

PARLIAMENT OF GUYANA

REPORT

of the

PUBLIC ACCOUNTS COMMITTEE

of the

NATIONAL ASSEMBLY

on the

PUBLIC ACCOUNTS OF GUYANA

FOR THE YEARS

2007 and 2008

2 June 2011

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TO: THE SPEAKER AND MEMBERS OF THE NATIONAL ASSEMBLY

1. INTRODUCTION

1.1 The Public Accounts Committee (PAC) of the National Assembly of the First Session (2006-2010) of the Ninth Parliament of Guyana met on 16 occasions, to examine the Public Accounts of Guyana for the fiscal years ended 31 December 2007 and 2008 and the Auditor General's Reports thereon. The Public Accounts Committee completed this Report which I am now pleased to present to you on behalf of the Members of the PAC.

1.2 The Constitution (Amendment) Act No. 6 of 2001 defines the "public accounts of Guyana" as:

- (i) All central and local government bodies and entities;
- (ii) All bodies and entities in which the State has a controlling interest; and
- (iii) All projects funded by way of loans or grants by any foreign State or organisation.

1.3 The Reports of the Auditor General on the Public Accounts for the years ended 31 December 2007 and 2008 were submitted to the Speaker of the National Assembly on 12 June 2009 and 31 March 2010 respectively. These reports were laid in the National Assembly on 25 June 2009 and 8 April 2010.

1.4 The PAC adopted the same methodology as that of previous years in obtaining testimony from Public Officers. Before they were invited to appear in front of the PAC, the Heads of Budget Agencies were written to and asked to offer their comments on the relevant sections of the Auditor General's reports relating to their areas of responsibility. Their responses thereto were circulated to PAC Members and Advisers before deliberations began. In total, forty (40) Heads of Budget Agencies, along with their support staff, appeared before the Committee to give evidence and to assist the PAC in its deliberations.

1.5 The PAC continued to receive very valuable advice from the Acting Auditor General, the Finance Secretary and the Acting Accountant General during its deliberations.

1.6 In accordance with Standing Order No. 103(3) the Committee attaches to this Report, the minutes of its proceedings. These minutes include:

- (i) The names of the Members of the Committee and its Advisers; and
- (ii) Dates and times of Committee's meetings, the accounts examined, and the names of the Public Officers who attended and gave evidence.

2. THE PAC'S MANDATE

2.1 According to the Standing Orders of the National Assembly it is the duty of the Public Accounts Committee to examine the accounts showing the appropriation of the sums granted by the Assembly to meet public expenditure and such other accounts laid before the Assembly as the Assembly may refer to the Committee together with the Auditor General's report thereon. The Chairman of the Public Accounts Committee must be a Member of the main opposition in the Assembly.

2.2 The Auditor General is required to submit his report on the Public Accounts to the Speaker of the National Assembly no later than nine (9) months after the close of the year. Invariably, this deadline was not being met because of the late submission of financial statements for audit as well as staffing difficulties at the Audit Office. The result is that the Auditor General's report was not made available for consideration by the PAC until at least twelve (12) months after the statutory deadline for submission of the Auditor General's Report to the Speaker of the National Assembly. Members were therefore concerned at the PAC's inability to examine and report on matters and issues of a more current nature. However, in order to combat this deficiency, the PAC requested the Auditor General to provide an update on current issues of the audit in progress at each Ministry, Department and Region which was being examined, in order for a more productive discussion on issues affecting each entity. This interim measure has not totally alleviated the concerns of the PAC but has assisted a great deal.

2.3 The PAC noted that in some instances the Heads of Budget Agencies who were responsible for the accounting operations of an Agency during the period of the Auditor General's Report, had been transferred to other Agencies, or were no longer in the system when the Reports on the Public Accounts were being examined. In such instances, the Committee would, however, require those persons to avail themselves to assist the Committee in its enquiry. The PAC has indicated that should the necessity arise, the Committee intends to invoke the provisions of the Legislative Bodies (Evidence) Act, Chapter 1:08, to ensure the attendance of the persons at hearings of the Committee. This Act empowers Legislative Committees to summon persons to give evidence, produce documents, and also provide for a person who refuses or neglects to attend without sufficient cause to be apprehended and held in custody for a period not exceeding one week.

2.4 The PAC is also tasked with the responsibility of supervising the Audit Office and is heartened that the relevant articles of the Constitution have been amended to provide the Audit Office with greater autonomy and flexibility to recruit and remunerate staff at competitive salaries subject to budgetary allocation granted by the Ministry of Finance. In addition, the new Audit Act was passed on 25 April 2004. The Rules, Policies and Procedures Manual of the Audit Office was also considered and approved by the PAC on 21 July 2004. By order of No. 16 of 2005, the Audit Act came into operation with effect from the 27 April 2005. The Auditor General was tasked with the responsibility of preparing the Regulations as specified in the Audit Act. This Regulation No. 4 of 2005 was completed and passed by the National Assembly on the 21st July 2005.

2.5 The Committee notes with satisfaction that since April, 2006 under the Revised Standing Orders, Government is required to table before the National Assembly, a Treasury Memorandum, with respect to the PAC Report, within 90 days after the said report is laid before the National Assembly.

2.6 The Committee also noted with satisfaction, that Government has tabled Treasury Memoranda for the years 2002/2003 and 2004/ 2005 and for 2006.

3. GENERAL PROBLEMS OBSERVED IN GOVERNMENT FINANCIAL MANAGEMENT

3.1 During its deliberation of the 2007 and 2008 Auditor General's Reports, a number of general problems, which adversely affected the financial management system were identified and commented on by the PAC. The main issues in 2007 and 2008 were as follows:

- (i) Non-establishment of the Public Procurement Commission;
- (ii) Overpayments to contractors;
- (iii) Non-clearance of Advances;
- (iv) Breach of Tender Board Procedures and splitting of contracts;
- (v) Refusal to refund monies to the Consolidated Fund by Ministries;
- (vi) Outstanding Police reports;
- (vii) Non-submission of Financial Statements by Subvention Agencies;
- (viii) Lack of maintenance of log books;
- (ix) Non-compliance with the stipulated time frame for the clearing of cheque orders;
- (x) Capital expenditure being met from Current allocation;
- (xi) Wrongful payments of salaries and consequential deductions paid to Agencies;
- (xii) Non-refund of deductions by Agencies; and
- (xiii) Non-adherence to Stores Regulations.

Public Procurement Commission

3.2 On 1 January 2004, the Procurement Act 2003 became operational. This Act provides for the regulation of the procurement of goods, services, and the execution of works, to promote competition among suppliers and contractors, and to promote fairness and transparency in the procurement process. Regulations for this Act were also made and came into operation on 29 November 2004. This Act also provides for the establishment of the Public Procurement Commission upon the submission of the nominees to the National Assembly by the PAC. The PAC continues to await the submission of the names of the nominees by the Government.

Overpayments to Contractors

3.3 The Public Accounts Committee noted that while some Ministries and Regions have made progress in relation to the issue of overpayment to contractors, others continue to make overpayments on contracts. The following agencies continue to be delinquent in this regard:

- (i) Ministry of Education;
- (ii) Ministry of Public Works and Communications;
- (iii) Ministry of Culture, Youth and Sports;
- (iv) Supreme Court;
- (v) Ministry of Amerindians Affairs; and
- (vi) Regions No. 2 to 10.

The Public Accounts Committee recommends that Officers and Consultants who affix their signatures to certificates of completion in which overpayments are found should be sanctioned or surcharged where necessary.

Public Accounts Committee expressed concern of possible collusion between contractors and officials of the Agencies and recommends that:

- (i) Appropriate legal action should be taken where necessary; and*
- (ii) Regional Officials make log entries when visiting projects with a view to having records that could be used for audit verification.*

Non-clearance of Advances

3.4 The Committee is very concerned at the extent to which advances granted to public officers by some agencies, as listed below, remained outstanding for very long period:

- (i) Officers who get advances through the Accountant General Department (Conference Advance to Public Officers during the period 2004 to 2008);
- (ii) Guyana High Commission in London (2008 and prior years);
- (iii) Guyana Embassy in Washington D.C. (1995 – 2005); and
- (iv) Guyana Consulate New York (1991).

Breach of Tender Board Procedures and splitting of contracts

3.5 There continued to be various levels of non-compliance with the existing Tender Board Regulations relating to the procurement of goods and services and the undertaking of works, both capital and current, by some agencies. The Committee expressed its disapproval over the disregard for the Public Procurement Act by the Heads of the following Budget Agencies in particular:

- (i) Ministry of Health (Breach of Tender Board Procedures);

- (ii) Georgetown Public Hospital Corporation (Breach of Tender Board Procedures);
- (iii) Ministry of Culture, Youth and Sports (Breach of Tender Board Procedures and Splitting of Contracts);
- (iv) Ministry of Legal Affairs (Breach of Tender Board Procedures and Splitting of Contracts); and
- (v) Region No. 6 (Breach of Tender Board Procedures).

Refusal to refund monies to the Consolidated Fund by Ministries

3.6 The Committee noted with concern, the Auditor General's comments that some agencies' appropriation accounts continued to be overstated due to the failure to promptly pay over unspent balances to the Consolidated Fund in accordance with Section 43 of the Fiscal Management and Accountability Act of 2003. These are:

- (i) Office of the President;
- (ii) Ministry of Finance;
- (iii) Ministry of Foreign Affairs (Ottawa Mission);
- (iv) Ministry of Agriculture;
- (v) Ministry of Public Works & Communications;
- (vi) Ministry of Education;
- (vii) Ministry of Culture, Youth & Sports;
- (viii) Ministry of Home Affairs;
- (ix) Guyana Defence Force; and
- (x) Regions No. 5 and 9.

Outstanding Police Reports from the Guyana Police Force

3.7 The PAC expressed grave concern about the number of issues concerning the loss of public property going back over decades, which are currently with the Police and have not been resolved or which were pending in the Courts. A number of these issues are in relation to the Supreme/Magistrate Courts.

The PAC therefore recommends that the Heads of Budget Agencies:

- (i) *Seek the assistance of the Ministry of Home Affairs where matters with the Police have long been outstanding;*
- (ii) *Seek the assistance of the Attorney General when contemplating taking legal action to see whether legal action can be taken; and*
- (iii) *Where discrepancies and fraud were discovered, institute measures to avoid recurrences.*

Non-submission of Financial Statements by Subvention Agencies

3.8 The Committee expressed concern that a number of agencies which are required to maintain their own accounting records and which are subject to separate reporting and audit, failed to submit financial statements including the income and expenditure statements and balance sheets for audit examination. These are:

- (i) National Drainage and Irrigation Authority (never submitted financial since its establishment in 2004);
- (ii) National Sports Commission (2004);
- (iii) Georgetown Public Hospital Corporation (never submitted financial since its establishment in 1999);
- (iv) National Trust (never submitted financial since its establishment); and
- (v) State Planning Secretariat (1991).

The Committee noted the observation of the Auditor General that the National Drainage and Irrigation Authority, which is a separate entity, was not adhering to the legal requirements under which it was established, and advise the Head of Budget Agency to bring this matter to the attention of the Minister of Agriculture in order to resolve the issue.

The Committee advised that since the National Sports Commission was a separate and legal entity, it should be in receipt of its own funds from the Ministry by way of subventions.

The Committee also noted that the Georgetown Hospital Corporation is a separate entity, but it continued to receive appropriation instead of a subvention from the Government. This practice is not in keeping with the requirement of the legislation establishing the Corporation.

Lack of maintenance of log books

3.9 The Public Accounts Committee noted that during the years 2007 and 2008, the control and use of Government vehicles continued to be very lax, resulting in log books not being kept, or not being satisfactorily maintained. The following Ministries and Regions continue to be delinquent in this regard:

- (i) Ministry of Public Works & Communications;
- (ii) Ministry of Labour, Human Services and Social Security;
- (iii) Guyana Defence Force;
- (iv) Ministry of Agriculture;
- (v) Ministry of Tourism; and
- (vi) Regions No. 1 to 6, and 9.

3.10 The lack of maintenance of log books would result in ineffective control over the use of vehicles, plant and equipment due to:

- (i) Unauthorised journeys could be undertaken;
- (ii) Unknown purchase of fuel and lubricants; and
- (iii) Lack of information on breakdowns and repairs in order to assess the vehicles' suitability and worth for long term use.

The PAC continues to recommend that all Heads of Budget Agencies ensure that log books are maintained and that these are closed at the end of the year to facilitate examination, and new log books issued at the commencement of the new year. Despite being previously notified, the Agencies continued to ignore these recommendations.

Non-compliance with the stipulated timeframe for the clearing of cheque orders

3.11 All Ministries, Departments and Regions are required to clear cheque orders within sixteen (16) days from when they are issued. However, the Committee noted that the inability to clear cheque orders within the stipulated 16 days time frame was a prevalent issue in some Ministries, Departments, and Regions. While several agencies have curbed this practice, the following agencies continue to be delinquent in this regard:

- (i) Ministry of Agriculture;
- (ii) Guyana Defence Force;
- (iii) Ministry of Public Works and Communications;
- (iv) Ministry of Education; and
- (v) Regions No. 1, 3 to 6, and 8 to 10.

Capital expenditure being met from Current allocation

3.12 The Committee noted that amounts budgeted are required to be expended in keeping with that which was approved by Parliament. However, it was noted that the Auditor General reported that during 2007 and 2008, Ottawa Mission, Ministry of Public Works and Communication and Ministry of Education funded activities of a Capital nature from amounts approved for Current Expenditure. *PAC recommends that agencies must comply with the definition of capital works as defined in the Fiscal Management and Accountability Act.*

Wrongful payments of salaries and consequential deductions paid to National Insurance Scheme and Guyana Revenue Authority

3.13 The Committee is concerned that slow processing of pay change directives in some Ministries and mainly in the Regions resulted in wrongful payment of salaries to employees after they had resigned, and that the consequential deductions were being paid over to National Insurance Scheme and Guyana Revenue Authority without the necessary adjustments made to the payroll, resulting in the Ministries and Regions not being able to recover such sums. This was especially prevalent with respect to the employment of Teachers.

3.14 Further, it was noted by the Auditor General that this state of affairs also resulted in these Ministries, Departments and Regions recording overstatements on their Appropriation Accounts. However, a number of agencies reported that they have begun to take measures which should ameliorate this situation. In a few instances agencies have actually been able to recover some of the deductions.

Non-adherence to Stores Regulations

3.15 With respect to the non-adherence to the Stores Regulations, the Auditor General noted that some agencies continued to be in breach of same. The lack of adherence to these Regulations will result in financial losses due to:

- (i) Poor stores facilities:
 - (a) Damages to permanent and consumable items;
 - (b) Overstocking of stores;
 - (c) Obsolete and expired stocks on hand; and
 - (d) Inability to identify uneconomical and unserviceable items for disposal.
- (ii) Poor record keeping and supervision:
 - (a) Inventory not updated resulting in losses;
 - (b) Pilfering of stores without detection; and
 - (c) Items of stores loaned can remain unaccounted for.
- (iii) Difficulty in carrying out end of year stock count.

3.16 Agencies that continued to be in breach of the Stores Regulations include:

- (i) Guyana Elections Commission;
- (ii) Ministry of Amerindian Affairs;
- (iii) Ministry of Public Works and Communication;
- (iv) Ministry of Education;
- (v) Georgetown Public Hospital Corporation;
- (vi) Ministry of Housing and Water;
- (vii) Ministry of Tourism, Commerce and Industry;
- (viii) Ministry of Agriculture;
- (ix) Ministry of Home Affairs;
- (x) Guyana Defence Force;
- (xi) Ministry of Foreign Affairs;
- (xii) Ministry of Health;
- (xiii) Supreme Court; and
- (xiv) Regions No. 1, 2, 4 to 6 and 9 to 10.

For the Year Ended 31 December 2007

4. THE PUBLIC ACCOUNTS STATEMENTS

4.1 The Committee noted the comment of the Auditor General that the Ministry of Finance and the Accountant General's Department have still not taken steps to have the liabilities of three entities totalling \$623.124M transferred to the Public Debt, in view of the fact that the entities are no longer in existence. **The Head of Budget Agency informed the Committee that the liability of one entity was written off while the other two remained open and that the Ministry was in the process of bringing closure to these entities.**

4.2 The Auditor General reported that the old Consolidated Fund bank account № 400 was not reconciled since February 1988. However, despite attempts to reconcile the monthly transactions on the account from January 1994, it was found that a proper reconciliation was still not done. **The Committee noted the comments by the Head of Budget Agency that a special unit within the Ministry was established with the aim of bringing this account to a close.**

4.3 The Auditor General reported that the amount of \$9.933 billion representing Miscellaneous Receipts as at 31 December 2007 is understated by an undetermined amount as a result of gifts to Ministries/Departments/Regions not valued and brought to account by the individual entities and the periodic returns submitted to the Ministry of Finance in order for the values of these gifts to be reflected in the Country's accounts as Miscellaneous Receipts. **The Committee noted the comments of the Head of Budget Agency that it was difficult to balance the account since information was not forth coming from Ministries and that a system was being considered to resolve the matter.**

5. SPECIFIC ISSUES RELATING TO MINISTRIES, DEPARTMENTS AND REGIONS

5.1 The Committee noted the Auditor General's report that there are a number of Ministries, Departments and Regions still being in breach of the Financial Regulations. Detailed below are some specific finding for various Ministries, Departments and Regions, which continue to be of concern to the PAC.

Ministry of Finance

5.2 The Committee noted with concern the Auditor General's report that:

- the Ministry of Finance continued to fund the operations of the State Planning Secretariat and Customs and Anti Narcotics Unit (CANU) from subsidies and contributions to local organisations and *recommended that the Ministry of Finance take steps to formally dissolve the State Planning Commission and to produce financial statements for audit examination. The Committee also recommended that the Ministry of Finance cease to fund the operations of CANU from subsidies and contributions to local organisations and create specific programmes under the existing programme budgeting arrangements to fund and account for the operations of CANU;*

- monies collected from the lottery fund were not deposited into the Consolidated Fund which is in contravention of Article 216 of the Constitution and Section 38(1) of the FMA Act; and
- large sum of money for conference advances remained uncleared and requested that the Accountant General submit information to the Committee on the percentage of the sum that represented persons who were deceased.

Ministry of Foreign Affairs

5.3 It was noted by the Auditor General that remittances to the various Missions continued to be received in an untimely manner. In particular, remittances to meet capital expenditure continued to arrive at the Missions after the close of the financial year, thus affecting the smooth execution of the operations of these Missions. *The Committee expressed the hope for a speedy resolution to this matter since Missions were severely affected by the present situation.*

Guyana Elections Commission

5.4 The Auditor General reported that the sum of \$3.815M budgeted under line item Rental of Buildings was used to pay staff. **The Head of Budget Agency reported that the said amount was utilised on the payment of salaries to polling day staff. He indicated that his objections to the advancing of money without any proper documentation were overruled by the Chairman of the Commission. The Head of Budget Agency also informed the Committee that Polling Officers were not paid unless the statement of poll was signed. He however, stated that instances where officers refused to sign such statements, the Commission investigated and such officers were blacklisted. He further stated that measures were instituted to avoid a recurrence.** *The Committee also took note of the Head of Budget Agency's different responses for the years 2007 and 2008 so that the true explanation remains unclear.*

Ministry of Local Government

5.5 The Auditor General has reported that there were unauthorised credit purchases of fuel totalling approximately \$3.998M from GUYOIL. The Committee noted that this situation occurred in 2006, 2007 and 2008 and that nothing was being done to correct the situation. *The Committee pointed out that such a practice was in contravention of the Fiscal Management and Accountability Act.*

Ministry of Tourism, Industry and Commerce

5.6 It was noted by the Auditor General that the sum of \$5.4M was expended on a generator for use by the Ministry in 2007, however, the generator was only uplifted in 2009. *The Committee expressed its dissatisfaction and concern over this issue.*

Ministry of Public Works and Communication

5.7 The Auditor General reported that the construction of a four-lane highway from the Demerara Harbour Bridge to Ruimveldt went beyond its extended deadline of 9 July 2006, but liquidated damages were not deducted in keeping with the terms and conditions of the contract. Further, at the end of the defects liability period on 29 December 2006, a considerable amount of defective works had not been remedied. Explanations indicated that on July 3, 2006, another agreement was signed for an extension to the four-lane road and during negotiations the contractor agreed to waive all existing claims on contracts for Lot 1 and Lot 2, while the Government of Guyana agreed to waive claims for liquidated damages.

5.8 However, the Ministry made first demand on the retention bond to the value of US\$804,000, because of the failure to correct defects and complete outstanding works. The demand was honoured by the bank and the sum paid into the Consolidated Fund in 2008. Notwithstanding this, the final account in relation to the works is still to be provided for a proper assessment of the matter. **The Head of Budget Agency reported that the contractor had taken legal action against the Ministry and the Attorney General in February 2010 for monies he alleged was still outstanding.** *The Committee requested that the Head of Budget Agency submit an update to the Committee on this matter. (The update is still outstanding.)*

Ministry of Education

5.9 The Committee noted with great concern that the operations of the Ministerial Tender Board continued to operate in breach of the requirements of the Procurement Act (2003). *The Committee reminded the Head of Budget Agency of his previous commitment to resolve this matter.*

Georgetown Public Hospital Corporation

5.10 The Auditor General reported that the Corporation, which is now a separate entity from the Ministry of Health continued to use the Ministry's Cabinet approval CP (2003) 11:4:M dated 25 November 2003 to purchase drugs and medical supplies from specialised agencies both local and overseas during 2007 and that there was no evidence to indicate that competitive bidding procedures were followed. *The Committee reminded the Head of Budget Agency to adhere to Section 26 (1) and (2) of the Procurement Act 2003 when supplies were being procured.*

Ministry of Health

5.11 The Auditor General reported that the Ministry continued to breach the requirements of the Procurement Act of 2003 and utilised the Cabinet approval CP (2003)11:4:M of 2003 to purchase drugs in 2007. *The Committee reminded the Head of Budget Agency of its previous comment that such practices were in contravention to the Procurement Act and reiterated that neither Cabinet nor the NPTAB had any authority to waive the procedures set out in the Procurement Act 2003.*

Ministry of Home Affairs

5.12 With respect to the outstanding deliveries of ammunition from an overseas supplier valued at \$1.314M which was paid for since 2005, *the Committee recommended that the matter be brought to the attention of Cabinet for advice on a way forward.*

Ministry of Legal Affairs

5.13 The Auditor General reported that on the matter of rental of the First Federation Building, which is controlled by the State Solicitor's Office, there were 37 tenants occupying the building during the period under review. However, only one rental agreement was up to date, 20 had no tenancy agreement and 16 had outdated agreements, some of which were dated as far back as the year 2000. There was evidence where payments of rental were far in arrears and of action taken to write tenants to this effect, but tenants did not respond positively to this action. *The Committee proposed that the Ministry prepare new contracts with realistic tenancy rates for the occupants of the First Federation Building and take legal action against defaulting tenants.*

5.14 It was noted by the Auditor General that two contracts were awarded by the Ministry of Legal Affairs for remedial works at the Deeds Registry. In one case the Engineer's Estimate was not provided and in the other case the procedure followed was not in compliance with the Procurement Act 2003. *The Committee reiterated its previous advice to Accounting Officers that copies of contracts should be sent to the Ministry of Finance, Audit Office and the Accountant General's Department for ease of reference. The Committee also emphasized that the manner in which contracts were awarded and payments made was improper.*

Guyana Defence Force

5.15 The Auditor General reported that the bank reconciliation of the salaries bank account № 688-306-0 reflected a difference of \$13.510M at 31 December 2007 and there were 11 stale dated cheques totalling \$139,150. Noteworthy was the fact that the stale dated cheques reflected on the bank reconciliation statements were drawn during the years 2003 to 2005. *The Committee advised the Head of Budget Agency that the GDF is a sub-accounting agency and should have records available that could and should be used to reconcile the account.*

5.16 It was noted in the Auditor General's Report that in relation to the hire of vehicles, the Guyana Defence Force utilised rates determined within the institution, since the year 2001 and there was no evidence in the form of computations, comparisons or otherwise that would lend credibility to the quantum stipulated for each different kind of vehicle. In the circumstances, it could not be determined whether the rates used were fair and reasonable and whether they were competitive with other rates used countrywide. *The Committee advised the Head of Budget Agency that the award on contract must be done in accordance with the Procurement Act.*

Region 1

5.17 The Auditor General reported that with respect to electricity supply in the Region, systems were not put in place by the Regional Administration to account for revenues of the generation project and have same paid into the Consolidated Fund. The Regional Administration subsidised the Port Kaituma and Moruca Sub-Regions with 20 and 3 drums of fuel respectively per month to operate their generators. In each case, these generators provided electricity to the public and private individuals. This process was administered over by Electricity Committees, which collected revenue from these individuals. Except for the fact that an Assistant Regional Executive Officer (AREO) was responsible for each plant, the Regional Administration did not exercise any supervision over the collection of revenues and the utilisation of same to purchase fuel. *The Committee advised the Head of Budget Agency that the Region was in breach of the Constitution by not paying the revenue collected into the Consolidated Fund and recommended that the Permanent Secretary should engage the Minister of Local Government with a view to having him discuss this issue at a policy level with the Minister of Finance.*

Region 3

5.18 The Auditor General reported that the Region overpaid amounts totalling \$3.528M on thirteen contracts for the years 2005 to 2007. The Committee expressed its concern that the Region continued to incur overpayments on contracts.

Region 4

5.19 The Auditor General reported that the Region overpaid amounts totalling \$8.709M on sixteen contracts for the years 2005 to 2007. *The Committee expressed its concern that the Region continued to incur overpayments on contracts and recommended that:*

- (a) *the Head of Budget Agency desist from paying the entire contract sum before the completion of projects;*
- (b) *payments on contracts should be made in accordance with the progress of works executed; and*
- (c) *Engineer should not sign off projects without verifying that the works are complete.*

Region 5

5.20 The Committee expressed its dissatisfaction that the Region has not been able to clear 102 cheque orders totalling \$17.201M relating to the years 2005 to 2007.

5.21 The Auditor General has reported that the Region overpaid amounts totalling \$8.184M on fourteen contracts for the years 2005 to 2007. The Committee noted with dissatisfaction that the Head of Budget Agency was unable to recover any overpayment from contractors or to sanction the officers who authorised the overpayments. The Committee expressed its concern that enough was not being done to recover such sums.

Region 6

5.22 It was noted by the Auditor General that fuel and lubricants recorded as having been received at the locations in the Region were often less than what was stated on the invoice as actually delivered by the supplier and this matter was subject to Police investigation. *The Committee recommended that the Head of Budget Agency write the Permanent Secretary, Ministry of Home Affairs seeking her intervention in obtaining the Police report.*

5.23 The Committee expressed concern that the purchase of a low-bed and hauler which cost \$11.7M was left to deteriorate in front of the premises of the Regional Administration Officer and requested that the Head of Budget Agency pursue this matter vigorously with the Permanent Secretary, Ministry of Public Works and to submit a report on the steps taken and whether this matter was resolved or not. **The Head of Budget Agency has since reported that the Regional Administration has taken possession of the equipment.**

5.24 The Committee noted with great concern the numerous instances of violation of variations on contracts and *recommended that an Engineer be employed.* This is imperative in light of the fact that the Audit Office is moving in the direction of Value for Money Audits.

Region 9

5.25 The Auditor General noted that the Regional Administration failed to put measures in place to have items on loan to agencies and private individuals over the years 1995 to 2007 returned. He also noted that there were several instances where items were inappropriately loaned to contractors and private individuals. *The Committee recommended that letters be written to the Permanent Secretary of the Agencies on the list and forwarded to the relevant Minister if no action was taken. Private individuals should be aggressively pursued for recovery with the help of the police.*

5.26 It was identified in the Auditor General's Report that the Region continued to utilise its Special Fund Account for advances to employees as well as non-employees of the Region although **the Head of Budget Agency acknowledged that the Minister of Local Government had issued a circular advising Regional Executive Officers that no advance should be issued from such funds unless approved by the said Minister.**

The Head of the Budget Agency provided the Committee with a list of all persons with outstanding loans and the respective amounts. The Committee requested that the list be divided into loans for personal use and those for state business and advised that aggressive steps be taken to recover the funds.

Region 10

5.27 The Auditor General reported that the Regional Administration continued to mismanage its use of fuel and lubricants. An examination of the related records revealed that:

- (i) fuel was issued to 18 vehicles that were not owned or controlled by the Region;
- (ii) there was no facility for the storage of bulk fuel, although purchases were made in bulk, and that fuel was uplifted from the supplier on a piece-meal basis as the need arises; and
- (iii) diesels were issued to 13 vehicles that were exclusively using gasoline.

5.28 In addition, motor cycle CD3876 which was unserviceable since 2006, received 200 litres of fuel for the period under review. *The Committee advised the Head of Budget Agency that the practices employed by the Regional Administration regarding the management of fuel and lubricants were in violation of the law.*

5.29 The Auditor General also reported that an examination of the various contracts revealed that they were not the standard contract documents provided by National Procurement and Tender Administration Board. Important clauses such as duration of the contract, commencement and completion date, defects liability cost, and liquidated damages charges were not stated. *The Committee recommended that the Regional Administration seek to recruit the services of an Engineer to assist in the managing and monitoring of contracts. The Committee emphasised that the services of an Engineer was imperative for ensuring that the Region received value for money.*

For the Year Ended 31 December 2008

Office of the President

5.30 The Committee noted the Auditor General's report that a number of statutory bodies under the control of the Office of the President have not produced financial statements for audit examination. The Committee was informed that a meeting was held with the heads of those agencies and they were informed that sanctions such as withholding of gratuity and other benefits and disciplinary action would be taken for the non-submission of financial statements. *The Committee recommended that the Head of Budget Agency also write the heads of those statutory bodies informing them of the consequences of the non-submission of financial statements.*

Ministry of Finance

5.31 The Auditor General reported that an examination of the process for the requisition, collection, and distribution of the receipts at the Customs and Trade Administration was conducted and it was observed that there were no systems in place to monitor the process and this had led to fraudulent transactions. The Committee noted this issue with grave concern, however, **the Head of Budget Agency assured the Committee that the matter was being addressed and systems were in place to avoid a recurrence.**

Ministry of Foreign Affairs

5.32 The Committee noted the report that several Missions did not remit their monthly revenue on a timely basis to the Consolidated Fund *and recommended that the Head of Budget Agency engage the Accountant General's Department with a view of having all Missions remit revenue directly to the Consolidated Fund.*

Guyana Elections Commission

5.33 The Auditor General reported that the Commission continued to be in breach of the Stores Regulations. During the period under review, a physical verification exercise at the Guyana Elections Commission Stores revealed several unsatisfactory features. **The Head of Budget Agency informed the Committee that the Commission was in the process of procuring services to computerise the stores.** *The Committee advised the Head of Budget Agency that a detailed inventory be conducted on the available stock with a view to ensure that they were properly accounted for.*

5.34 It was noted by the Auditor General that the inquiry into the loss suffered by the Commission of approximately \$1.845M due to financial irregularities that were perpetrated during the year 2004 has not yet been finalised by the Police. **The Head of Budget Agency informed the Committee that based on internal principles he was restricted from making contact with contractors, hence was unable to ascertain the authenticity of the contractor before affixing his signature to the contract.** *The Committee expressed its dissatisfaction with the Head of Budget Agency's response and advised that he was ultimately accountable for public funds. The advisors to the Committee pointed out that no such internal principles exist in laws and such action was therefore in contravention of the law.*

5.35 The Auditor General also reported that an approval for a change of programme was not granted to facilitate the acquisition of two Motorola V31 GSM cell phones and one Coby DVD player. **The Head of Budget Agency indicated that the items were bought from the capital expenditure on a verbal directive of the Commission.** *The Committee recommended that in future the Head of Budget Agency should get written documentation of any directive from the Commission which was in contravention to the law.*

Ministry of Amerindian Affairs

5.36 The Committee noted the Auditor General's comment that in terms of the maintenance of buildings, an examination of the works on the female dormitory and administrator's building, which was undertaken in the presence of an appointed representative of the Ministry, revealed an overpayment totalling \$242,750 on a contract. *The Committee recommended that:*

- (a) *the former Permanent Secretary be contacted and informed that arrangements would have to be made for repayment; and the matter be concluded by the Head of the Budget Agency.*

Ministry of Education

5.37 The Committee noted in the Auditor General's Report that the Ministry has still not resolved the issue of an overpayment of \$32M on the construction of the male dormitory at President's College. *The Committee, on being informed that legal action was taken against the contractor, recommended that the Head of Budget Agency follow the development and document the progress.*

5.38 The Auditor General indicated that physical verification carried out revealed that there were also overpayments on thirteen projects totalling \$15.774M. *The Committee advised the Head of Budget Agency to aggressively make efforts to recover the overpayments.*

Ministry of Housing and Water

5.39 The Auditor General reported that the Central Housing and Planning Authority continued to retain unspent balances for 2008 in a Special Bank account in violation of the law. The Committee was presented with a legal opinion by the Attorney General which indicated that the Ministry was not bound statutorily to deposit excess fund into the Consolidated Fund. *Some members of the Committee, however, reiterated their position that the Ministry was in breach of the Constitution and the FMA Act and all excess monies must be deposited into the Consolidated Fund unless approval was given for the project to be "rolled over".*

Georgetown Public Hospital Corporation

5.40 The Committee noted with concern that the Corporation continued to incur expenses out of revenue generated, in violation of the financial laws since it was in receipt of an appropriation instead of subvention and as such, it ought not to incur expenditure out of its revenue. **The Committee noted also the Head of Budget Agency's verbal response that expenditure from its revenue was approved by the Board of Directors and requested the Head of Budget Agency to convey to the Board that such practices were in violation of the Financial Regulations.**

Ministry of Health

5.41 The Committee noted the report that the Ministry, continued to procure drugs on the basis of a Cabinet Decision which named specific agencies from which drugs should be bought in violation of the Procurement Act and *advised the Head of Budget Agency that he should seek to embark on a transparent process for the procurement of good and services.*

5.42 The Committee noted with grave concern the Auditor General's comments that refrigerators purchased were not used but however monies were expended for servicing them and procuring batteries even though they were within the warranty period.

Ministry of Labour, Human Services and Social Security

5.43 The Committee noted the Auditor General's comment that there was absence of supervisory controls regarding recording and issuing of the public assistance and old age pension books. The Committee expressed serious concern that such a situation could result in massive fraud.

Supreme Court

5.44 The Committee noted the Auditor General's comment that several apparent irregularities which have been pending since the year 1992 have not yet been resolved by the Courts or the Police. These apparent irregularities were uncovered at various magisterial districts and before the Courts or with the police. *The Committee advised the Head of Budget Agency to seek intervention of the Permanent Secretary, Ministry of Home Affairs with a view to having the police report completed.*

5.45 The Auditor General reported that physical verification exercises carried out on Maintenance of Buildings and Maintenance of Infrastructure on three projects undertaken revealed overpayments totalling \$441,150. *The Committee recommended that Head of the Budget Agency takes aggressive action to recover all such sums.*

Region 3

5.46 It was noted that a number of valuable items were loaned to contractors and other private individuals, some since 2002, and these have still not been returned to the Region. The Committee expressed dissatisfaction that assets which were the property of the Regional Administration were loaned to private individuals and to contractors to execute works for which they were paid and *recommended that the Head of Budget Agency pursues the matter with the individuals in an effort to recover the items.*

5.47 The Auditor General reported that there were shortages of lubricants at the Crane Stores location valued at \$230,659. *The Committee recommended that the Head of Budget Agency pursues the matter in an effort to have it resolved.*

Region 4

5.48 The Committee noted that the Region continued to incur overpayments on contracts and continued to disagree with the findings of the Auditor General when they appear before the PAC. *The Committee advised the Head of the Budget Agency that in the future the appropriate Officers from the Regional Administration should accompany the Auditors to verify projects and that they should have in their possession the requisite documents.*

Region 10

5.49 It was noted by the Auditor General that the Region incurred overpayments totalling \$1.799M on six contracts. *The Committee was extremely unhappy with the execution and management of capital projects of the Region and recommended that the Head of Budget Agency should be held accountable.*


6. IMPROVEMENTS RECORDED IN MINISTRIES, DEPARTMENTS AND REGIONS

6.1 The Committee has also expressed its satisfaction with those Agencies that have shown improvements in the management of their financial affairs over the years.

7. CONCLUDING REMARKS AND ACKNOWLEDGEMENTS

7.1 Public Accounts Committee through its Chairperson wishes to express sincere gratitude to the other members of the Committee for their contribution to the work of the Committee and for the non-partisan approach they have adopted throughout the deliberations of the Committee. It was indeed hard work spanning a period of approximately nine months.

7.2 The advisers to the Committee - the Auditor General, the Finance Secretary and the Accountant General - and their support staff have all assisted the Committee in no small measure. It has certainly been a learning experience in public accountability. Finally, the Committee will be remiss if it does not offer a special word of thanks for the overwhelming administrative support of the Clerk of the National Assembly and the Clerk of the Committee and their support staff.


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VOLDA A. LAWRENCE, M.P.
CHAIRPERSON
PUBLIC ACCOUNTS COMMITTEE

25 May 2011