records were not updated for a considerable period of time. The Accounting Officer attributed these deficiencies to staff constraints; and

521. In my 2002 report, it was stated that a number of unserviceable items were lying in various sections of the Regional Store. At the time of audit in May 2004, the items were being separated, with a view of having them disposed of. The Audit Office urges that the exercise be accelerated.

522. An examination of the Loans Register revealed 189 instances where items of stores were loaned to several staff members and private individuals for the years 1995 to May 2004. These items included gas stove, brush-cutter, brush-slasher, beds and mattresses, fuel and furniture. The Accounting Officer gave the assurance that efforts would be made to recover the items. To the extent that some of these items might not be recovered, the Finance Secretary would be written to with a view to a write-off.

523. In my 2002 report, it was stated that there was an overpayment of $65,625 on the construction of the Kaicumbay Bridge. A similar observation was made where there was an overpayment of $58,500 in respect of the construction of a 5-apartment building at St. Ignatius. Up to the time of reporting, these amounts were not recovered. The Accounting Officer acknowledged these observations and explained that recoveries would be made from future works undertaken by these contractors.

HEAD 80 & DIVISION 540
REGION 10 - UPPER DEMERARA/BERBICE

Current Expenditure

524. A comparison of the authorised staffing as shown in the 2003 Estimates of Expenditure with the actual staff employed by the Region in December 2003 revealed that the authorised staffing did not include teachers who numbered approximately 900.

> *In order to ensure a meaningful comparison between authorised and actual staffing, the Audit Office again recommends that the Regional Administration approach the Ministry of Finance with a view to including all categories of employees in the Estimates. (2003/247)*

525. The old salaries bank account No. 861, which became non-operational in June 1996, continued to be overdrawn by $5.466M, despite mention in previous reports. The Audit Office had recommended that efforts be made to investigate the reason(s) for the overdraft with a view to clearing it and steps be taken to close the account. The Accounting Officer, however, explained that efforts to reconcile this account were unsuccessful in view of the state of the records and that the Accountant General's advice was sought in 2002 in relation to this matter. At the time of reporting, the matter was still under consideration at the Ministry of Finance.

> *The Audit Office recommends that the Regional Administration file a losses report with the Finance Secretary so that the overdraft can be liquidated by way of a supplementary estimate. (2003/248)*

526. The two present salaries bank account Nos. 3092 and 3094, with balances of $22.387M and $134,000 as at 31 December 2003, were not reconciled since their establishment in 1996. It should be pointed out that new bank accounts were established because of the problems associated with the old bank accounts, especially in relation to reconciliation. It follows that the failure to reconcile bank accounts can result in a repetition of the problems previously experienced. More importantly perhaps is the possibility of irregularities being perpetrated without detection.

527. The Accounting Officer explained that the related records for earlier periods were damaged due to storage problems and as a result the Region could not have proceeded with the reconciliation. It should be noted that these accounts ceased to be operational with effect from 1 January 2004.

> *Since cheques become stale-dated six months after they are issued, the Audit Office recommends that the Regional Administration adjust the cash books for these accounts as at 1 July 2004 to bring them in line with the bank statement balances. Once this is done, the balances should be transferred to Consolidated Fund. (2003/249)*

528. An examination of the Register of Cheque Orders revealed that 536 cheque orders were cleared on average 64 days after they were issued, instead of the prescribed the 16-day time period. In addition, three cheque orders valued at $1.769M remained uncleared as at 15 September 2004 while goods to the value of $450,000 had not been supplied. The Accounting Officer explained that the latter matter was engaging the attention of the Police and that efforts would be made to investigate the outstanding cheques orders.

> *The Audit Office recommends that the Regional Administration put in place mechanisms to carefully monitor the status of all cheque orders issued in order to ensure that they are cleared within the stipulated time frame. (2003/250)*

529. Log books were not presented for four of the seven vehicles under the control of the Region. Those that were presented were not satisfactorily maintained as several columns were not filled in and supervisory checks were lacking. The Accounting Officer gave the assurance that efforts would be made to maintain log books for all vehicles and to ensure that they are properly written up.

530. In previous reports, mention was made of a number of unserviceable vehicles and equipment lying at various workshops for considerable periods of time. Although there was evidence of action taken to dispose of some of these items, sixteen vehicles, two trailers and six motor cycles were still at these workshops as at July 2004. The Accounting Officer explained that the Regional Administration was in the process of reviewing the status of the unserviceable vehicles and equipment utilising the services of qualified mechanics. Those that are deemed to be still unserviceable would be disposed of. The Audit Office urges that the process be expedited.

531. The contract for the repairs to the Wismar Hill Nursery School was awarded in the sum of $1.998M to the second lowest bidder using a system of voting among members of the Regional Tender Board, with the bidder acquiring the most votes being awarded the contract. 529. This practice is not in keeping with the approved procedures for the awarding of contracts. In addition, had the contract been awarded to the lowest bidder, there might have been a cost saving of $799,000. A similar observation was made in respect of the repairs to REDO's living quarters, where the cost saving might have been $556,000, and in the construction of a health post at Old England and box culverts at West Watooka under the Region's capital programme.

> *The Audit Office recommends that the Regional Administration adhere strictly to the approved procedures for the assessment of tenders in order to ensure that the best-evaluated bids are considered. (2003/251)*

532. The contract for the repairs to Maria Henrietta was awarded in the sum of $1.387M. However, there was an overpayment of $140,290 for works not undertaken and materials not supplied. A similar observation was made in respect of the construction to the sanitary block at the Education Quarters where there was an overpayment of $110,000. The Accounting Officer acknowledged these overpayments and explained that the amounts involved would be recovered from amounts due in respect of other contracts.

533. An amount of $1.425M was expended on consultancy fees for the maintenance of the Blueberry Hill Road. However, the Regional Administration selected the consulting firm from a pre-qualified list of consultants but without any form of competitive bidding from among those who were pre-qualified. This practice can result in the award of contracts to less competitive bidders. Similar observations were made in respect of consultancy services provided under the Region's capital programme.

> *The Audit Office recommends that in future the Regional Administration invite at least three consultants from the pre-qualified list to bid for consultancy services. (2003/252)*

534. Included in sum of $10.797M representing Transport, Travel & Postage were amounts totalling $4.787M which were expended on vehicles spares and services. However, a register was not maintained to record the return of the used parts to the stores. The Audit Office urges the Regional Administration to introduce the register as early as possible.

535. Several assets, such as furniture and equipment, outboard engines and radio communication sets were acquired during the period under review but the inventory records had not been updated to reflect these acquisitions. In addition, several items loaned to employees, contractors, and residents, some of which dating back to 1996, had not been returned up to the time of reporting. The Accounting Officer indicated that efforts were being made to rectify these deficiencies. The Audit Office urges that the process be expedited.

Capital Expenditure

536. The sum of $5M was voted for the rehabilitation of the bridge at Rockstone. However, no expenditure was incurred nor were the works re-budgeted for in 2004. The Accounting Officer explained that when the works were advertised, the bids received were significantly in excess of the above allocation and therefore the works could not have been undertaken. He further explained that because of other urgent works to be undertaken in 2004, the works were not re-budgeted for.

537. Amounts totalling $10.670M were expended on the construction of health posts at Old England and Three Friends, Demerara River and St. Lust, Berbice River. Included in this figure is the cost of construction of a health post at Ebini and a fence at Three Friends Health Post but there was no evidence that approval was granted to undertake these works. Similar observations were made in respect of the rehabilitation works undertaken at Casuarina Drive in Watooka, and Richmond Hill/Fairs Rust Junction.

> *The Audit Office recommends that in future the Regional Administration adhere strictly to the requirement to seek the relevant approval from the Chief Planning Officer to vary any proposed work programme approved in the National Estimates. (2003/253)*

AUDITS OF PUBLIC ENTERPRISES

538. For the period 1 January 2003 to the date of reporting, thirty-six audits have been finalised under the contracting out arrangements at a total cost of $59.566.M. An important aspect of the FAA Act is the requirement for the concerned Ministers to have these audited accounts along with my reports thereon and the responses of the entities, to be presented to the National Assembly. However, up to the time of reporting, there was no evidence of any action taken in this regard. The Audit Office has since written to the concerned Ministers advising them of this legal requirement.

539. An analysis of the opinions issued in respect of the audits of the thirty-six entities referred to above, revealed that six reports were disclaimers of opinion reflecting uncertainties of a fundamental nature in relation to amounts shown in the respective financial statements. Five reports were also qualified opinions because of uncertainties and/or disagreement of a material nature. Please see tables below.

Disclaimers of Opinion

#	Name of Entity	Year of Accounts	Reasons for Disclaimer of Opinion
1	Bauxite Industry Dev. Co. Ltd.	2000	Reservations on almost all major items in the balance sheet. Capital reserve included negative balances of approx. $113M from LINMINE and BERMINE which were taken over. No physical verification of inventories valued at $608M.
2	Guyana Post Office Corp.	1997	Reservations on all major items in the balance sheet. Uncertainty over the ownership, existence and valuation of fixed assets valued at $57.986M. Accuracy of $1.286 billion & $1.907 billion shown as indebtedness from and to various agencies could not be determined.
3	Bauxite Industry Dev. Co. Ltd.	2001	Reservations on almost all major items in the balance sheet. Capital reserve included negative balances of approx. $ M from LINMINE and BERMINE which were taken over. No physical verification of inventories valued at $1.172 billion.
4	Mards Rice Milling Complex	1999	Reservations on almost all major items in the balance sheet. Accuracy and existence of tangible fixed assets valued at $882.583M could not be determined. Basis on which the value of stocks amounting to $102.699M could not be verified.
5	Guyana Broadcasting Corporation	01.01.03 -29.04.04	Existence of fixed assets valued at $44.333M could not be determined. Accuracy of trade debtors totalling $43.255M could not satisfactorily verified.
6	Berbice Mining Enterprise	2002	Financial statements prepared assuming that the Company will continue as a going concern. Company may be unable to service its liabilities amounting to $1.521billion.

Qualified Opinions

#	Name of Entity	Year of Accounts	Reasons for Qualification
1	Surpana Agricultural and Allied Services Limited	2001	Accuracy of $5.501M due from LINMINE could not be determined.
2	Guyana Oil Company Ltd.	2001	Receivables totalled $1.072 billion of which sums totalling $573.480M were owed by the former GEC. Bad debt provision of $30.236M substantially inadequate.
3	Guyana Oil Company Ltd.	2002	Receivables totalled $1.326 billion of which sums totalling $573.480M were owed by the former GEC. Bad debt provision of $38.494M substantially inadequate.
4	Berbice Mining Enterprise	2000	Company's use of the going concern assumption is questionable and the carrying value of the underlying assets and liabilities would not reflect realisable market value.
5	Guyana National Printers Ltd.	2003	The actuarial valuation of the pension scheme revealed a past service deficit of $332.6M. No provision made in the financial statements for the Company's share of the deficit.

540. For the period 1 January 2003 to the date of reporting, sixteen audits have been finalised as an in-house arrangement. An analysis of the sixteen reports revealed that twelve were disclaimers of opinion reflecting uncertainties of a fundamental nature in relation to amounts shown in the respective financial statements. Two reports were also qualified opinions because of uncertainties and/or disagreement of a material nature. Please see tables below.

Disclaimers of Opinion

#	Name of Entity	Year of Accounts	Reasons for Disclaimer of Opinion
1	National Edible Oil Company Ltd.	1993 – 1998	Auditor's reservations on almost all major items in the balance sheet.
2	Guyana Cooperative Financial Service	1997 – 2000	Accuracy of significant balances and interest accrued on non-performing loans could not be satisfactorily determined as also in the case of balances on bad loans which are pending transfer to GCFS.
3	Linden Mining Enterprise	2001 –2002	Reservations of a material nature on most of the items appearing in the financial statements.

Qualified Opinions

#	Name of Entity	Year of Accounts	Reasons for Qualification
1	National Industrial & Commercial Investment Ltd.	2001	Amount of $549M representing dividends received from institutions affected by undetermined amount.
2	Guyana Television Broadcasting Company Ltd.	2002	Accuracy of the amounts stated as debtors and its related income from advertisements of $28.973M and $47.793M respectively could not be satisfactorily

			determined.

AUDITS OF STATUTORY BODIES

541. Seventy-eight audits were finalised for the period 1 January 2003 to the date of reporting. Many of these entities are, however, significantly in arrears in terms of financial reporting. The following sets out the status in respect of those entities which are in arrears for five years and over, at the time of reporting:

Name Of Entity	Year Last Audited
National Science Research Council	1982
Sugar Industry and Labour Welfare Fund	1993
University of Guyana Pension Scheme	1994
Guyana Museum	1996
Guyana Export Promotion Council	1996
National Library	1998
Central Housing & Planning Authority	1998

542. It is also a legal requirement for all statutory bodies to have their audited accounts laid in the National Assembly. However, there was no evidence that audited accounts referred to above were presented to the National Assembly.

AUDITS OF FOREIGN FUNDED PROJECTS

543. For the period 1 January 2003 to the date of reporting, the Audit Office concluded eighty-three audits of foreign funded projects, as shown below:-

Funding Agency	No. Of Opinions
Inter American Development Bank	30
United Nations Development Programme	24
International Development Association	10
United States Aid for International Development	9
International Fund for Agricultural Development	3
European Union	2
Guyana Forestry Commission	3
United Nation Environmental Programme	2
Total	83

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544. 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 execute the audits and 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.