

**PARLIAMENT OF GUYANA**

**REPORT**

of the

**PUBLIC ACCOUNTS COMMITTEE**

of the

**NATIONAL ASSEMBLY**

on the

**PUBLIC ACCOUNTS OF GUYANA**

FOR THE YEARS

**2002 & 2003**

22 JANUARY 2008

**TO: THE SPEAKER AND MEMBERS OF THE NATIONAL ASSEMBLY**

**1. INTRODUCTION**

- 1.1 The Public Accounts Committee (PAC) of the National Assembly of the Second Session (2002-2004) of the Eighth Parliament of Guyana met on twenty-five(25) and nine (9) occasions, respectively, to examine the Public Accounts of Guyana for the fiscal years ended 31 December 2002 and 2003, respectively and the Auditor General Reports thereon. On account of the dissolution of Parliament on 2 May, 2006, the PAC of the Second Session was unable to complete its Report. The PAC of the First Session of the Ninth Parliament met on one occasion and completed consideration of its Report for 2002 and 2003. I am now pleased to present to you this Report by the Members of the PAC.
- 1.2 The Constitution (Amendment) Act No. 6 of 2001 defines the “public accounts of Guyana” as: “public accounts of Guyana” includes the accounts of:
- (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 report of the Auditor General on the Public Accounts for the years ended 31 December 2002 and 2003 was submitted to the Speaker of the National Assembly on 31 October 2003 and 31 December 2004, respectively. These reports were laid in the National Assembly on 24 November 2003 and 16 February 2005 respectively.
- 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, Accounting Officers were written to and asked to offer their comments on the relevant sections of the Auditor General’s reports relating to their area of responsibility. Their responses thereto were circulated to PAC members and Advisers before deliberations began. In total, forty two (42) Accounting Officers, 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 Auditor General, the Secretary to the Treasury and the Accountant General during its deliberations.
- 1.6 In accordance with Standing Order No. 103(3) the Committee attaches to this Report, its minutes of its proceedings. These minutes include:
- (a) The names of the Members of the Committee and its Advisers; and
  - (b) 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 During the deliberations, concern continued to be expressed at the inadequacy of the PAC's mandate to "examine the accounts together with the Auditor General's report thereon". The Auditor General is required to submit his report on the Public Accounts to the Speaker of the National Assembly not 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 is not usually made available for consideration by the PAC until at least twelve (12) months after the close of the financial year. Members are therefore concerned at the PAC's inability to examine and report on matters and issues of a more current nature.
- 2.2 The PAC noted that in many instances Accounting Officers 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. 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 and produce documents. A person who refuses or neglects to attend without sufficient cause may be apprehended and held in custody for a period not exceeding one week.
- 2.3 The PAC 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. 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 finally 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 21 of July 2005. The Committee hopes that with the coming into operation of the new Audit Office there will be a more timely presentation of the Auditor General's report to the National Assembly. The Auditor General should also consider issuing special reports on issues of a current nature thereby enabling the PAC to carry out its examination of these issues in a timely manner.
- 2.4 The presentation of the Auditor General's report will also ensure its immediate examination by the PAC and the prompt issuing of the PAC's report. It is expected that this will contribute to the timely tabling of the Treasury Memorandum in the National Assembly setting out in detail what actions the Government has taken or proposes to take in relation to findings and recommendations of the PAC. At the time of reporting, a Treasury Memorandum for the years 2000 and 2001 was tabled in the National Assembly on 30 October 2006.
- 2.5 The PAC again wishes to emphasise that the accountability cycle cannot be regarded as complete without the Government's detailed response to the PAC's findings and recommendations. In this regard, the PAC notes with satisfaction that there is a requirement in the Standing Orders that the Treasury Memorandum must be tabled in the National Assembly within ninety (90) days after the PAC's report is laid in the National Assembly.

- 2.6 As a result of the constitutional amendments and the new Audit Act, the PAC has been mandated to exercise general supervision over the functioning of the Office of the Auditor General in accordance with the Rules, Policies and Procedures Manual for the functioning of the Office. The Auditor General shall prepare and submit to the PAC quarterly reports on the performance and operation of the Office. It shall also receive annually from the Auditor General a copy of an Annual Systems and Financial Audit Report with respect to the Office of the Auditor General.

### **3. GENERAL PROBLEMS OBSERVED IN GOVERNMENT FINANCIAL MANAGEMENT**

- 3.1 A number of general problems, which adversely affected the financial management system and which were previously identified and commented on by the PAC in its report of 2000/2001, have been corrected and addressed in the Treasury Memorandum on the 2000/2001 accounts, which was issued in April 2006. Some of these problems were:

- Inadequate use of information technology;
- Archaic and cumbersome system;
- Non-compliance with the Financial Administration and Audit Act;
- Unsatisfactory management of cash resources;
- Non-compliance with the Tender Board Regulations; and
- Poor control over the use of Government vehicles.

#### **Inadequate Use of Information Technology**

- 3.2 The financial Management System, which was operational during 2002 and included an automated votes ledger in respect of a few Ministries as the only form of computerisation has since been replaced with a comprehensive computerised system through the use of a network of computers. This system known as the Integrated Financial Management and Accounting System (IFMAS) was implemented by the Accountant General's Department and became operational on 1 January 2004. All Central Government Agencies, with the exception of Regions 1, 8 and 9 because of remoteness and inadequate telecommunication facilities, are connected to a central processing server at the Ministry of Finance where their data is uploaded.
- 3.3 The IFMAS replaces some aspects of the previous manual system and is operated utilising software of a reputable Canadian Company and has seven modules. Three of which were operational at the time of writing this report.
- 3.4 Apart from modernising the Public Financial Management System, IFMAS also serves as a step towards continuing the process of Public Sector Reform and Strengthening. More specifically, the three operational modules, General Ledger, Appropriation and Expenditure served to address some of the problems encountered by:

- Improving record keeping by the efficient processing and storage of data;
- Improving the financial accounting and cash management system by generating timely reports to assist in effective decision making; and
- Enhancing effective management and accountability by having a comprehensive interlinked financial management and decision making system.

3.5 Although the above system has contributed to a more efficient accounting system and has several advantages over the previous manual system of operation, such as, avoiding any over spending, reducing the processing time of payments, generating timely reports, among others, the system still resulted in uncertainty among the Agencies about the records that were required to be maintained. In addition, data inputted into the system by the Agencies was not consistent among Agencies nor was it consistent within the Agency. The PAC would therefore encourage that an update be prepared to monitor:

- The impact of the training programmes that were delivered to upgrade employees skills in the utilisation of this new system in light of the above comment about consistency in data recording and uniformity in record keeping;
- The status of the implementation of the remaining modules of the IFMAS along with a timetable for the completion of such implementation and the requisite training; and
- The benefits of the implementation of IFMAS with respect to reduced operational cost and any necessary restructuring this may have entailed within the Ministries.

#### **Archaic and Cumbersome Systems**

3.6 In addition to the implementation of the IFMAS by the Accountant General's Department to address the archaic and cumbersome financial management system which was inherited from the colonial era and which was still in operation during 2002 and 2003, the Financial Management System was further modernised by the passing of the Fiscal Management and Accountability Act 2003 (FMAA) and the Audit Act 2004 both of which were operational at the time of this report.

3.7 The continued attempt at modernising the current system also saw the replacement of the Financial Regulation of 1955 with that of the Regulations of the FMAA. In addition, in ensuring proper accountability of public funds, the Fiscal Management and Accountability Act 2003 aim to:

- Regulate the preparation and execution of the annual budget;
- Provide for the receipt, control and disbursement of public moneys; and
- Account for public money and such other matters connected with or incidental to the transparent and efficient management of the finances of Guyana.

While the Audit Act and its Regulations aim to:

- Set out the responsibilities and authority of the Auditor General;

- Strengthen parliamentary oversight over the work of the Auditor General;
- Provide for the establishment and administration of an independent Audit Office; and
- Regulate such other matters connected with or incidental to the independent auditing of the finances of Guyana.

3.8 In addition to the above and at the time of reporting the Public Service Ministry was in the process of reviewing and updating its rules and regulations to improve the efficient running of the Public Service, enhancing its Human Resource Management Information System, the strengthening of the management capacity of personnel officers and the training of Permanent Secretaries and Heads of Department through the Public Management Modernization Project (PMMP). In view of the above, the PAC recommends that continuous update be provided to monitor:

- The implementation of the above modernisation measures; and
- Any other projects earmarked as continued modernisation of the present system.

**Non-compliance with the FAA Act**

3.9 The Financial Administration and Audit Act (FAA Act) was replaced by the Fiscal Management and Accountability Act 2003 repealing Parts II, III and V and the Audit Act 2004 repealing Parts I and IV.

3.10 Nevertheless, at the time of the audit of the 2002 and 2003 accounts the FAA Act was applicable and Section 7(2) provided for all Accounting Officers and Principal Receivers of Revenue to prepare and submit to the Auditor General, appropriation and revenue accounts within four (4) months of the close of the fiscal year. However, several Ministries, Departments and Regions were in contravention of the Law and made their submissions of these statements after the statutory deadline.

This had affected the Accountant General's ability to make his consolidated submissions to the Auditor General and had resulted in limited time available to the Auditor General to conduct his audit.

3.11 The PAC once again wishes to restate its previous recommendation that the accountability cycle be revised in such a way that the entire process, including the issuing of the Treasury Memorandum, is completed within twelve (12) months of the close of the fiscal year. In this regard, the PAC proposes the following deadlines for completion of various aspects of the cycle:

DESCRIPTION	DEADLINE
Submission of appropriation & revenue accounts	28 February
Submission of consolidated accounts	31 March
Presentation of the Auditor General's report	30 June
PAC examination of the Public Accounts	31 August
Presentation of Treasury Memorandum	30 September

- 3.12 With respect to the significant number of bank accounts that were in use, as well as, several non-operational bank accounts, some of which were overdrawn without the authority of the Minister, in contravention of Section 22 of the FAA Act, all old bank accounts operated by the Ministries, Department and Regions were frozen at 30 June 2004. Those with positive balances were transferred to the Official Consolidated Fund while those overdrawn were being investigated through reconciliation by the Accounting Officer (Head of Budget Agencies) based on a Treasury Circular issued by the Accountant General. As a result, occurrence of overdrawn bank accounts is expected to be eliminated. In addition, the IFMAS now operates with a single bank account eliminating the use of numerous accounts and assisting in overall improved cash management.
- 3.13 The PAC, however, recognises that despite their best efforts, Accounting Officers may not be able to ascertain the reasons for some of the prior years' overdrafts because of the passage of time and the non-availability of the relevant documents. In such circumstances, the PAC again recommends that losses reports be filed with the Secretary to the Treasury. In addition, the Secretary to the Treasury should institute surcharge proceedings against any officer who has been found negligent in causing a bank account to be overdrawn, as provided for by Sections 8 to 12 of the FAA Act. The PAC also observed instances in which funding of activities of capital nature from provisions under the Current Estimates.
- 3.14 The PAC is once more expressing its concern about the number of reported instances where large numbers of payments were made beyond year-end but the transactions were backdated to 31 December. These were not normal year-end transactions, which the Accountant General would allow through the opening of cashbooks for a few days after the close of the year. Rather, the Committee is convinced that in the majority of cases this was done to exhaust the allocations for the year. This practice, apart from being a breach of Section 36 of the FAA Act since all appropriations lapse on 31 December, may lead and probably led to irregularities. Indeed, the practice in place can be regarded as one which encourages spending rather than saving, especially in the last two (2) months of the year.
- 3.15 The PAC continues to recommend that the practice of opening cash books beyond year-end should be discontinued. Any normal year-end transaction which is not included in an appropriation account can be accounted for in the following year, subject to the approval of the Secretary to the Treasury, as provided for under the existing arrangements. In addition, the Ministry of Finance should carefully monitor monthly releases to Ministries, Departments and Regions to avoid the acceleration of expenditure towards year-end.
- 3.16 In its previous Report the PAC drew the attention to several State institutions in receipt of subventions were found to be significantly in arrears in terms of financial reporting without evidence of any action being taken to ensure that they were financially accountable for funds appropriated to them by Parliament. In addition, the FAA Amendment Act of 1993 requires all agencies in which controlling interest vests with the State to submit audited financial statements to the National Assembly within six(6) months of the close of the financial year. This requirement was, however, honoured in the breach, except in few instances, without any sanctions being imposed for the continued violation of the Law.

- 3.17 The PAC recommends that all outstanding reports be laid in the National Assembly as early as possible. In addition, appropriate sanctions, including possible withholding of subvention, should be imposed on the Heads of institutions for any failure on their part to have timely financial reporting and for not having their audited accounts laid in the National Assembly within the required deadline. In this regard, Accounting Officers should establish deadlines within which financial reporting of these entities is brought up-to-date.
- 3.18 The proceeds from the Guyana Lotteries are not paid over to the Consolidated Fund. Instead, they are kept in a special bank account at the Bank of Guyana and are used to meet public expenditure. A similar observation was made in respect of funds received by a number of Ministries, Departments and Regions, notably the Ministry of Education, the Guyana Defence Force and the Operations and Maintenance Division of Region 2. This practice, apart from being a breach of Section 17 of the FAA Act as well as a usurpation of Parliamentary authority to incur expenditure, can and probably does lead to irregularities.
- 3.19 The PAC wishes to emphasise that requirement of the Law as it relates to public revenues must be scrupulously observed. All revenues are required to be paid over to the Consolidated Fund and under no circumstances should expenditure be met from such revenues. Similarly, all public expenditures must be voted for by the National Assembly and reflected in the National Estimates. In this regard, the PAC recommends that the Finance Secretary carry out a survey of Ministries, Departments and Regions as well as semi-autonomous agencies to determine to what extent the practice of retaining public revenues is prevalent. Based on the results of the survey, steps should be taken against the errant agencies to ensure that this practice is discontinued.
- 3.20 The Committee noted the frequency with which it was reported by the Auditor General that there were cases involving large numbers of employees who had not been properly registered with the National Insurance Scheme (NIS) and the implications which that had for their social security or other benefits.
- 3.21 The abuse of the Contingencies Fund continued unabated despite comment to this effect in previous PAC reports. As required by Section 25 of the FAA Act, this fund should only be used if 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 the National Assembly. It follows that the Fund should not be used to cover routine expenditure. Due process must be followed and supplementary appropriations sought where there are inadequate allocations.

#### **Unsatisfactory Management of Cash Resources**

- 3.22 The Auditor General has reported that the Consolidated Fund was overdrawn by \$45.455 billion as at 31 December 2002 and \$44.292 billion as at 31 December 2003, although large sums were held in other Government bank accounts. The main reason for this state of affairs is the general failure to transfer to the Consolidated Fund unspent balances at the end of the year, especially in relation to capital programmes, as well as to close bank accounts which were no longer in use. Had such transfers been undertaken, the Consolidated Fund would have reflected positive balances of \$15.523 billion and \$14.292 billion as at 31 December 2002 and 2003, respectively.



- 3.23 The PAC considers the above state of affairs to be far from satisfactory from the point of view of the management of the Government's cash resources. The Committee noted that steps have been taken to close inactive accounts and to effect transfer to the Consolidated Fund. However, the process needs to be accelerated so that the minimum numbers of bank accounts are kept in use and all funds which represent public revenues are speedily transferred to the Consolidated Fund. Such difficulties could be overcome by the accelerated introduction of appropriate information technology and treatment of reconciliation of bank accounts as a priority activity.

#### **Failure to Reconcile Bank Accounts**

- 3.24 During the years 2002 and 2003 audit there existed a number of bank accounts under the control of Ministries, Departments and Regions which were unreconciled and in some cases the related cash books were not properly maintained. This failure of reconciling these bank accounts and the maintenance of proper cash books contributed to several acts of misappropriation of funds which are still engaging the attention of the Police and the Courts.
- 3.25 The general impression given was that the reconciliation of these bank accounts was not considered a priority and, as such, the related record keeping, reconciliation, and monitoring and supervision were neglected. This state of affairs was further compounded by the lack of adequate and appropriately trained staff.
- 3.26 However, as stated before, all old bank accounts operated by the Ministries, Departments and Regions were frozen as at 30 June 2004. Those containing positive balances were transferred to the Official Consolidated Fund while those with negative balances are being investigated. In addition, a single bank account was implemented and put into operation under the new IFMAS.
- 3.27 In light of the above the PAC recommends that the Accountant General ensures that the same fate does not befall the operation of the new single bank account. In addition, the Ministry of Finance is urged to carry out a survey of all Ministries, Departments and Regions with a view to determining an acceptable level of staffing at the various accounting units, both in terms of numbers and skills involved based on the new system in operation.

#### **Non-compliance with the Tender Board Regulations**

- 3.28 The PAC had expressed concern at the level 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 a number of agencies for the years 2002 and 2003 and had made recommendation for the reform of the Government's Tender Board Regulations. Some of the concerns raised by the Committee included:
- Contract-splitting to avoid adjudication by the Ministerial and the Central Tender boards;
  - Minutes of tender board meetings not being maintained in a manner to allow for an independent evaluation of the basis of the awards of contracts, especially in cases where contracts were not awarded to the most competitive bidders;
  - An alarmingly high incidence of variation orders which were issued after contracts were awarded, despite the widespread practice of engaging the services of consultants to prepare estimates and to oversee the works;

- Instances of overpayments to contractors;
- Defective, poor quality and incomplete work;
- The purchasing of capital items from current expenditure; and
- Failure by Accounting Officers to seek the requisite approval to undertake works which were not reflected in the Capital Profile of the concerned Ministry or Department and hence not approved by the National Assembly.

3.29 In the light of widespread violations referred to above, the PAC again strongly recommends urgent reforms by way of legislation of the Government's Tender Board Regulations to ensure as far as possible greater transparency, fairness, equity and accountability in the system. Such reforms should include:-

- A re-organised Central Tender Board to include representatives of various interest groups;
- Reviewing the authority limits for Regional, Ministerial and Departmental Tender boards as well as those of Accounting Officers;
- Guidelines for the keeping of proper minutes of meetings held and decisions taken;
- Requirements for filing and general record-keeping;
- Procedures and criteria to be followed for the issuing of variation orders;
- Prohibition of contract-splitting;
- The forms of sanction to be imposed for any violation of the tendering procedures;
- Procedures for the formal evaluation of public tenders and for the availability of such evaluation to bidders; and
- All documents relating to contracts and the contracts themselves approved by the Central Tender Board must be copied to the Auditor General and the executing agency.

3.30 A number of these recommendations would have been superseded by the promulgation of the Public Procurement Act No. 8 of 2003. This Act became operational on 1 January 2004 and 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. It is expected that this New Act will address the concerns expressed above.

3.31 However, at the time of this report the Public Procurement Commission established by the Act had still not been activated. The PAC notes the continued absence of this Commission and wishes to inform the National Assembly that efforts were still being made to establish the body and the PAC would continue to pursue the identification of members to be appointed to the Commission and an evaluation of the application of this new legislation to ascertain how effectively it has been able to address the concerns raised above.

## **Poor Control over the Use of Government Vehicles**

- 3.32 The PAC had expressed its concern over the state of affairs which prevailed during 2002. More specifically, it expressed concern over:
- The control and use of Government vehicles which continued to be very lax, along with log books not being kept or not satisfactorily maintained;
  - Government vehicles not marked to identify them as State property; and
  - The high cost of maintenance and high level of consumption of fuel.
- 3.33 Additionally, the PAC had recommended that all Accounting Officers ensure that log books were maintained and vehicles marked and that Governments Agencies acquire appropriate "Fleet Management" computer software to enable them to closely monitor maintenance cost, the consumption of fuel and lubricants, etc. in order to be able to access the operating efficiency and cost effectiveness of operating their fleet of vehicles or equipment. Further, where vehicles and equipment are unserviceable, it was recommended that these be disposed of in a transparent and timely manner, in order to recover maximum value before they deteriorate.
- 3.34 The Treasury Memorandum issued on the 2000/2001 accounts stated that action had been taken to ensure that all Government vehicles were clearly marked and that all Budget Agencies were required to submit information on vehicles under their control to the Ministry of Finance so as to be part of the Annual Budget submission. It is hoped that this will assist in addressing the concerns raised.

## **4. THE PUBLIC ACCOUNTS STATEMENTS**

- 4.1 Despite an assurance previously given by the Accountant General, the issuing and redemption of Treasury Bills remained unreported in the Statement of Receipts and Payments of the Consolidated Fund. In order to give a full picture of the movement of the Fund from one year to the next, it is necessary for transactions relating to Treasury Bills to be included.
- 4.2 The Auditor General continues to report on the Government's liability to the Lloyds Bank of London in respect of two (2) loans, which has been attracting interest semi-annually. That liability, inclusive of interest, stood at G\$2.764 billion at the end of 1998. (Information relating to subsequent years was not made available.) The PAC wishes to express its previously stated view that had action been taken in a timely manner in relation to this matter since several years of interest charges, which account for the greater portion of the debt, could have been avoided.
- 4.3 The PAC is particularly concerned at the large amounts which were held in special accounts at the Bank of Guyana on behalf of the Government. These are funds which relate to projects which came to an end and appeared to be transferable to the Consolidated Fund. The failure to ascertain what amounts should be transferred to the Fund creates avenues for extra budgetary sources of financing.
- 4.4 The proper accounting for gifts received by Government agencies both within and outside of Guyana remains unsatisfactory. The Committee wishes to re-emphasise the importance of valuing all gifts and informing the Accountant General so that they can be reflected in the Public Accounts.

- 4.5 The Public Debt Register was not satisfactorily maintained, as several columns were incompletely written up e.g. omission of repayment terms. Loan agreements were also not tabled in the National Assembly in a timely manner. In addition, several deficiencies in the system of recording, monitoring and reporting of outstanding loans or credits guaranteed by the Government as well as loans and advances from the Consolidated Fund, were also highlighted in the Auditor General's Report.

## **5. SPECIFIC ISSUES RELATING TO MINISTRIES, DEPARTMENTS AND REGIONS**

- 5.1 Some Ministries/Departments/Regions have shown improvements in the management of their financial affairs over the years. These include the Ministries of Housing & Water, and Trade Tourism & Industry, the Guyana Police Force and Parliament Office. The PAC wishes to commend the relevant Accounting Officers for efforts in this regard. There are, however, a number of specific issues which the PAC would like to highlight in respect of other Ministries, Departments and Regions for the years 2002 and 2003.

### **YEAR ENDED 31 DECEMBER 2002**

#### **Office of the President**

- 5.2 Apparent excessive maintenance costs of vehicles under the control of this department continued to prevail for the period under review. A number of statutory bodies in receipt of subventions have also not submitted annual accounts for audit, particularly the Integrity Commission. This agency has not been audited since its establishment in 1997. In addition, the provision of subvention to the Presidential Guard, Castellani House, and the Joint Intelligence Co-ordinating Agency, which are departments within the Office of the President, ought not to be given since subventions are only given to autonomous and semi-autonomous bodies. It is recommended that specific programmes be allocated to these units under the present programme budgeting arrangements.

#### **Ministry of Finance**

- 5.3 A number of departments within the Ministry of Finance continued to receive subventions - CANU, and the Privatisation Unit - contrary to established practices. In addition, the State Planning Commission, which should have been abolished several years ago as a separate legal entity, continues to exist with a staff of fifty one (51). Twenty-eight (28) of these employees were attached to other Government agencies and their emoluments were met from the State Planning payroll. This arrangement facilitates the circumvention of the application of the Government's salary scales as they relate to the emoluments of the concerned employees. Further, amounts totalling \$490M were disbursed to the Student Loan Agency. Financial statements were received for the year under review and the audit was in progress.

#### **Customs & Trade Administration**

- 5.4 The Administration was not timely in the recovery of Merchants' Overtime from importers. The Auditor General recommends that seizures continued to be stored in borrowed containers on wharves. It is again recommended that a central storage site be identified for the storage of seizures. The Commissioner explained that efforts were being made to obtain a Central storage site or state warehouse to store seizures and detentions.

- 5.5 There was evidence of undue delays in perfecting PIDs. For example, for the period under review, a total of 3 PIDs valued at \$436.046M had not been perfected at the time of the Auditor General's Report. Similar delays in relation to the perfecting of bills of sight were also noted. In addition, the PAC is particularly concerned at the level of laxity in completing files relating to cargo vessels coming into port. For the period under review, a total of 915 vessels reportedly arrived in Port Georgetown but as at September 2000, only 696 files were completed and submitted to the Quality Review Section. The Committee is of the view that the existing rules and regulations should be enforced.
- 5.6 Other areas of serious concern include poor record-keeping relating to seizures and ships' files, and the failure to fully implement the Automated System for Customs Data (ASYCUDA).

#### **Ministry of Foreign Affairs**

- 5.7 Staffing at the foreign missions to manage their financial affairs was not of the desired level. As a result, record-keeping continued to be poor. Remittances to the missions were also not received in a timely manner.
- 5.8 At the Guyana Embassy in Brasilia, the Auditor General reported that a senior official was indebted to the Government in the sum of US\$10,171.63 for advances taken during the period 1995 to 1999.

#### **Ministry of Local Government**

- 5.9 For the period under review, municipalities and neighbourhood democratic councils received amounts totalling \$259M to assist them with their infrastructure and rehabilitation works. However, most of them have been significantly in arrears in terms of financial reporting.

#### **Ministry of Agriculture**

- 5.10 The failure to reconcile bank accounts, the incurrence of overdraft and the manipulation of the voted provisions to exhaust budgetary allocations continued to prevail for the period under review. For example, 223 cheques valued at \$52.480M were issued during the period 1 – 22 January 2003, but were backdated to 31 December 2002.
- 5.11 A number of statutory bodies in receipt of subvention have been delinquent in preparing their annual financial statements and submitting them for audit.

#### **Ministry of Public Works**

- 5.12 The PAC has noted with deep concern a number of issues raised by the Auditor General in relation to financial management of this Ministry. These include:-
- The manipulation of voted provisions to avoid overrunning budgetary allocations especially in relation to the Ministry's capital programme;
  - The apparent sub-division of contracts to avoid adjudication by the Central Tender Board. Contracts were awarded without any form of tendering and waivers of tendering procedures were sought.

- The transfer of large sums of money to the Transport & Harbours Department mainly for the rehabilitation of ferry vessels and dredging of the rivers without ensuring that financial statements were submitted to account for the amounts transferred. Refunds were also not being made in respect of unspent balances.

### **Ministry of Education**

- 5.13 The PAC is very concerned at the high incidence of unvouched expenditure at this Ministry over the years. In 2002, \$1.636M worth of payment vouchers were not presented for audit examination. A number of breaches in the tender Board Regulations were also observed.

### **Ministry of Culture, Youth & Sports**

- 5.14 The Ministry continued to retain revenues from the operations of the National Cultural Centre to meet expenditure totalling \$26.222M, in violation of Section 17 of the FAA Act. The use of the special projects bank account No. 3174 to meet expenditure totalling \$81.999M is also a serious violation.

### **Ministry of Health**

- 5.15 Storekeeping and stores accounting systems continued to be of an unacceptable standard. In particular, the Pharmacy Bond in Kingston appeared unsuitable for the storage of drugs and medical supplies. Expired drugs were not kept in a separate bond due to the shortage of storage space.
- 5.16 In the area of capital expenditure, an instance was observed where expenditure was incurred but approval was not sought for a change in programme.

### **Georgetown Public Hospital Corporation**

- 5.17 Although the Corporation is a separate entity, it continued to receive appropriation instead of subvention. As such, it ought not to incur expenditure out of its revenue which should have been paid over to the Consolidated Fund.

### **Ministry of Labour, Human Services and Social Security**

- 5.18 The public assistance imprest bank account No. 902, which became non-operational several years ago, continued to be overdrawn by \$270.586M. This was due to inadequate allocations made over the years. At the time of reporting, attempts to identify vouchers and supporting documents with a view to clearing the overdraft had to be aborted because of the poor state of record keeping.

### **Ministry of Home Affairs**

- 5.19 The Auditor General has reported that he was unable to verify that value was received for goods and services for 48 cheque orders valued at \$8.651M since the related cheque orders had not been cleared. This observation is a clear reflection of a lack of accountability for the use of significant amounts of public funds. The apparent subdivision of purchases to avoid adjudication by the Ministerial and Central Tender Boards.

### **Guyana Defence Force**

- 5.20 The Force continued to retain revenue from the commercial operations of its aircraft to meet expenditure in violation of Sections 17 of the FAA Act. There were also a breach of Tender Board procedures and apparent sub-division.

### **Supreme Court, Deeds Registry & Magistrates' Courts**

- 5.21 The PAC noted the Auditor General's observations regarding the failure of the Deeds Registry to maintain proper records of Business Names, Trade Marks and Transports. In particular, applications for the registration of business names were not filed in a sequential manner. There was also a huge backlog of applications for trade mark licences.
- 5.22 The failure by the Magistrates' Court to present case jackets for audit is to be viewed very seriously in that it is reflective of improper management and lack of capacity/potential to maintain law and order. In addition, the Magisterial Districts continued to demonstrate very poor financial record-keeping.
- 5.23 Several instances of apparent subdivision of contracts were observed at the Supreme Court of Judicature as well as at the Magistrates' Court. The PAC cannot condone this irregular practice since there are mechanisms in place to deal with emergencies and other similar circumstances. In addition, several discrepancies were reported based on physical verification of the works.

### **Region 1**

- 5.24 The Auditor General has reported that he was unable to verify that value was received for goods and services for 646 cheque orders valued at \$123.625M since the related cheque orders had not been cleared. This observation is a clear reflection of a lack of accountability for the use of significant amounts of public funds.

### **Region 2**

- 5.25 Storekeeping and stores accounting continued to be in disarray. In particular, accountability for fuel continued to pose a problem. In addition, the Region retained revenue from the Operations and Maintenance section to meet expenditure totalling \$25.360M in violation of the FAA Act.

### **Region 3**

- 5.26 The PAC is very concerned at the extent to which variation orders were issued after contracts for works were awarded, indicating that proper assessments of the works to be undertaken were not being carried out. Storekeeping and accounting were also not considered satisfactory. There were apparent sub-divisions of contracts to avoid adjudication by the RTB. Also there were instances where the region failed to seek approval for a change of programme to undertake certain works.

#### **Regions 4 & 5**

- 5.27 Several contracts were awarded to bidders other than the lowest bidders on the grounds that the lower bidders had existing work or were far below the engineer's estimates. In addition, there was a high incidence of variation orders. Further, proper store keeping records were either not kept or not written up to date.

#### **Region 6**

- 5.28 Proper store keeping records were either not kept or not written up to date nor was a master inventory maintained.

#### **Region 7**

- 5.29 Proper accountability for fuel and lubricants also continues to be a problem for the Region. Store keeping and stores accounting continued to be in disarray.

#### **Region 8**

- 5.30 Storekeeping and accounting were also not of a satisfactory level. There were excessive maintenance costs for vehicles under the control of the region for the period under review.

#### **Region 9**

- 5.31 The Region had not completed the inventurisation of assets following the destruction by fire in 1995 of the inventory records. Storekeeping and accounting were also not of a satisfactory level.

#### **Region 10**

- 5.32 In addition, the Region did not seek the requisite approval for a change in programme to undertake a number of capital works.

#### **Regions 1, 7, 8 and 9**

- 5.32 The Committee was concerned that because of the inaccessibility of certain areas some works were not physically verified by the Auditor General's Office. It is therefore recommended that in order to alleviate this problem, Executing agencies should make their means of transport available to representatives of the Office of the Auditor General to permit the physical verification of works. Further the Office of the Auditor General should make special effort to physically verify these works.



## YEAR ENDED 31 DECEMBER 2003

### Office of the President

- 5.33 Apparent excessive maintenance costs of vehicles under the control of this department continued to prevail for the period under review. A number of statutory bodies in receipt of subventions have also not submitted annual accounts for audit, particularly the Integrity Commission. This agency has not been audited since its establishment in 1997. In addition, the provision of subvention to the Presidential Guard, Castellani House, and the Joint Intelligence Co-ordinating Agency, which are departments within the Office of the President, and ought not to be given, since subventions are only given to autonomous and semi-autonomous bodies.
- 5.34 The amount of \$7.236M was spent on overseas calls for which no overseas telephone calls register was maintained. It is recommended that an overseas calls register be introduced to monitor all overseas calls made to ensure recoveries for private calls.
- 5.35 In relation to capital expenditure, supporting documents were not presented for seven payments totalling \$12.5M and there were breaches in Tender Board Regulations. The amount of \$168.257M representing revenue derived from the operations of the Wildlife Division prior to July 1998 not transferred to the Consolidated Fund. In addition, discrepancies were discovered between amounts shown as collected in the cash book and those reflected on the bank statements which resulted in \$49.338M difference. Further, records and supporting documents for the period July 1998 to June 2002 relating to the authorisation of exports, species exported and levies collected were not presented for audit examination.
- 5.36 An annual report in relation to any specimen that is endangered or threatened as well as the status of the species of wild animals and plants was not prepared the Wildlife Division and laid before the National Assembly as required by Section 7 of the Species Protection Regulations. In addition, registers relating to the holder of the permit, type of permit granted, date of expiration, number of permits granted and specimen of wild animal or plant for which the permit is granted, were not maintained by the Division as required by Section 27 (1) of the regulations. Further, forty-three giant anteaters were exported without the approval of the Management Authority.
- 5.37 Revenue derived from agricultural development operations at Garden of Eden, was not paid over to the Consolidated Fund but was kept in a separate bank account. It is recommended that the GDF pay over all revenue derived from agricultural development to the Consolidated Fund, as required by the FAA Act.

## **Ministry of Finance**

- 5.38 A number of departments within the Ministry of Finance continued to receive subventions – CANU, and the Privatisation Unit - contrary to established practices. In addition, the State Planning Commission, which should have been abolished several years ago as a separate legal entity, continues to exist with a staff of fifty one (51). Twenty-eight (28) of these employees were attached to other Government agencies and their emoluments were met from the State Planning payroll. This arrangement facilitates the circumvention of the application of the Government's salary scales as they relate to the emoluments of the concerned employees.

## **Customs & Trade Administration**

- 5.39 The Department needs to be more aggressive against defaulting local manufacturers and owners of spirituous liquor shops. The other area of serious concern was the failure to fully implement the Automated System for Customs Data (ASYCUDA).
- 5.40 There was evidence of undue delays in perfecting PIDs. Eight (8) PIDs valued at \$14.940M had not been perfected at the time of the Auditor General's Report. In addition, the PAC is particularly concerned at the level of laxity in completing files relating to cargo vessels coming into port. For the period under review, 968 vessels reportedly arrived in Port Georgetown but only 721 files were completed and submitted to the Quality Review Section.
- 5.41 Eighty-six (86) duty-free concessions granted in August 2003 of which fifty-two of these concessions were falsified in that the Minister of Foreign Affairs did not approve of them but his photocopied signature appeared in the minutes, purportedly submitted for approval.

## **Guyana Revenue Authority (Internal Revenue)**

- 5.42 No evidence that legal action was taken against 1,088 defaulting companies in respect of corporation tax. In addition, one hundred professionals did not honour their obligation in terms of professional fees. Further eleven cheques totalling \$1.709M for the period 2000 to 2002 remained dishonoured and large balances of \$1.302 billion and \$128.765M on two revenue accounts were not transferred to the Consolidated Fund.

## **Ministry of Foreign Affairs**

- 5.43 Staffing at the foreign missions to manage their financial affairs was not of the desired level and had an adverse effect, in particular the level of internal control needed. In addition, the salaries bank account was not closed and the balance transferred to the Consolidated Fund. Further, the old imprest account reflected an overdraft of \$51.635M and remittances totalling \$188.017M received from overseas missions were not deposited into the Consolidated Fund. Remittances to the missions were not received in a timely manner.

### **Ministry of Local Government**

- 5.44 The majority of municipalities and district councils violated the provisions of the Municipal and District Councils Act, Chapter 28:01 of the Laws of Guyana in that their accounts were not made up four months after the end of the financial year to which they relate. Further, most of the District and Village Councils were significantly in arrears in terms of financial reporting.

### **Ministry of Agriculture**

- 5.45 The failure to reconcile bank accounts, the incurrence of overdraft and the manipulation of the voted provisions to exhaust budgetary allocations continued to prevail for the period under review. For example, 386 cheques valued at \$73.664M were issued during the period 1 to 13 February 2004, but were backdated to 31 December 2003.

### **Ministry of Public Works**

- 5.46 Staffing in all areas of the Ministry was significantly below its authorised strength, which had an adverse effect on the operations. In addition, there was apparent excess maintenance cost for vehicles under the control of Ministry continues to prevail for the period under review. Further, the revenue receivable calculated from forty-one government quarters was \$6.069M of which actual receipt was only \$1.176M.

### **Ministry of Education**

- 5.47 The Ministry continues to experience problems in the adjustment to payroll due to untimely submission of pay change directives that resulted in overpayments made to various agencies, not recovered to date. Authorised staffing of the Ministry did not include teachers attached to various schools in Georgetown. In addition, the old main bank account No. 929 was overdrawn by \$78.115M. Further, items of a capital nature totalling \$18.613M were purchased from current appropriation.

### **Ministry of Culture, Youth & Sports**

- 5.48 Staffing at the Ministry is significantly below its authorised strength and had an adverse effect on its operation. The Ministry operated a special project bank account into which funds from various sources, including fund from the Guyana Lotteries Commission, are placed. As at 31 December 2003, the expenditure incurred from this account totalled \$45.064M of which a significant portion relates to the normal activities of the Ministry. The use of the special projects bank account to meet expenditure is a serious violation.

### **Ministry of Health**

- 5.49 Staffing at the Ministry to manage its operation was not of the desired level and had an adverse effect. In addition, the old main bank account that was overdrawn by \$102.899M was not reconciled since it was established. Further, amounts totalling \$213.433M was given to Wismar/McKenzie Hospital as a subvention although it has not been given statutory status.

- 5.50 The storekeeping and stores accounting systems continued to be of an unacceptable standard. In particular, the Pharmacy Bond in Kingston appeared unsuitable for the storage of drugs and medical supplies. Expired drugs were not kept in a separate bond due to the shortage of storage space.

#### **Georgetown Public Hospital Corporation**

- 5.51 Although the Corporation is a separate entity, it continued to receive appropriation instead of subvention. As such, it ought not to incur expenditure out of its revenue which should have been paid over to the Consolidated Fund.

#### **Ministry of Labour, Human Services and Social Security**

- 5.52 The public assistance imprest bank account No. 902, which became non-operational several years ago, continued to be overdrawn by \$270.586M. This was due to inadequate allocations made over the years. The Ministry failed to reimburse the old public assistance and old age pension bank account with amounts totalling \$121.8M.

#### **Ministry of Home Affairs**

- 5.53 The Auditor General has reported that he was unable to verify that value was received for goods and services for four (4) cheque orders valued at \$32.296M since the related cheque orders had not been cleared. This observation is a clear reflection of a lack of accountability for the use of significant amounts of public funds.
- 5.54 Minutes of the Ministerial Tender Board were stereotype with no reference to the discussions that led to the award of the various contracts. In addition, there was apparent subdivision of purchases to avoid adjudication by the Central Tender Boards. Further, revenues totalling \$18.289M were placed in the Deposit Fund and not paid over to the Consolidated Fund.

#### **Guyana Defence Force**

- 5.55 The reconciliation statement of the salaries bank account indicated an unreconciled amount of \$11.904M at the end of the year. The Unpaid salaries account reflected a balance of \$12.686M which was not accounted for during the inspection. Ninety-two (92) payment vouchers totalling \$48.964M were not presented for audit examination.
- 5.56 Further, the Force continued to retain revenue from the commercial operations of its aircraft to meet expenditure in violation of Sections 17 of the FAA Act. There were also a breach of Tender Board procedures and apparent sub-division.

## **Supreme Court & Magistrates' Courts**

- 5.57 The salaries and main bank accounts reflected balances totalling \$157.138M, which were not transferred to the Consolidated Fund. The Maintenance and Bastardy accounts kept at the Georgetown Magisterial District were not reconciled since its establishment and the cash books were not cast and balanced. A similar observation was made in respect of the Suitors Deposit accounts.
- 5.58 The failure by the Magistrates' Court to present case jackets for audit is viewed very seriously in that it is reflective of improper management and lack of capacity/potential to maintain law and order. In addition, the twelve (12) cases of apparent irregularities totalling \$22.509M, which were uncovered at various Magisterial Districts.

### **Region 1**

- 5.59 The Auditor General has reported that he was unable to verify that value was received for goods and services for 1,175 cheque orders valued at \$185.258M since the related cheque orders had not been cleared. This observation is a clear reflection of a lack of accountability for the use of significant amounts of public funds.

### **Region 2**

- 5.60 Storekeeping and stores accounting continued to be in disarray. In particular, accountability for fuel continued to pose a problem. In addition, the Region retained revenue from the Operations and Maintenance section to meet expenditure totalling \$25.360M in violation of the FAA Act.

### **Region 3**

- 5.61 Accounting and storekeeping were not considered satisfactory. The cash books for three (3) wages and salaries accounts reflected significant balances at the end of each month. Three hundred and two cheque orders valued \$33.012M remained outstanding. Storekeeping and stores accounting continued to be in disarray.

### **Regions 4, 5 & 6**

- 5.62 The Auditor General has reported that he was unable to verify that value was received for goods and services for 333 cheque orders valued at \$235.240M, 10 valued at \$1.349M and 224 valued at \$104.058M for Region 4, 5 and 6 respectively, since the related cheque orders had not been cleared. This observation is a clear reflection of a lack of accountability for the use of significant amounts of public funds. In addition, proper store keeping records were either not kept or not written up to date.

### **Region 7**

- 5.63 Proper accountability for fuel and lubricants also continues to be a problem for the Region. Store keeping and stores amounting continued to be in disarray.

### **Region 8**

- 5.64 Apparent excessive maintenance costs for vehicles under the control of the region continue to prevail for the period under review.

### **Region 9**

- 5.65 Storekeeping and accounting were also not of a satisfactory level. The Auditor General has reported that he was unable to verify that value was received for goods and services for 2,302 cheque orders valued at \$306.267M since the related cheque orders had not been cleared.

### **Region 10**

- 5.66 Three bank accounts were not reconciled. In addition, a number of breaches in the Tender Board procedures were observed. The Region did not seek the requisite approval for a change in programme to undertake capital works.

## **6. OTHER SPECIFIC RECOMMENDATIONS**

- Guidelines should be issued by the Finance Secretary differentiating capital expenditure from Current expenditure;
- Consideration should be given to employ contract officers in the area of accounting to bring backlog bank reconciliations up-to-date;
- To minimise or prevent defective work by contractors, the new Audit Act should include forensic auditing and there should be a central list of black-listed contractors;
- Urgent consideration should be given for the erection of a government warehouse;
- Statutory status should be given to the Students' Loan Agency as early as possible in order to put it under obligation to have annual financial reporting and audit;
- Copies of divestment documents should be made available to the Finance Secretary and the Auditor General and should be kept in a fire proof vault or safe;
- Agencies and the Auditor General's Office should collaborate on means of transportation to remote areas;
- The Accountant General to take immediate steps to write and update all Accounting Officers on procedure in disbursing salaries and wages and their related deductions to reflect "nil" balances at the end of each month;

- The Heads of Budget Agency should put measures in place to ensure that deductions for unpaid salaries are withheld pending clarification on the status of the employee and aggressively follow-up with deduction agencies to recover all outstanding over-payments over the years. In addition, and if feasible, a system can be instituted whereby the overpaid sums by these Agencies are credited to their accounts and these credits can be set-off against payments due in following month;
- Government Departments to acquire appropriate "Fleet Management" computer software to enable them to closely monitor maintenance costs, consumption of fuel and lubricants, etc. in order to be able to better access the operating efficiency and cost effectiveness of operating their fleet of vehicles; and
- The need for speedy action by the Finance Secretary to respond to requests of Accounting Officers to dispose of unserviceable items.

## 7. CONCLUDING REMARKS AND ACKNOWLEDGEMENTS

- 7.1 In my capacity as Chairperson of the PAC, I wish to express my sincere gratitude to the other members 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 five (5) months, and had it not been for the strenuous efforts of all members of the Committee, this report might not have been possible.
- 7.2 The advisers to the Committee - the Auditor General, the Secretary to the Treasury 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.
- 7.3 Since the preparation of this Report, the Committee has noted that in subsequent years some Accounting Officers have made a special effort to comply with the financial regulations, accounting systems and procedures.

*Volda Lawrence*  
**VOLDA A. LAWRENCE, M.P.**  
**CHAIRPERSON**  
**PUBLIC ACCOUNTS COMMITTEE**

22 January 2008