



REPORT OF THE AUDITOR GENERAL

ON



CONSTRUCTION OF THE NEW ACCESS ROAD TO THE CHEDDI JAGAN INTERNATIONAL AIRPORT

Performance Audit



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In conducting performance audits, the Auditor General shall examine the extent to which a public entity is applying its resources and carrying out its activities economically, efficiently, and effectively and with due regard to ensuring effective internal management control.

This report has been prepared in accordance with Part V Section 24(1)(b) of the Audit Act 2004. In conducting this performance audit, we followed the Code of Ethics and Standards and Guidelines for Performance Auditing of the International Organization of Supreme Audit Institutions (INTOSAI), of which the Audit Office of Guyana is a member.

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PERFORMANCE AUDIT

**Construction of the New Access Road to the
Cheddi Jagan International Airport**



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ACRONYMS

IFMAS	-	Integrated Financial Management & Accounting System
GoG	-	Government of Guyana
GPL	-	Guyana Power & Light Corporation
GW	-	Guyana Water Incorporated
GT&T	-	Guyana Telephone & Telegraph Company
MPI	-	Ministry of Public Infrastructure
NAREI	-	National Agricultural Research & Extension Institute
NPTAB	-	National Procurement & Tender Administration Board
WSG	-	Works Services Group

EXECUTIVE SUMMARY

The construction of the new access road from the Timehri Police Station to the Terminal Building at the Cheddi Jagan International Airport was in keeping with the four lane expansion project and the expansion of the Cheddi Jagan International Airport. The Ministry of Public Infrastructure (MPI) (formerly the Ministry of Public Works and Communications) awarded a contract in the sum of \$618.426M for the construction of 2.5 kilometers (km) of roadway from the Timehri Police Station to the Terminal Building at the Cheddi Jagan International Airport. The contract was regarded as a major infrastructure for the Government of Guyana (GoG). The works were slated to be completed within one year from its commencement on 12 July 2011. However, the works were still incomplete after five years.

A performance audit of the management, monitoring and assessment of the construction of the new access road from the Timehri Police Station to the Terminal Building at the Cheddi Jagan International Airport was conducted for the period 1 January 2011 (the approximate date when the pre-tendering stage should have started at the Ministry) to 15 September 2016 (the date we completed the fieldwork for the audit).

The objective of the audit was to determine whether the Ministry of Public Infrastructure managed the project to construct the 2.5 km new access road from the Timehri Police Station to the Terminal Building at the Cheddi Jagan International Airport in an economic and efficient manner and ensured that the works were in compliance with international best practices and all relevant laws, regulations and authorities.

The main findings emanating from this report are as follows:

Works not completed according to contract

- i. Only 1.7 km of the required 2.5 km of roadway was constructed from the Timehri Police Station to the intersection of the road that leads to the Cheddi Jagan International Airport. This resulted in 0.8 km of road not being constructed and there was no reduction in the contract sum for the reduced scope of work.
- ii. The sum of \$618.426M was approved to construct 2.5 km of roadway. Therefore, it would have costed the Ministry \$247.370M per km to construct the road. Using this established cost of \$247.370M per km, the cost of constructing 1.7 km should have been \$420.529M. By paying \$615.647M to construct only 1.7 km of road, or \$362.145M per km, this resulted in an increase cost of \$195.118M or \$114.775M per km.

Outstanding works

- iii. At the completion of our fieldwork on 15 September 2016, 0.30 km of roadway in front of the Timehri Police Station, Guyana Defence Force and Guyana Telephone & Telegraph (GT&T) remained incomplete. Also, placing of concrete barriers, erecting sign poles, road markings and signs were still to be completed.

Overpayments to the contractor

- iv. At the completion of our fieldwork on 15 September 2016, the contractor was overpaid sums totalling \$76.620M for materials cost not recovered, full retention fees not deducted and advance payments not fully recovered, as outlined below. This is in addition to the overpayment resulting from only constructing 1.7 km of road.
- a) The contractor was paid amounts totalling \$72.133M for materials on site during the period 11 October 2011 to 6 June 2013. We observed that only the sum of \$19M was recovered from payments to the contractor, leaving an outstanding amount of \$53.133M to be recovered. The balance of \$2.778M on the contract sum is inadequate to recover the outstanding balance.
 - b) The Ministry only retained the sum of \$45.767M as retention fees. Retention fees were not deducted from four payments totalling \$119.787M. This resulted in the contractor being overpaid the sum of \$11.979M, as a result of the Ministry's failure to retain this amount as retention fees in keeping with the requirements of the contract.
 - c) The contractor received two advance payments totalling \$145.143M, representing 23.5% of the contract sum, although the contract agreement stipulated only a 20% mobilization advance. In addition, the advance was required to be completely repaid prior to the time when 80% of the accepted contract amount less provisional sums, has been certified for payments. The total amount paid on the contract amounted to \$615.647M. This included \$20.563M, which was paid to the GT&T for the removal of the junction box. However, the full advance was not recovered even though \$595.084M or 96% of the contract sum was paid to the contractor. The Ministry recovered only \$133.635M, leaving a balance of \$11.508M still to be recovered.

Project timelines not achieved

- v. According to the contract, the construction works were to be completed 365 days from date of commencement, which was 12 July 2011. Therefore, the works were due to be completed on 11 July 2012. The contractor did not complete the construction of the road within the specified time allocated and five years after its commencement, the construction works were still in progress. Approvals for the extensions of time were not presented for audit verification even though the contractor sent letters to the Ministry in 2012 and 2013 seeking the Ministry's approval for extensions of time for varying reasons.

Delay/liquidated damages clause not enforced

- vi. We were not aware of any attempt by the Ministry to recover any delay damages from the contractor, even though the works were not completed within the specified time allocated. While the contractor encountered obstructions in the path of the roadway and other difficulties, we conclude that the obstructions and other difficulties could not justify the more than four-plus years of delay in completing the road and hence, the contractor was liable for a portion of the delay.

Unauthorised works

- vii. An approved variation was not seen for three new items totalling \$31.545M that were added to the original bill of quantities. We noted that the contractor was paid sums totalling \$46.111M for the new items. In the absence of an approved variation, we conclude that the amount represents unapproved works performed by the contractor. In addition, we could not ascertain the reason for varying the Engineer's Estimate to include the additional works or why an extra \$14.566M had been paid.

Needs assessment and feasibility studies not done

- viii. The Ministry did not provide us with a needs assessment and feasibility studies for the construction of the new access road. This is vital for assessing whether the Ministry had achieved its objective and whether the selected choice was the most economic one.

Lack of frequent monitoring and supervision of activities

- ix. We saw no evidence of proper monitoring and supervision by the Works Services Group (WSG) of the works carried out on the construction of the road, as regular monthly reports from the Ministry and contractor were not presented. As a result, we must conclude that there was not proper project administration by the WSG. In addition, there were excessive delays by the Ministry in addressing problems identified by the contractor especially for the relocation of the GT&T's junction box that was an obstacle in the path of the roadway. The matter was settled by a court order on 30 April 2014, which required the Ministry and the contractor to pay 50% or \$22.329M of the removal cost.

One newspaper used to advertise invitation to tender

- x. The WSG could not demonstrate that the invitation to tender was widely advertised and opened to everyone. We were presented with only clippings from the Guyana Chronicle newspaper. As a result, we do not believe that the invitation to tender could be considered to be widely advertised. Using only one newspaper could have resulted in fully qualified contractors not being aware of the invitation to tender and hence not submitting bids. Also, the time period given to submit tenders was considered very short.

Overall Conclusion

The MPI had overall responsibility to manage the construction of the 2.5 km new access road from the Timehri Police Station to the Terminal Building at the Cheddi Jagan International Airport in an economic and efficient manner that ensured the works were in compliance with international best practice and the relevant laws, regulations and authorities. Our findings revealed that there were serious challenges in the pre-tendering and contract administration and controls stages, which affected the scope of the work and timelines. As a result, we conclude that the Ministry did not effectively manage the project for the construction of the new access road. We based our conclusion on the following:

- All works were not completed according to contract, since only 1.7 km of the required 2.5 km road was constructed. There was no reduction in the contract price for the construction of the shorter road.
- There were overpayments to the contractor and the balance remaining on the contract sum is insufficient to recover the overpayments.
- Absence of needs assessment and feasibility studies.
- There were unauthorised works.

- Works which were required to be completed in one year are still incomplete after five years. There was no attempt by the Ministry to recover delay damages from the contractor.
- There were excessive delays in removing utilities, which affected the project timelines.
- Lack of frequent monitoring and supervision of activities and monthly reports from the Ministry.

Introduction

1. We conducted a Performance Audit on the management, monitoring and assessment of the construction of the new access road from the Timehri Police Station to the Terminal Building at the Cheddi Jagan International Airport. The audit was for the period 1 January 2011 to 15 September 2016. The audit was conducted to determine whether the Ministry managed the project in an economic and efficient manner and complied with international best practices and all relevant laws, regulations and authorities.

2. The MPI is the country's epicenter of engineering and technical excellence. Its key responsibilities, among others, include the planning, creation and maintenance of major public civil works infrastructure throughout Guyana.

3. The construction of the new access road came under the purview of the MPI's WSG. The WSG's major goals are to improve infrastructure maintenance, road safety and environmental management and lower roads maintenance costs.

4. The construction of the new access road falls under the MPI's Programme 2 – Public Works. The objective of the Programme was to ensure the effective, efficient and safe design, supervision, construction and maintenance of civil works in Guyana.

5. The WSG's mission is to:

- Create, plan, implement and champion an integral and safe transportation network that incorporate all modes of transport, and provides a strong foundation for Guyana's economics growth strategy, air quality objectives and development.
- Maintain and improve the regional roads systems, ensuring the safe and efficient movement of people and goods provincially, nationally and internationally.

6. The main work areas of the WSG involve transport planning, road maintenance management, preparation and evaluation of tenders, supervision of consultants/contractors, road/bridge inspection and design work.

7. The WSG plans transportation networks, provides transportation services, develops and implements transportation policies, and administers many transportation related acts and regulations. To accomplish its purposes, the WSG:

- Builds highways, roads and bridges to fulfill its economic and social needs of Guyanese.
- Maintains existing highways to a high standard through contracts with private sector road maintenance providers.

Background

8. The construction of the new access road from the Timehri Police Station to the Terminal Building at the Cheddi Jagan International Airport was conceptualized by the Government via the Ministry of Public Works and Communications and the Ministry of Finance. The project was part of the four lane expansion project and was further supported by the expansion of the Cheddi Jagan International Airport Project. In this regard, it was decided to commence the construction of the new access road, which totalled 2.5 km in length. The planning phase for the construction of the road was done in-house, by the WSG.

9. The project was for the expansion of a section of the roadway from two lanes to four lanes. The scope of the works comprised of the construction of a new access road, relocation of existing utilities along the road alignment, construction of sidewalks, concrete medians, road shoulders and road markings and lighting.

10. The Engineer's Estimate amounted to \$764.474M and the contract was awarded to the lowest evaluated tenderer in the sum of \$618.426M. The National Procurement and Tender Administration Board (NPTAB) approved the contract in the sum of \$618.426M, and Cabinet gave its no objection to the award. The construction cost was funded annually from the MPI's capital appropriation allotments.

11. The duration of the works was to be 365 days or one year from the date of commencement of the works, that is, 12 July 2011. The works were due for completion on 11 July 2012. However, at the completion of our fieldwork on 15 September 2016, the works remained incomplete.

Reasons for Undertaking the Audit

12. There is one main road leading to the Cheddi Jagan International Airport. The construction of a new access road from the Timehri Police Station to the Airport was in keeping with the four lane expansion project and the expansion of the Cheddi Jagan International Airport.

The contract, awarded in the sum of \$618.426M for the construction of 2.5 km of road, was regarded as a major infrastructure for the GoG.

13. We were aware that the works which were slated to be completed on 11 July 2012 were still not completed many years later. We were also aware that:

- The contractor had encountered problems with Guyana Power and Light (GPL) power poles, Guyana Water Incorporated (GWI) water mains, National Agricultural Research and Extension Institute (NAREI) fence and building and the GT&T's junction box, all being in the path of the roadway.
- The court on 30 April 2014, settled the matter for the relocation of the GT&T junction box and the Ministry paid the company the cost for the relocation. Despite this settlement, the works continued at a slow pace.

14. Given these factors, a decision was taken to conduct a performance audit of the construction of this road to determine whether the Ministry managed the project to ensure that the works were undertaken in an economic and efficient manner and complied with international best practices and the relevant laws, regulations and authorities.

Audit Objective

15. To determine whether the Ministry of Public Infrastructure managed the project to construct the 2.5 km new access road from the Timehri Police Station to the Terminal Building at the Cheddi Jagan International Airport in an economic and efficient manner and ensured that the works were in compliance with international best practices and all relevant laws, regulations and authorities.

Audit Criteria

16. Audit criteria are reasonable standards against which management practices, controls and reporting systems can be assessed. The audit criteria are as follows:

- 1) We expected the Ministry to conduct a needs assessment and feasibility studies for the construction of the new access road from the Timehri Police Station to the Terminal Building at the Cheddi Jagan International Airport. This process would include the consideration of possible options, full support for the option selected and the documentation of the entire process.

- 2) We expected the Ministry to properly manage the tendering process and the awarding of the contract in accordance with international best practices and the requirements of the Procurement Act of 2003.
- 3) We expected the Ministry to manage the construction of the new access road in a way that ensured economy and efficiency and in compliance with the contract and all relevant laws, regulations and authorities.

Roles and Responsibilities of Key Players

17. The Head of Budget Agency, who is the Permanent Secretary, has overall responsibility for the management of the MPI. The Head is assisted by the Finance Comptroller and Accountant who are responsible for managing and controlling the financial resources of the Works Services Group. The Head is also assisted by the Coordinator, Chief Roads and Bridges Officer, Procurement Officer and Engineer of the WSG. The following flowchart shows the roles and responsibilities of these key players:

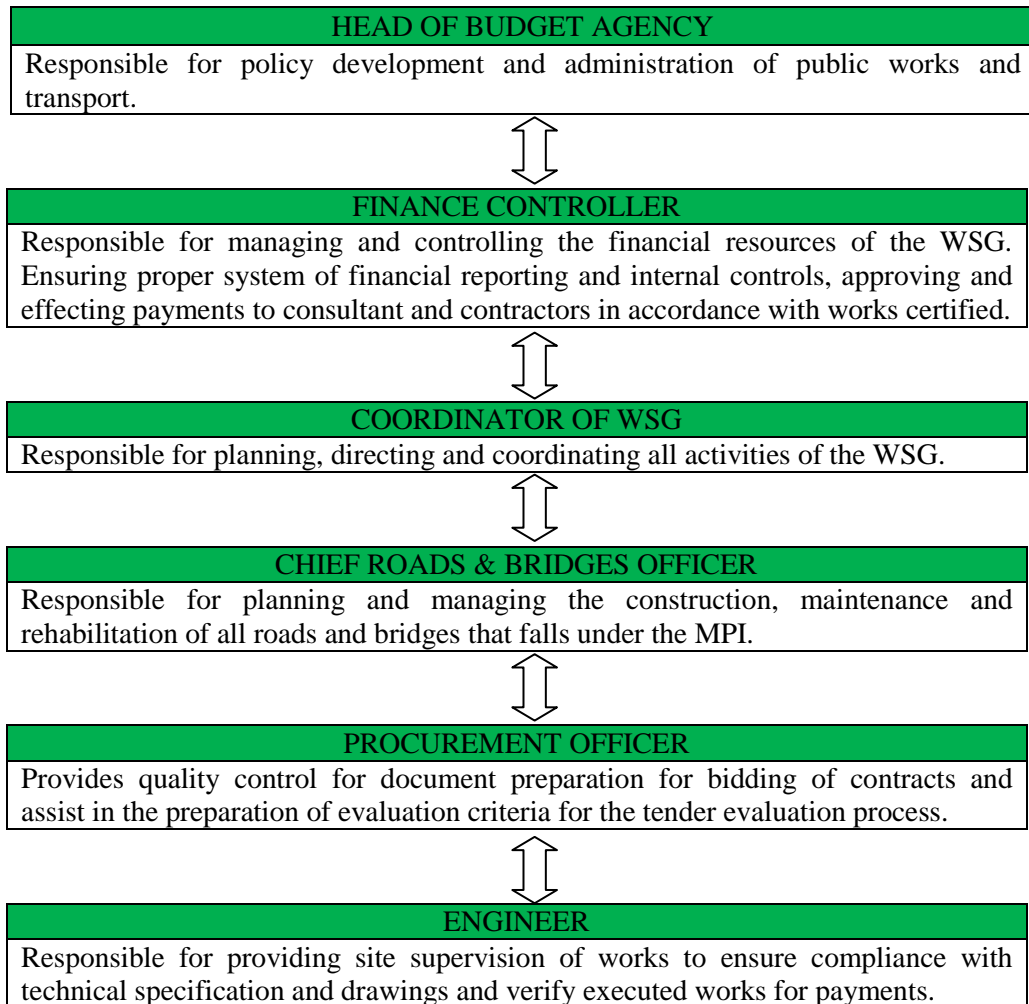


Fig.1 – Key players roles & responsibilities

Financial Management

18. The responsibility for management, monitoring, assessment, construction of, and payments for the construction of the new access road falls under the WSG. The management for the construction of the new access road was expected to establish and maintain adequate management controls over financial and human resources, continually monitor their effectiveness and ensured that relevant authorities, such as the Procurement Act 2003 and Regulations, international best practices and contractual requirements were complied with.

Report Structure

19. This report consists of three *Chapters* considered by the audit for the construction of the new access road from the Timehri Police Station to the Terminal Building at the Cheddi Jagan International Airport, as follows:

- *Chapter 1* - Pre -Tendering Stage.
- *Chapter 2* - Tendering Stage.
- *Chapter 3* - Contract Administration and Controls.

Chapter 1

Pre-Tendering Stage

Criterion 1:

We expected the Ministry to conduct a needs assessment and feasibility studies for the construction of the new access road from the Timehri Police Station to the Terminal Building at the Cheddi Jagan International Airport. This process would include the consideration of possible options, full support for the option selected and the documentation of the entire process.

20. The Ministry of Public Infrastructure (MPI) is the country's epicenter of engineering and technical excellence. The Ministry's key responsibilities among others include the planning, creation and maintenance of major public civil works infrastructure throughout Guyana.

21. The construction of the new access road from the Timehri Police Station to the Terminal Building at the Cheddi Jagan International Airport came under the purview of the MPI's WSG. The WSG was responsible for conducting the needs assessment and feasibility studies.

Needs assessment not done

22. A needs assessment attempts to collect as much information as possible in order to build a comprehensive understanding of the needs that are to be met and the issues facing the achievement of those needs. Once those needs are understood, it is a lot easier to identify potential solutions. To assist in the consideration of needs and the potential choices to meet those needs, it would be ideal for the Ministry to have a long-term overall plan for road networks, and that plan contain general objectives such as reducing traffic congestion, travel time and road accidents. The various options for each specific construction project could then be assessed in relation to the long-term overall plan.

23. At the time of the audit, the Ministry had not provided any evidence of the needs that it had identified and the desired outcomes or objective to be achieved. We have also not been provided with a long-term overall plan. As a result of the absence of a needs assessment, we must conclude

that the Ministry had no documented evidence of the benefits that would have arisen from the construction of the road.

Recommendation: *The Audit Office recommends that the Head of Budget Agency conduct needs assessment for all capital works to understand the needs that are to be met and the issues facing the achievement of those needs.*

Ministry's Response: The Head of Budget Agency explained that:

- a) The construction of the New Access Road to the International Airport was a policy decision taken at that time. The long term vision was for the entire East Bank Demerara Public Road (EBDPR) from Georgetown to Timehri to be a 4-lane corridor.
- b) At the time of conception, the EBDPR was being widened from Providence to Diamond, while the Inter-American Development Bank had allocated funds for the feasibility studies and design for the section between Grove and Timehri.
- c) The contract for the extension of the Cheddi Jagan International Airport was also being negotiated at this time, making it more prudent for this initiative.

Feasibility studies not done

24. Once needs are known and various ways to meet those needs are identified, the Ministry needs to consider the feasibility and cost of each potential option. Feasibility studies include, among other things, important assumptions, the economic justification for recommended improvement(s), estimate of the total construction cost and environmental mitigation costs, annual operating and maintenance costs, cost-benefit analysis, conclusions and recommended future implementation actions.

25. We found that the WSG had responsibility for the preparation of the feasibility studies for the construction of the road. However, the WSG did not provide us with any documentary evidence that such studies were conducted. We were informed that the planning phase for the construction of the new access road was done in-house, by the WSG and the following options were considered:

- a. Upgrading the Glass Factory Road.
- b. Extending the existing exit road from the Airport westwards to the East Bank Public Road.
- c. Widening along the existing road alignment. This option was selected.

26. While we were informed that these options were considered, we have not been provided with any documentary evidence supporting this assertion and the cost of each of the options considered. As a result, we must conclude that the Ministry had no evidence of the issues discussed and challenges that would have arisen for the construction of the new access road.

Recommendation: *The Audit Office recommends that the Head of Budget Agency conduct feasibility studies for all capital works to determine the feasibility of options and the cost of each potential option.*

Ministry's Response: The Head of Budget Agency explained that the following options were considered during the route selection.

Route Options	Remarks
Upgrading the Glass Factory Road	This option was not feasible for the following reasons: a. Cost. b. Longer length. c. Terrain requires major side slope protection and width restrictions in certain sections of the alignment. d. The extension of the runway to the north east will terminate this road.
Extending the existing exit road from the Airport westwards towards the EBDPR	This option was not feasible for the following reasons: a. Cost. b. Terrain requires large amount of backfilling. c. Acquisition of land would be required.
Widening along the existing road alignment	This option was the preferred option for the following reason: a. Least cost option.

Engineer’s Estimate/costed specification prepared

27. An Engineer’s Estimate is a detailed cost estimate for a project, computed by estimating the cost of every activity, summing these estimates, and adding appropriate overheads.

28. We expected the WSG to prepare an Engineer’s Estimate or costed specifications for the selected option that contained detailed and costed specifications. We found that an Engineer’s Estimate was prepared by the WSG for the construction of the road. We were informed that the persons who oversaw the preparation of the Estimate were the WSG Coordinator, the Engineering Coordinator and the Highway Engineer. However, we could not determine when the Estimate was prepared and by whom, as the document had no date and was not signed by the persons who prepared, reviewed and approved it. As a result, we could not validate the authenticity of the Engineer’s Estimate. The total estimated cost to construct the road amounted to \$764.474M and included ancillary cost in the sum of \$40M to cover any contingency that may occur during the construction of the road. A summary of the total cost is shown in Table 1 below.

Division	Description	Amount G\$
01	General Items	167,380,000
02	Site and Earthworks	66,702,800
03	Sub-Base and Base	143,991,000
04	Pavement	124,875,000
05	Minor Drainage	69,500,000
06	Incidental Road Works	100,000,000
07	Signs and Road Markings	6,355,000
08	Bridges and Box Culverts	20,200,000
09	Day works (Provisional)	25,470,000
10	Contingency	40,000,000
Total		764,473,800

Table 1 (Source - Ministry’s Engineer’s Estimates)

Recommendation: *The Audit Office recommends that the Head of Budget Agency review the controls exercised over the preparation of the Engineer’s Estimate so that corrective action can be taken to have the document dated and the necessary signatures appended thereto.*

Ministry’s Response: The Head of Budget Agency concurs with the recommendations made by the Auditor General. The Head explained that the cost estimate

(Engineer's Estimate) was prepared by the Engineering Coordinator along with the Highway Engineer. The Engineer's Estimate was approved and submitted to the NPTAB, which is a requirement. This was then read out at the tender opening.

29. The amounts shown in the Engineer's Estimate could not be compared to the amounts used when the route options were being considered, as we have not been provided with the estimated costs for the latter amounts. Also, we could not compare the detailed costed specifications with the specifications for the construction of a similar road, as this information was also not made available to us. We were also not provided with information on the sources used to cost the items. As such, we could not determine how the specifications were costed and the suitability of the sources used to arrive at the total project cost.

Conclusion on criterion

30. Given the absence of documentary evidence for the conduct of a needs assessment and feasibility studies, for the construction of the new access road from the Timehri Police Station to the Terminal Building at the Cheddi Jagan International Airport, we must conclude that the WSG had no proper planning in place for the pre-tendering stage of the project.

Chapter 2

Tendering stage

Criterion 2:

We expected the Ministry to properly manage the tendering process and the awarding of the contract in accordance with international best practices and the requirements of the Procurement Act of 2003.

One newspaper used to advertise invitation to tender

31. Section 30 (1) of the Procurement Act of 2003 states, “A *procuring entity shall solicit tenders by causing an invitation to tender to be published in newspapers of wide circulation and posted in public places. The invitation to tender or to prequalify as applicable shall contain a brief description of the goods or construction to be procured and shall state the deadline for submission and where the solicitation documents and additional information regarding the tender may be obtained.*”

32. On the other hand Section 30 (2) states, “*The invitation to tender or invitation to prequalify shall be published in at least a newspaper of wide circulation or in at least one journal of wide international circulation...*” This section requires the invitation to tender to be published in a newspaper or journal of wide international circulation to allow potential and qualified international bidders to submit bids.

33. We expected that the Ministry would have taken steps to have the invitation to tender published locally in more than one newspaper as required by international best practices and Section 30 (1) the Procurement Act of 2003, to allow for wider circulation of the advertisement to potential and qualified bidders.

34. We enquired from the WSG whether the tendering process for the construction of the new access road had been opened to all bidders by publishing the advertisement in newspapers of wide circulation. The WSG informed us that the tendering process had been opened to everyone and

that the invitation to tender was published in one newspaper for three Sundays that is, 1, 15 and 29 May 2011.

35. We found that the invitation to tender or the Invitation for Bids was placed in one newspaper, the Guyana Chronicle for the three Sundays. The invitation specified the required information for qualified contractors to tender their bids. Also, a copy of the letter dated 29 April 2011 to the Guyana Information Agency requesting the advertisement for the Invitation for Bids to be placed in the newspaper for construction works for the new access road, was also presented for audit verification, which contained the following information:

- I. Sealed bids were requested from eligible bidders.
- II. Bidding will be conducted through the National Competitive Bidding procedures and is open to all bidders.
- III. Further information could be obtained from the WSG after 6 May 2011.
- IV. Qualifications that bidders had to meet. These included the bidders being of a certain size, having no non-performing contracts during the past three years and having done work of the same nature, size and complexity.
- V. A complete set of Bidding Documents in English and electronic format may be purchased by interested bidders, upon cash payment of a non refundable fee of two thousand Guyana dollars (G\$2,000).
- VI. Bids must be delivered to the National Procurement and Tender Administration Board (NPTAB) at or before Tuesday 7 June 2011 at 09:00hrs. Late bids will be rejected. Bids will be opened physically in the presence of the bidders' representatives who choose to attend in person.
- VII. All bids shall be accompanied by a Bid Security of \$10,000,000.
- VIII. A pre-bid meeting will be held on 13 May 2011 at 09:00hrs at the Ministry of Public Infrastructure.

36. The qualifications specified were designed to ensure that the bidder's reputation, work experience and financial resources were adequate for the successful completion of the road, while at the same time not unduly restricting competition.

37. As a result of the Invitation for Bids only being placed in one newspaper, we do not believe that the invitation could be considered to be widely advertised. Using only one newspaper could have resulted in fully qualified contractors not being aware of the Invitation for Bids and hence, not submitting bids.

Recommendation: *The Audit Office recommends that the Head of Budget Agency consider publishing the invitation to tender in more than one newspaper of wide circulation to allow for wider circulation of the advertisement.*

Ministry's Response: The Head of Budget Agency explained that:

- a) The policy of the Government is to submit the advertisement to the Guyana Information Agency who then decides which print media it will be published.
- b) Section 30 (2) of the Procurement Act of 2003 states, "The invitation to tender or invitation to prequalify, shall be published in at least a newspaper of wide circulation or in at least one journal of wide international circulation dedicated to publishing international tendering whenever foreign tenderers are expected to be interested in the contract. Contracts in which only national tenderers are expected to be interested may be advertised only nationally, pursuant to subsection (1)."
- c) While the Procurement Act of 2003 does not give any details as to the number of times a bid should be advertised or the duration require for a bid to be submitted, from the above it can be determined that it has to be advertised at least once, hence the time for submitting a bid commences from such publication.

Period of time to prepare and submit bids was very short

38. We found that the period of time given to prepare the bids was very short, when compared to the minimum of six weeks that is required for similar projects funded by international financial institutions such as the World Bank. The bidders who had seen the advertisement on 1 May 2011 and who had picked up the bid document on 6 May 2011 had a lead time of one month after collecting the document, which had to be delivered at or before 7 June 2011. Those who had not seen the advertisement until 15 May or 29 May 2011 would have had only three weeks or one week, respectively to prepare their bids. In addition, those who had not seen the advertisement until 15 May 2011 would have missed the pre-bid meeting that was held on 13 May 2011, to clarify issues raised by the bidders, among others things. Giving bidders such a short time period to prepare bids could have resulted in fully qualified contractors not submitting bids.

Recommendation: *The Audit Office recommends that the Head of Budget Agency and the Procurement Officer review the time given for bidders to view bid documents, attend pre-bid meetings and prepare their tenders, to determine whether the time of one month is adequate.*

Ministry's Response: The Head of Budget Agency explained that:

- a) The Ministry understands the logics highlighted in the report regarding the time that a bidder may have if that bidder only saw the last publication.
- b) The Ministry considers the duration of one (1) month adequate time for the submission of such a bid.
- c) Section 33 (3) of the Procurement Act of 2003 states that “If the procuring entity convenes a pre-bid meeting of suppliers or contractors, it shall prepare minutes of that meeting containing the queries submitted at the meeting for clarification of the tender documents, and its responses to those queries, without identifying the sources of the queries. The minutes shall be provided promptly to all suppliers or contractors to which the procuring entity provided the tender documents, so as to enable those suppliers or contractors to take the minutes into account in preparing their tenders.”

- d) Based on the above, if a bidder purchased a Bid Document after the pre-bid meeting, the minutes of the pre-bid meeting will be available to such a bidder.

Tenders were opened in public

39. Section 38(1) of the Procurement Act of 2003 states, “*Tenders shall be opened in public at the time specified in the solicitation documents as the deadline for the submission of tenders, or at the deadline specified in any extension of the deadline, at the place and in accordance with the procedures specified in the solicitation documents.*”

40. We enquired about the procedures used for the opening of the tenders. We found that all tenders or bids were opened at the specified date on 7 June 2011, at 9:00hrs and at the NPTAB located at the Ministry of Finance. As a result, we conclude that the requirements were met for the opening of the tenders.

41. Eight tenderers submitted tenders or bids for the works advertised. Details of tenders or bids received after correcting tendered amounts for mathematical and other errors are shown in Table 2 below:

Tender No	Name of Tenderer	Country of Origin	Tender/Bid Price \$
1	KARES Engineering Inc.	Guyana	688,505,750
2	DIPCON Engineering Services Ltd.	Guy/Trinidad	748,672,064
3	Courtney Benn Contracting Services Ltd.	Guyana	726,444,350
4	Falcon Transportation & Construction Services	Guyana	691,925,200
5	BK International Inc.	Guyana	618,425,600
6	CO Williams Construction Ltd.	Barbados	1,509,220,961
7	H. Nauth & Sons	Guyana	813,445,000
8	General Earth Movers Ltd. & Gaico Construction Inc. JVC	Trinidad/Guyana	619,698,500

Table 2 (Source – Evaluation report)

Tenders were correctly evaluated

42. An Evaluation Committee which comprised of the Permanent Secretary and Chief Transport Planning Officer of the Ministry of Public Works and Communications, and Senior Engineer of the Ministry of Agriculture was appointed by the NPTAB to evaluate the tenders or bids. The Committee was required to prepare an evaluation report.

43. Section 39 (2) of the Procurement Act of 2003 states, “*The Evaluation Committee shall, using only the evaluation criteria outlined in the tender documents, evaluate all tenders, determine which tenderer has submitted the lowest evaluated tender, and convey its recommendation to the procuring entity within a reasonable period of time, but not longer than fourteen days.*”

44. The criteria used to evaluate the tenders or bids were prepared by the Procurement Officer in collaboration with the Head of Budget Agency. The evaluation criteria were specified in the Invitation for Bids document that tenderers were evaluated against, as stated in paragraph 35 above.

45. We found that an evaluation report was prepared by the Evaluation Committee who evaluated all tenders or bids against the criteria. Four of the eight tenders or bids did not meet the required criteria and were eliminated from further consideration. The remaining four tenders or bids were ranked based on the tendered price. Tender № 5 submitted by BK International Inc., was ranked the lowest evaluated tender. The Committee then recommended that BK International Inc., be awarded the contract for a tendered price of \$618.426M. We conclude that the Ministry complied with the requirement of the Procurement Act of 2003 for the evaluation of tenders.

Contract awarded to lowest evaluated tenderer

46. The NPTAB approved the award of the contract to BK International Inc., in the sum of \$618.426M and Cabinet gave its no objection to the award. The Ministry notified BK International Inc., the lowest evaluated tenderer, of its selection. A contract was then prepared and signed on 29 June 2011 by BK International Inc., and the Head of Budget Agency of the Ministry of Public Works and Communications for the sum of \$618.426M. The works comprised of the construction of approximately 2.5 km of roadway from the Timehri Police Station to the Terminal Building at the Cheddi Jagan International Airport and included the following:

- Construction of a 1 m wide concrete median.
- Construction of two 3.3 m wide asphalt concrete carriageways.
- Construction of a 1.5 m wide asphalt concrete walkway.
- Construction of reinforced concrete drains.

Conclusion on criterion

47. The requirements were met for the opening and evaluation of tenders. We conclude that the invitation to tender was not widely advertised as only one newspaper was used to place the advertisement. Also, the period of time given to prepare and submit tenders or bids was very short. As a result, we conclude that the Ministry did not fully manage the tendering process for the awarding of the contract in accordance with international best practices and the requirements of the Procurement Act of 2003.

Chapter 3

Contract Administration and Controls

Criterion 3:

We expected the Ministry to manage the construction of the new access road in a way that ensured economy and efficiency and in compliance with the contract and all relevant laws, regulations and authorities.

48. The Ministry and its WSG were responsible for administering the contract for the construction of the new access road. In this regard, the key personnel included the Permanent Secretary, Finance Controller and Accountant from the Ministry and the Coordinator, Chief Roads and Bridges Officer, Procurement Officer and Engineer from the Ministry's WSG. In addition, the contract required the contractor to employ key personnel, which included a Project Manager, Materials Engineer, Land Surveyor and Construction Foreman. We found that these persons were in place for managing the construction works and administering the requirements of the contract.

Shorter road constructed

49. The contract states, "*The Employer hereby covenants to pay the Contractor in consideration of the execution and completion of the works and the remedying of defects therein, the contract price of six hundred and eighteen million, four hundred and twenty-five thousand, six hundred Guyana dollars (G\$618,425,600)...*" The scope of works in the contract required the contractor to construct approximately 2.5 km of road from the Timehri Police Station to the Terminal Building at the Cheddi Jagan International Airport. We therefore determined that it would have costed the Ministry \$247.370M per km to construct the road.

50. Physical verification of works completed on the new access road was last conducted on 15 September 2016, by the Engineers of the Audit Office of Guyana and the WSG. During the visit, it was determined that only 1.7 km of road was constructed from the Timehri Police Station to the intersection of the road that leads to the Cheddi Jagan International Airport. As a result, there was 0.8 km of road not being constructed. As such, we expected that the reduced scope of works would have resulted in savings on the contract sum.

51. We used the established cost of \$247.370M per km of road and determined that the Ministry should have expended \$420.529M to construct the 1.7 km of road. However, our examination of the Interim Payment Certificates revealed that sums totalling \$615.647M (\$595.084M to the contractor and \$20.563M to the GT&T for the removal of the junction box) were paid, resulting in a cost of \$362.145M per km, an increase of \$114.775M or 46% per km of the established cost. The Ministry in response stated that payments to the contractor were based on the quantity of works executed, using the rates as quoted in the contract. We therefore interpret this explanation to mean that there was a significant increase in the quantity of materials and labour used for works executed. We found no evidence that the Ministry took steps to determine the reasons for the variance between the quantities of materials and labour approved as per contract and the actual quantity used by the contractor. We were not provided with any amendments to the contract for the increase.

Ministry's Response: The Head of Budget Agency explained that Sub-Clause 12 of the General Conditions, Measurement and Evaluation clearly outlines the procedures for payments. Payments were done based on the quantity of works executed, using the rates as quoted in the contract.

Overpayments to the contractor

52. The contractor was paid sums totalling \$595.084M according to the Interim Payment Certificates examined. From the amounts expended to date, we determined that the contractor was overpaid sums totalling \$76.620M as reflected in Table 3 below. This is in addition to the overpayment resulting from only constructing 1.7 km of road.

Description	Amount \$'000
Material cost	53,133
Retention fee	11,979
Advance payments	11,508
Total	76,620

Table 3 (Source – Ministry’s interim payment certificates)

Materials cost not recovered

53. Sub-Clause 14.5 of the contact states, “...*Interim Payment Certificates shall include (i) an amount for Plant and Materials which have been sent to the Site for incorporation in the Permanent Works and (ii) a reduction when the contract value of such Plant and Materials is included as part of the Permanent Works...*” If not deducted, the contractor would have been paid twice, once when the materials were delivered and again when used during construction.

54. We therefore expected that each Interim Payment Certificate would reflect as a deduction to the amount the contractor considers himself to be entitled, the value of materials included in the construction works, for which the contractor had already been paid. We found that during the period 11 October 2011 to 6 June 2013, the contractor was paid amounts totalling \$72.133M for materials on site. At the completion of our fieldwork on 15 September 2016, only the sum of \$19M was recovered from payments to the contractor, leaving an outstanding amount of \$53.133M to be recovered. The failure of the Ministry to not deduct the value of materials included in the construction works resulted in the contractor being overpaid the sum \$53.133M.

Recommendation: *The Audit Office recommends that the Head of Budget Agency take action to recover the amount overpaid to the contractor.*

Ministry’s Response: The Head of Budget Agency explained that the remaining works that have to be completed will utilise this sum of money that was paid under the line item “Materials on Site.”

55. While the Ministry responded by saying that the remaining works will utilise the amount overpaid, we conclude that the value of the remaining works must be equal to or greater than \$53.133M in order for the Ministry to recover the overpayment. As discussed in paragraph 64 below, the balance remaining on the contract is inadequate to recover an overpayment of this amount.

Full retention fees not deducted

56. Sub-Clause 14.3 of the General Conditions of the contract states, “An amount of 10% must be deducted from the amounts to which the contractor considers himself to be entitled and the amount must be reflected in each Interim Payment Certificate. The amount retained is limited to 10% of the accepted contract price.” At the completion of our fieldwork on 15 September 2016, the sum of \$45.767M was retained from payments made to the contractor. However, it was observed that retention fees were not deducted from four payments totalling \$119.787M for the period December 2013 to April 2015 and October 2015, resulting in the sum of \$11.979M not being deducted. As a result, we conclude that adequate controls were not in place over the approval of payments, which resulted in the sum of \$11.979M being overpaid to the contractor.

Recommendation: *The Audit Office recommends that the Head of Budget Agency comply with the requirements of the contract with regards to the deduction of retention fees and take action to recover the amount overpaid to the contractor.*

Ministry’s Response: The Head of Budget Agency explained that the remaining retention will be deducted from the payment after the works have been completed. However, the Ministry concurs with the observation from the audit report.

57. Notwithstanding the response of the Head of Budget Agency, it should be noted that, the balance remaining on the contract is inadequate to recover the amount overpaid, as discussed in paragraph 64 below.

Advance payments not fully recovered

58. In relation to the mobilization advance, Sub-Clause 14.2 of the General Condition of the contract states, “*The Employer shall make an advance payment of 20% of the accepted contract amount as an interest-free loan for mobilization, when the Contractor submits a guarantee in accordance with this Sub-Clause.*”

59. We found that the Ministry paid the contractor two advance payments totalling \$145.143M or 23.5% of the contract sum. The first payment of \$123.685M, representing a 20% mobilization advance was paid on 19 July 2011. Evidence was seen where a guarantee was submitted to cover the amount advanced. The first advance, which was permitted under the contract, was fully repaid in April 2015. The Ministry paid the contractor a second advance of \$21.458M on 28 December 2011 without any justification as to the reason for this advance. We conclude that the payment of a second advance to the contractor beyond the percentage specified breached the requirements of the contract. Based on the Ministry’s records and response, \$11.508M remained outstanding.

Ministry’s Response: The Head of Budget Agency explained that:

- a) The Second Mobilization Advance totalling \$21.458M was made to the Contractor on 28 December 2011.
- b) During the year 2011, the sum of \$180M was allocated towards the project, however as of 20 December 2011, the sum of \$21.458M was not utilised. With the Government not wanting to burden the 2012 budget, it was agreed that a payment will be made to the Contractor to the sum of \$21.458M on the condition that the payment will be made against a Mobilization Advance Bond.
- c) Upon the submission of the Mobilization Advance Bond, the payment was made. The mobilization advance has been fully repaid.

60. In justifying the second advance of \$21.458M, the Ministry stated that there were savings on the 2011 allocation and the Government did not want to burden the 2012 budget. However, our examination of the Interim Payment Certificates for the year 2011 revealed that the contractor was paid amounts totalling \$309.200M or \$129.200M in excess of the stated allocated amount of \$180M. Therefore, the amount expended exceeded the amount allocated. Further, the fact that the works were due for completion in 2012 meant that adequate provision should have been made for the construction cost to be included in that year's budget.

61. Sub-Clause 14.2 (b) of the contract required the advance payment to be completely repaid prior to the time when 80% of the accepted contract amount less provisional sums has been certified for payment. We found that the contractor was paid amounts totalling \$511.929M or 84.48% of the contract sum as at 27 September 2013. However, on this date, the Ministry only recovered amounts totalling \$82.014M or 56.51% of the \$145.143M advanced, leaving a balance of \$63.129M to be recovered. We conclude that the Ministry did not administer the contract in an efficient manner to ensure that all clauses contained therein were fully complied with.

62. We examined the last Interim Payment Certificate which was dated 6 October 2015, to determine whether the full amount advanced was recovered from the contractor. We found that only amounts totalling \$133.635M were recovered, leaving a balance of \$11.508M still to be recovered. As a result, we conclude that the Ministry did not exercise adequate control over the payments to the contractor to ensure that the full amounts advanced were recovered in a timely manner.

Recommendation: *The Audit Office recommends that the Head of Budget Agency comply with the requirements of the contract with regards to the recovery of advance payments and take steps to recover the amount outstanding from the contractor.*

Ministry's Response: The Head of Budget Agency explained that the Ministry is currently processing a payment that will recover the outstanding advance of \$11.508M.

63. As discussed immediately below, there are insufficient funds remaining on the contract to recover the amount outstanding.

Insufficient funds to recover overpayments

64. We highlighted the fact that the Ministry has so far expended \$615.647M from the contract sum of \$618.426M and only 1.7 km of road was constructed, leaving a balance of only \$2.778M remaining on the contract sum. The Head of Budget Agency, in response to the findings on the overpayment of \$76.620M, indicated that the Ministry is processing a payment to the contractor and all overpayments will be recovered. We know that at the completion of our fieldwork on 15 September 2016, there were no amendments to the contract sum to cover the cost of any variation or additional works. Therefore, we conclude that the balance remaining on the contract is inadequate to recover the amounts overpaid. The Ministry could not process a payment large enough to recover the amounts.

Overuse of contingency sum

65. The contract provided for an approved contingency sum of \$40M. While a breakdown of this sum was not provided, an examination of the Interim Payment Certificates revealed that the contractor received amounts totalling \$46.672M, as shown in Table 4 below. It should be noted that the payments exceeded the approved sum by \$6.672M and there was no evidence that approval was granted to exceed the amount of \$40M. We conclude that the contractor was allowed to expend sums without prior approval of the Ministry. This practice if allowed to continue can create liabilities for the Ministry and legal consequences if it fails to honor those liabilities.

Description	Amount \$'000
Police fence	2,500
GDF fence	7,000
Market tarmac	10,000
Market shed	6,400
Market chain link fence	11,345
Water tank	200
Trestle	919
Drain 30" wide	7,350
Temporary access road to market	958
Total	46,672

Table 4 (Source – Ministry’s Interim Payment Certificates)

Recommendations: The Audit Office recommends that the Head of Budget Agency put mechanisms in place to ensure that approvals are granted before works are undertaken.

Ministry's Response: The Head of Budget Agency explained that while no approval was granted for the additional sum to be added to the Contingency, Under Clause 13.1 of the General Conditions of Contract, Right to Vary this will be addressed.

Unauthorised works

66. Three new items for amounts totalling \$31.545M were added to the original bill of quantities and amounts totalling \$46.111M were paid to the contractor, as shown in Table 5 below. We could not determine why the contractor was paid \$14.566M in excess of the cost of the three new items. We were not provided with an approved variation in keeping with the requirements of the contract. In the absence of an approved variation, we therefore conclude that the amount of \$46.111M represents payments for unapproved works performed by the contractor. In addition, we could not ascertain the reason for varying the Engineer's Estimate to include the additional works of \$46.111M.

Item	Description	Qty	Rate \$	Amount Included \$'000	Amount Paid \$'000	Difference \$'000
3.3	Milled material base - 75m thick	2,700	1,250	3,375	1,071	(2,304)
	Concrete drainage channel - 2m wide	300	70,000	21,000	37,870	16,870
5.3	Retailing wall cum drain	40	179,260	7,170	7,170	0
Total				31,545	46,111	14,566

Table 5 (Source – Ministry's interim payment certificates)

Recommendation: *The Audit Office recommends that the Head of Budget Agency put systems in place to avoid a recurrence where works are executed and paid for without the relevant approval.*

Ministry's Response: The Head of Budget Agency concur with the findings of the report.

Project timelines not achieved

67. Sub-Clause 8.2 of the General Conditions of the contract states, “*The Contractor shall complete the whole of the works, and each section (if any), within the time for completion for the works or section (as the case may be)...*” According to the contract, the construction works were to be completed 365 days from date of commencement, which was 12 July 2011. Therefore, the works were due to be completed on 11 July 2012.

68. The contract outlined the planned tasks and milestones for the construction of the new access road, as shown in Figure 2 (Contract Gantt Chart) below:

Construction of the New Access Road to the Cheddi Jagan International Airport

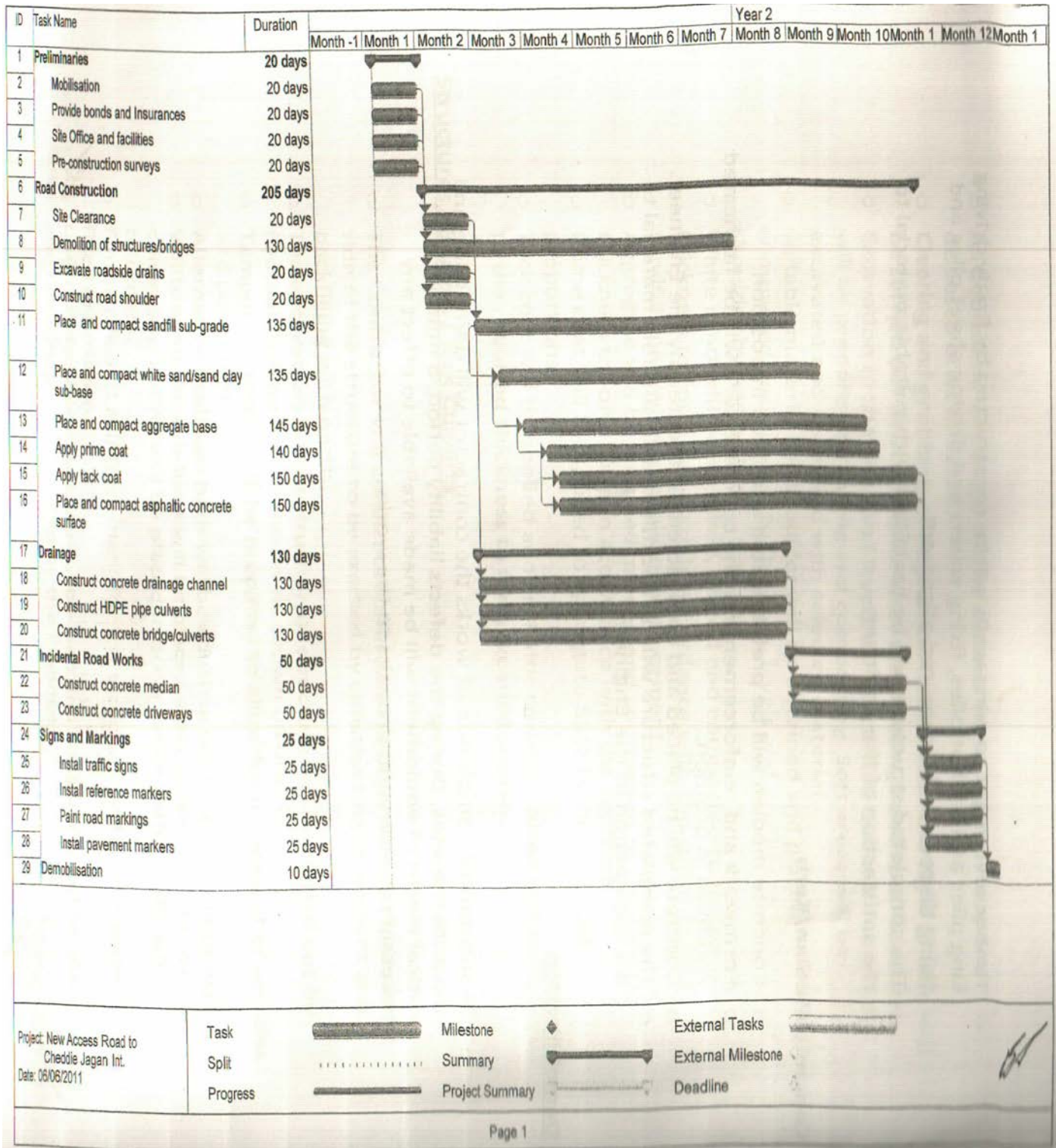


Fig. 2 – Contract Gantt Chart

Approvals for extensions of time not seen

69. We found that the contractor did not complete the construction of the road within the specified time allocated and five years after its commencement, the construction works were still in progress. Approvals for the extensions of time were not presented for audit verification, even though the contractor sent letters to the Ministry in 2012 and 2013 seeking the Ministry's approval for extensions of time for varying reasons, as shown in Table 6 below.

Date of Request	Months/Weeks Requested	Justification	Remarks
30 January 2012	6 months	Time loss due to GT&T cables and the inclement weather.	Evidence of approval not seen.
11 April 2012	3 months	Rainfall.	Evidence of approval not seen.
12 April 2012	8 weeks	Variation order for construction of concrete drains between Ch. 0+00 and Ch. 12w+00.	
		Setbacks to design & construction of curb wall.	
	12 weeks	Relocation - GPL poles & GWI water mains.	
		GT&T poles & lines in roadway.	
Date		Particulars	Remarks
03 April 2013		Relocation of water mains.	Letter to Ministry about delay and request extension of time and cost.
05 April 2013		Relocation of water mains.	
09 April 2013		GT&T posts, fence and junction box in path of roadway.	
12 April 2013		NAREI fence and building affect alignment of roadway.	Letter sent to Ministry.
26 June 2013		Damage to GT&T cable on 20.4.2013 for an amount of \$156,924.	GT&T letter to contractor.
15 July 2013		Removal of GT&T poles and cables.	Letter sent to Ministry.
16 July 2013		Damage to GT&T cable.	Letter sent to Ministry.
16 July 2013		Damage to GT&T 300 pair copper cable for \$855,376.	Letter sent to Ministry.
16 March 2015		Relocation of GT&T fence (Reminder № 6).	Letter sent to Ministry.
17 July 2015		Suspension of work since 06 July 2015 due to inclement weather.	Letter sent to Ministry.
04 August 2015		Removal of GT&T fence, pole in path of market entrance and pole in front of Timehri Police Station.	Letter sent to Ministry.
17 August 2015		Ministry addressing issues of GT&T pole in middle of carriageway by market & pole in front of Police Station & fence.	Letter sent to contractor about Ministry's decision.
01 February 2016		Obstacles causing delays – GT&T pole in middle of carriageway by market entrance, relocation of pole in front of Timehri Police Station and removal of GT&T fence.	Letter sent to Ministry.
09 February 2016		Obstacles causing delays – GT&T pole in middle of carriageway by market entrance, relocation of pole in front of Timehri Police Station and removal of GT&T fence.	Letter sent to Ministry.
23 May 2016		Cost to relocate GT&T poles and terminal in roadway for cost \$692,122.	Letter sent to Ministry.

Table 6 (Source – Ministry's documents)

Excessive delays in removing utilities

70. As can be seen in Table 6 above, there were setbacks to the construction works since 30 January 2012, when the contractor requested an extension of six months for time lost due to the GT&T's cable in the path of the roadway. The contractor continued to engage the Ministry up until 23 May 2016, highlighting the many obstacles which were affecting the progress of the works. We therefore expected the Ministry and the contractor to promptly address the problems identified in order for the works to be completed within a reasonable period of time. While we saw the numerous correspondences from the contractor to the Ministry, we were not provided with any documentary evidence that the Ministry addressed the many problems identified. We took note that in 2016, five years after the contract had commenced, there were still issues with utility poles obstructing the works. We could not determine the reasons for the excessive delay in removing the obstacles highlighted, since the contract provided a sum of \$100M to take care of the temporary diversion or permanent relocation of utilities.

71. As the works progressed, inspection visits were undertaken by our Engineer and the Engineer of the WSG. A visit in March 2013 revealed that the GPL's utility poles and the GT&T's junction box were in the path of the roadway, as shown in Figure 3 below.



Fig. 3 - Poles & junction box in path of the road construction (March 2013)

72. A follow-up inspection visit in February 2014 revealed that the utility poles and the GT&T's junction box were still in the path of the roadway, as shown in Figure 4 below.



Fig. 4 - Poles and junction box in path of roadway (February 2014)

Payment for relocating junction box

73. With regards to the removal of the junction box, a ruling was made by the Chief Justice on the 30 April 2014, in the matter between the GT&T as the Plaintiff and the Attorney General of Guyana, the Minister of Public Works and Communications and BK International Inc., as the defendants. The ruling required the defendants to pay \$22.329M to the GT&T, being 50% of the estimated cost for relocating and laying new fibre optic cables. The sum of \$1.766M was paid prior to the ruling while the remaining balance of \$20.563M was paid on 19 September 2014. Even though the matter was settled and the box was removed, we were not provided with any documentation to validate the date the box was removed. Had there been proper monitoring and documentation of the progress of the work, the Ministry would have been aware of the date that the junction box was removed.

Recommendation: *The Audit Office recommends that the Head of Budget Agency pursue the matter with the GT&T and provide the information for audit examination.*

Ministry's Response: The Head of Budget Agency explained that the infrastructures of GPL and GWI were relocated within reasonable time; however the infrastructure of GT&T delayed the project considerably, since GT&T took the Ministry and the Contractor to Court for damages caused to their infrastructure.

Also the Ministry has requested from the GT&T, information regarding the date in which the cable was removed.

Payments not adequately supported

74. The contract document was examined to determine whether adequate provision was made to cover the cost for the removal of utilities in the path of the roadway. We found that under Item № 1.5 on the Bill of Quantities, a sum of \$100M was allocated for the temporary diversion or permanent relocation of utilities. The contractor received six payments totalling \$50M from the sum provided. One payment was for \$6.569M and was adequately supported. For the other five payments totalling \$43.431M, it could not be ascertained how the amounts were expended since no details were appended to the payment vouchers. In the absence of supporting documentation, we could not determine how the amounts were expended and whether the amounts were spent for the purposes intended.

Recommendation: *The Audit Office recommends that the Head of Budget Agency provide the documentation in support of the amounts expended and put systems in place to ensure that all amounts expended are adequately supported with relevant documentation.*

Ministry's Response: The Head of Budget Agency explained that this line item was used for the relocation of GT&T, GWI and GPL Infrastructures.

Works are still outstanding

75. According to Sub-Clause 8.3 of the General Conditions of the contract, “.....The contractor shall also submit a revised programme whenever the previous programme is inconsistent with actual progress or with the Contractor's obligations...” We were not provided with revised work programmes for the works undertaken during the periods August 2012 to July 2015 and November 2015 to September 2016. The contractor wrote the Ministry on 8 September 2015 and appended a revised work programme for the period August 2015 to October 2015 with planned start dates and planned finish dates for the outstanding works. According to the work programme, the contractor was scheduled to complete all works and move out on 30 October 2015, as reflected in Table 7 below. However, while the Ministry indicated that some of the outstanding works were completed, we could not ascertain the dates the works were completed.

Further, we were not provided with a timeline or a revised work programme for the incomplete works.

Task	Duration (days)	Planned Start Date	Planned Finish Date	Status of work
Infill medians	4	09/08/2015	09/11/2015	Completed
GPL connects to lamp pole circuitry	1	25/09/2015	25/09/2015	Completed
Plastering of inner drain walls	7	08/09/2015	16/09/2015	Completed
Construct 12 concrete barriers	14	08/09/2015	05/09/2015	Completed
Construct culvert, place road fill	32	12/08/2015	23/09/2015	Completed
Infill with crusher run and AC gap between median and RHS roadway	16	12/08/2015	02/09/2015	Completed
AC paving 1 st layer	6	28/08/2015	04/09/2015	Completed
AC paving 2 nd layer	10	05/09/2015	24/09/2015	Completed
Road markings	10	25/09/2015	07/10/2015	Not completed
Place concrete barriers	7	12/10/2015	20/10/2015	
Erect sign poles	2	02/10/2015	05/10/2015	
Fix signs	2	28/10/2015	29/10/2015	
Clean – tidy up	3	26/10/2015	28/10/2015	
Move out	2	29/10/2015	30/10/2015	

Table 7 (Source – Contractor’s revised work programme)

76. Physical inspection was conducted in March 2016 and the road was substantially completed, as shown in Figure 5 below.



Fig. 5 - New Access Road substantially completed (March 2016)

77. A subsequent visit on 15 September 2016 revealed the following incomplete works, in addition to the works outstanding in Table 7 above.

- 0.15 km of roadway in front of the Timehri Police Station due to GT&T utility pole, as seen in Figure 6 below.
- 0.10 km of roadway in front of the Guyana Defence Force (GDF).
- 0.05 km m of roadway in front of the fence of Guyana Telephone & Telegraph.



Fig. 6 - Utility pole in path of incomplete roadway (15 September 2016)

78. We must conclude that had the Ministry enforced the requirement for the contractor to submit a detailed work programme and revised programmes as the need arose, measures could have been in place to better monitor the execution of the works as it progressed and corrective action could have been taken for any slippage on the project deadlines.

Recommendation: *The Audit Office recommends that the Head of Budget Agency enforce the requirements of the contract by having the contractor submit a revised work programme that reflects all incomplete works and put mechanisms in place that will bind the contractor to the work schedule in the programme.*

Ministry's Response: The Head of Budget Agency explained that based on a site visit conducted on 15 September 2016, the following works are outstanding:

- a) 0.15 km of roadway in front of the Timehri Police Station – not done due to GT&T pole.
- b) 0.10 km of roadway in front of GDF.
- c) 0.05 km of roadway in front of GT&T Exchange – not done due to GT&T fence.

Lack of frequent monitoring and supervision of activities

79. We examined the contract and found that there was adequate provision for ongoing monitoring and supervision of the works as it progressed. Sub-Clause 7.3 of the General Conditions of the contract states:

“The Employer’s Personnel shall at all reasonable times:

- a) Have full access to all parts of the site and to all places from which natural materials are being obtained.*
- b) During production, manufacture and construction (at the Site and elsewhere), be entitled to examine, inspect, measure and test the materials and workmanship, and to check the progress of manufacture of plant and production and manufacture of materials.”*

80. The WSG informed us that site visits and inspections were conducted every month. However, we were only provided with documentary evidence for the months of July and November 2011 and April, July and August of 2015. In the absence of monthly inspection reports, we could not determine whether there was proper monitoring and supervision activities to ensure that the works were conducted in accordance with the terms of the contract and the steps taken to address any issues highlighted during construction. This conclusion is also supported by the fact that the project’s completion date is long overdue.

Recommendation: *The Audit Office recommends that the Head of Budget Agency put systems in place to ensure there is adequate accountability for monthly monitoring and supervision reports, so that these could be provided for audit in a timely manner.*

Ministry's Response: The Head of Budget Agency explained that visits were conducted by the Ministry to facilitate site meetings, to monitor the works and site inspections for payments. However, proper documentations/records were not kept.

Failure to provide progress reports

81. According to Sub-Clause 4.21 of the General Conditions of the contract, "...monthly progress reports shall be prepared by the Contractor and submitted to the Engineer in six copies.....Reporting shall continue until the Contractor has completed all work which is known to be outstanding at the completion date stated in the Taking-Over Certificate for the Works."

82. We were provided with the contractor's progress reports for the months of October 2011, and May and June 2012. As noted above, we saw letters from the contractor to the Ministry highlighting issues affecting the completion of the works. Notwithstanding the letters to the Ministry, it was still the Ministry's responsibility to ensure that monthly progress reports were submitted, since the last report presented for audit scrutiny was in June 2012, even though works continued beyond this date. As a result, we must conclude that the general conditions of this Sub-Clause were not fully complied with.

Recommendation: *The Audit Office recommends that the Engineers of the WSG take steps to immediately comply with the requirements of the contract.*

Ministry's Response: The Head of Budget Agency concur with the findings of the report.

Delay/liquidated damages clause not enforced

83. According to Sub-Clause 8.7 of the General Conditions of the contract, "If the Contractor fails to comply with Sub-Clause 8.2 (Time for Completion) the Contractor shall pay delay damages to the Employer for this default. The delay damage shall be 0.1% of the contract price per day and shall be paid for every day which shall elapse between the relevant Time for Completion and the date stated in the Taking-Over Certificate. However, the amount shall not exceed 10% of the final contract price." This means that the maximum of 10% is reached after only 100 days, a very small portion of the four-plus years of delay.

84. At the completion of our fieldwork on 15 September 2016, we were not aware of any attempt by the Ministry to recover any delay damages from the contractor. While the contractor encountered obstructions in the path of the roadway and other difficulties, we conclude that the obstructions and other difficulties could not justify the entire four-plus years of delay in completing the road. Hence, the contractor was liable for a portion of the delay. In particular, we noted that the GT&T's junction box was ordered to be removed 2½ years ago and we do not believe that it could account for such an extensive delay.

Recommendation: *The Audit Office recommends that the Head of Budget Agency ascertain the exact time of delay caused by the contractor, charge the contractor for the delay and recover the delay damages from the contractor.*

A valid performance security/guarantee is in place

85. Sub-Clause 4.2 of the Particular Conditions of the contract states, “*the performance security will be in the form of a demand guarantee in the amount(s) of 10% percent of the Accepted Contract Amount and in the same currency or currencies of the Accepted Contract Amount.*” In addition, Sub-Clause 4.2 of the General Conditions of the agreement states, “*The Contractor shall ensure that the performance security (10% of accepted contract amount) is valid and enforceable until the contractor has executed and completed works and remedied any defects...the contractor shall extend the validity of the performance security until the works have been completed and any defects have been remedied.*”

86. We found that the performance security in the sum of \$61.843M had expired on 1 July 2016. The Ministry subsequently wrote the contractor on 18 August 2016 advising that the performance security should be extended to 30 September 2017. At the completion of our fieldwork on 15 September 2016, the works remained incomplete and the validity of the performance security was extended from 1 July 2016 to 30 September 2017.

Recommendation: *The Audit Office recommends that the Engineers of the WSG ensure that a valid performance security is always in place for all future projects.*

Conclusion on criterion

87. The Ministry did not manage the construction of the new access road in a way that ensured economy and efficiency and in compliance with the contract and all relevant laws and regulations. We base our conclusion on the following:

- Of the 2.5 km of road to be constructed, only 1.7 km was constructed and there was no reduction to the contract sum.
- The contractor was overpaid amounts totalling \$76.620M for materials cost, retention fees and unrecovered advance payments due to the failure of the Ministry to enforce the requirements of the contract. This is in addition to the overpayment resulting from only constructing 1.7 km of road.
- The works were not completed within the specified time and after five years of construction, the works were still incomplete. There was no attempt by the Ministry to recover delay damages from the contractor.
- The WSG did not provide all monthly monitoring and supervision reports. In the absence the reports, we must conclude that there was not proper monitoring and supervision activities to ensure that the works were conducted in accordance with the terms of the contract and the steps taken to address any issues highlighted during construction.
- The Ministry did not always enforce the requirement for the contract, since detailed and revised work programmes were not always submitted by the contractor.
- There were excessive delays by the Ministry in addressing the problems identified by the contractor.

About the Audit

The audit sought to determine whether the Ministry managed the project to construct the 2.5 km new access road from the Timehri Police Station to the Terminal Building at the Cheddi Jagan International Airport in an economic and efficient manner and ensured that the works were in compliance with international best practices and all relevant laws, regulations and authorities.

Scope and Approach

The audit covered the period 1 January 2011 to 15 September 2016. Audit work was conducted on the entire construction process, commencing from the initial needs assessment to contract administration. This included examining the tendering process, contract management, supervision and monitoring of the works, as well as conducting physical inspection of the new road so as to determine whether the works were in compliance with the contract. The audit also included ensuring that the entire process was completed in compliance with all relevant laws, regulations and authorities.

Audit Approach and Methodology

The Audit Office undertook the following methodological approach:

- Interviews were held with staff of the WSG and the Central Accounting Unit of the MPI to understand their roles and responsibilities.
- Reviews of the Procurement Act, contract, annual estimates, Integrated Financial Management Accounting System reports, Cabinet & NPTAB approvals and other key documents of the Ministry to gain a comprehensive understanding and gather audit evidence.
- Reviews and documentation of the Ministry's key systems and internal control were conducted to gain a comprehensive understanding of the operations of those systems and controls.
- Reviews of financial and project management activities, including detailed tests of transactions were done to determine whether the transactions were authorized by competent authorities.
- Physical verification of the works was conducted to determine whether the works were conducted in accordance with the contract.
- Expert advice from our Engineer was sought for the construction of the road.

Audit Criteria and Sources

The main criteria that were used to conduct this audit and their sources are as follows:

CRITERIA	SOURCES
<p>1. We expected the Ministry to conduct a needs assessment and feasibility studies for the construction of the new access road from the Timehri Police Station to the Terminal Building at the Cheddi Jagan International Airport. This process would include the consideration of possible options, full support for the option selected and the documentation of the entire process.</p>	<ul style="list-style-type: none"> - International best practice, such as requirements contained in documents issued by the World Bank and other international financial institutions.
<p>2. We expected the Ministry to properly manage the tendering process and the awarding of the contract in accordance with international best practices and the requirements of the Procurement Act of 2003.</p>	<ul style="list-style-type: none"> - Contract. - Procurement Act of 2003. - Cabinet & NPTAB approvals. - Contractor’s compliance, bonds and insurances. - International best practice, such as requirements contained in documents issued by the World Bank and other international financial institutions.
<p>3. We expected the Ministry to manage the construction of the new access road in a way that ensured economy and efficiency and in compliance with the contract and all relevant laws, regulations and authorities.</p>	<ul style="list-style-type: none"> - Annual estimates. - IFMAS reports. - Contract. - Cabinet & NPTAB approvals. - Procurement Act of 2003. - Contractor’s bonds and insurances.



MINISTRY OF PUBLIC INFRASTRUCTURE

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16th September 2016

Mr. Deodat Sharma
Auditor General
Audit Office
63 High Street
Kingston
Georgetown

Dear Mr. Sharma

Re: Performance Audit of the Ministry of Public Infrastructure – Works Services Group Construction of the New Access Road at Timehri

Please find attached Performance Audit of the Ministry of Public Infrastructure – Works Services Group Construction of the New Access Road at Timehri for the period January 1, 2011 to July 29, 2016.

With regards.

Yours sincerely,

Ron Rahaman
Chief Roads & Bridges Officer



**MINISTRY OF PUBLIC INFRASTRUCTURE
WORKS SERVICES GROUP**

**RESPONSE TO AUDITOR GENERAL'S
PERFORMANCE AUDIT OF THE CONSTRUCTION
OF THE NEW ACCESS ROAD AT TIMEHRI**

**PREPARED BY: CHIEF ROADS & BRIDGES OFFICER
16 September, 2016.**

**PERFORMANCE AUDIT OF THE MINISTRY OF PUBLIC - WORKS
SERVICES GROUP**

**CONSTRUCTION OF THE NEW ACCESS ROAD AT TIMEHRI
FOR THE PERIOD 1 JANUARY 2011 TO 15 SEPTEMBER 2016**

Chapter 1— Pre Tendering Stage

23. a) The construction of the New Access Road to the International Airport, was Policy decision taken at that time, the long term vision was for the entire East Bank Demerara Public Road (EBDPR) from Georgetown to Timehri to be a 4-lane corridor.
- b) At the time of conception, the EBDPR was being widened from Providence to Diamond, while the Inter American Development Bank (IDB) had allocated funds for the feasibility study and design for the section between Grove and Timehri.
- c) The Contract for the Extension of the Cheddi Jagan International Airport was also being negotiated at this time, making it more prudent for this initiative.
26. The following were considered during route selection.

Route Options	Remarks
Upgrading the Glass Factory Road	This option was not feasible for the following reasons: a. Cost b. Longer length c. Terrain requires major side slope protection, width restrictions in certain sections of the alignment d. The extension of the runway to the north east will terminate this road
Extending the existing exit road from the Airport westwards towards the EBDPR	This option was not feasible for the following reasons: a. cost b. terrain requires large amount of backfilling c. acquisition of land would be required
Widening along the existing road alignment	This option was the preferred option for the following reason: a. least cost option

28. The Ministry concurs with the recommendations made by the Audit Office. The cost estimate (Engineers Estimate) was prepared by the Engineering Coordinator along with the Highway Engineer. The Engineers Estimate is approved and submitted to the National and Tender Administration which is a requirement. This is then read out at the tender opening.

Chapter 2 - Tendering Stage

37. a) The policy of the Government is to submit the advertisement to Guyana Information Agency (GINA) who then decides which print media it will be published.
- b) Section 30 (2) of the Procurement Act of 2003 states that "*The invitation to tender or invitation to prequalify, shall be published in at least a newspaper of wide circulation or in at least one journal of wide international circulation dedicated to publishing international tendering whenever foreign tenderers are expected to be interested in the contract. Contracts in which only national tenderers are expected to be interested may be advertised only nationally, pursuant to subsection (1).*"
- c) While the Procurement Act of 2003 does not give any details as to the number of time a bid should be advertised or the duration require for a bid to be submitted, from the above it can be determined that it has to be advertised at least once, hence the time for submitting a bid commences from such publication.
38. a) The Ministry understands the logics highlighted in your report regarding the time that a bidder may have if that bidder only saw the last publication.
- b) The Ministry considers the duration of one (1) month adequate time for the submission of such a bid.
- c) Section 33 (3) of the Procurement Act of 2003 states that "*If the procuring entity convenes a pre-bid meeting of suppliers or contractors, it shall prepare minutes of that meeting containing the queries submitted at the meeting for clarification of the tender documents, and its responses to those queries, without identifying the sources of the queries. The minutes shall be provided promptly to all suppliers or contractors to which the procuring entity provided the tender documents, so as to enable those suppliers or contractors to take the minutes into account in preparing their tenders.*"
- d) Based on the above, if a bidder purchased a Bidding Document after the Pre Bid Meeting, the minutes of the Pre Bid Meeting will be available to such a Bidder.

Chapter 3 — Contract Administration and Controls

51. Clause 12 of the General Conditions, Measurement and Evaluation clearly outlines the procedures for payments. Payments were done based on the quantity of works executed, using the rates as quoted in the Contract.
54. The remaining works that have to be completed will utilised this sum of money that was paid under the line item "Materials on site."
56. The remaining Retention of \$11.979M will be deduced from the payment after the works have been completed. However, the Ministry concurs with the observation from the Audit report.
59.
 - a) The Second Mobilization Advance totally \$21,458,335 was made to the Contractor on 28 December 2011.
 - b) During the year 2011, the sum of \$180,000,000 was allocated toward the project, however as of December 20, the sum of \$21,458,335 was not utilised. With the Government not wanting to burden 2012 budget, it was agreed that payment will be made to the Contractor to the sum of \$21,458,335 on the condition that the payment will be made against a Mobilization Advance Bond.
 - c) Upon the submission of the Mobilization Advance Bond, the Payment was made. The mobilization advance has been fully repaid.
62. The Ministry is currently processing a payment that will recover the outstanding Advance of \$11.508M.
65. While no approval was granted for the additional sum to be added to the Contingency, Under Clause 13.1 of the General Conditions of Contract, Right to Vary this will be addressed.
66. The Ministry concurred with the findings of the Report.
73. The infrastructures of GPL and GWI were relocated within reasonable time. However, the infrastructure of GT&T delayed the project considerably, since GT&T took the Ministry and the Contractor to Court for damages caused to their infrastructures. Also, the Ministry has requested from GT&T, information regarding the date in which the cable was removed.
74. This line item was used for the relocation of GT&T, GWI and GPL Infrastructures.
77. Based on a site visited conducted on 15 September 2016 the following works are outstanding:

- a) 0.15 km of roadway in front of the Timehri Police station - not done due to GT&T pole.
 - b) 0.10 km of roadway in front of GDF.
 - c) 0.05 km of roadway in front of GT&T Exchange - not done due to GT&T fence.
80. Visits were conducted by the Ministry to facilitate site meeting, to monitor the works and site inspections for payments, however proper documentations/records were not kept.
82. The Ministry concurred with the findings of the Report.