

TREASURY MEMORANDUM

TO: The Speaker and Members of the National Assembly

FROM: Finance Secretary, Ministry of Finance

DATE: March 11, 2022.

FILE NO: FS 60/1/1

SUBJECT: Treasury Memorandum Pursuant to Resolution No. 25/2021 dated December 13, 2021, of the National Assembly on the Public Accounts of Guyana for the year 2015

1. INTRODUCTION

- 1.1. This Treasury Memorandum (TM) details the Government's comments on as well as the actions it has taken or intends to undertake in response to the report of the Public Accounts Committee (PAC) on the Public Accounts of Guyana for the year 2015 that was adopted by way of a Resolution No 25/2021 dated December 13, 2021.
- 1.2. The TM follows the same format of the report of the PAC for the year 2015. Specifically, it sets out the responses of the Government under the following broad headings:
 - i. General Challenges Observed Across Budget Agencies; and,
 - ii. Specific issues relating to some Ministries, Departments, and Regions.
- 1.3. The Ministry of Finance (MoF) attributes the highest level of importance to all the issues highlighted in the reports of the PAC and is cognisant of the need for budget agencies to progressively reduce the number of issues raised in the reports of the Auditor General to ensure that the finances of Guyana are managed in a transparent and efficient manner. Consequently, the MoF has and will continue to:
 - i. update and issue circulars, where appropriate, to elaborate the requirements of the existing laws and regulations governing Public Financial Management (PFM), particularly the Fiscal Management and Accountability Act 2003 (FMAA), and support compliance with these;
 - ii. monitor the activities within agencies through the conduct of frequent inspections to ensure that the recommendations of the Auditor General and PAC are implemented;
 - iii. conduct training to enhance the capacity of budget agencies to comply with the existing financial laws and regulations while improving their efficiency and effectiveness; and,
 - iv. increase the use of information technology to further enhance the efficiency of PFM processes.

2. GENERAL CHALLENGES OBSERVED A CROSS BUDGET AGENCIES

2.1 The following is a summary of the actions taken by the MoF or intend to undertake to address the *general challenges* highlighted in the PAC's report for the year 2015.

2.2 Non-refund of monies to the Consolidated Fund

2.2.1 The MoF recognises that non-compliance with Section 43 of the FMAA can result in an overstatement of the Appropriation Account.

2.2.2 *The MoF intends to issue a memorandum to remind Heads of Budget Agencies (HoBAs) of their obligation to comply with section 43 of the FMAA. Further, HoBAs will be encouraged to execute their budgets more efficiently and effectively to avoid recording unspent balances at the end of the fiscal year.*

2.3 Non-submission of Financial Statements by Subvention Agencies

2.3.1 The MoF is cognisant of the breach regarding the non-submission of financial statements for audits by Subvention Agencies and late submission of their Annual Financial Reports to the National Assembly.

2.3.2 *The MoF addressed this matter by issuing Circular No. 7/2016 dated 2016-09-06, which specifically targeted the Statutory and Constitutional bodies as well as the Public Enterprises.*

2.3.3 *The MoF also issued Circular No. 2/2021 dated 2021-03-26 and No. 7/2021 dated 2021-07-31, instructing Public Enterprises to submit their previous year's audited financial statements.*

2.3.4 *Going forward, the MoF will escalate its efforts to encourage the various agencies to reduce and ultimately eliminate the backlog in finalising and submitting their Annual Financial Statements and Reports to the National Assembly.*

2.4 Maintenance of Log Books

2.4.1 The MoF is aware of the breaches surrounding the maintenance of Log Books.

2.4.2 The MoF also observed that HoBAs, in most instances, complied with a recommendation made by the PAC to surrender all Log Books in use at the end of the year and issue new Log Books at the commencement of the ensuing year. This arrangement is aimed to facilitate the Auditor's unhindered examination of Log Books.

2.4.3 *At meetings organised by the MoF with HoBAs to address the findings in the Auditor General's Report, the importance of maintaining Log Books is emphasised. At these meetings, HoBAs are also reminded of Circular No. 3/2011 dated August 16, 2011, which sets out clear guidelines regarding maintenance of Log Books in respect of motor vehicles and plant and machinery.*

2.9 Overpayment to Contractors

- 2.9.1 The MoF noted the issue of overpayments to contractors and the lethargic efforts in recovering the overpayments detected after the audits are completed by the Auditor General.
- 2.9.2 *To discourage overpayments to contractors, the MoF will consider surcharging, where appropriate, the officers signing off on transactions that resulted in overpayments.*

3. SPECIFIC ISSUES RELATING TO SOME MINISTRIES, DEPARTMENTS, AND REGIONS

3.1 Region No. 1 – Barima /Waini

- 3.1.1 With respect to the clearing of Cheque Orders, the HoBA indicated that the agency implemented stringent measures proposed by the Accountant General to address this breach. Additionally, the HoBA stated that the agency has restricted the usage of Cheque Orders to three expenditure line items, essential services, and emergencies. In an effort to comply with Finance Circular 2/2019, the HoBA stated that the agency will ensure that Cheque Orders are cleared within 30 days before others are issued. The HoBA further stated that the usage of Cheque Orders is monitored by the Accountant General's Department within the region.
- 3.1.2 *The MoF will closely monitor the steps taken by the entity to prevent the recurrence of the breaches highlighted by the PAC.*
- 3.1.3 With respect to overpayments to contractors, the HoBA explained that there is stricter monitoring and evaluation of projects within the region by councilors who are tasked with monitoring projects in their areas. Additionally, the HoBA has made site inspection reports mandatory.
- 3.1.4 *With respect to the overpayment to contractors, this breach was not limited to the entity but widespread. The MoF will therefore issue a circular on overpayment and provide training to all accounting officers and engineers to tackle this systemic problem.*

3.2 Region No. 2- Pomeroon / Supenaam

- 3.2.1 The HoBA indicated that the issue involving the usage of a single tank to store the fuel for both the Region and the National Drainage and Irrigation Authority (NDIA) has since been resolved. In particular, the HoBA stated that NDIA is now utilising its own storage facility to store fuel.
- 3.2.2 *The Internal Audit Department of the MoF will continue to closely monitor the situation to ensure that there is no recurrence of similar breaches by this entity.*

3.3 Region No. 4 - Demerara/ Mahaica

- 3.3.1 With respect to fuel issued to vehicles not registered with the Region, the HoBA stated that this matter is still engaging the attention of the Guyana Police Force following the investigations that were conducted by the Regional Administration and the Auditor

3.6 Region No. 7 - Cuyuni/ Mazaruni

- 3.6.1 With respect to the filling of critical vacancies, the HoBA reported that efforts to recruit persons for these vacant positions through the Public Service Commission were not successful. The HoBA stated that a Stores Clerk was recruited by adhering to the recommendations made at the level of the PAC while efforts are still being made to employ another clerk to update the stores' records.
- 3.6.2 Regarding the issue of the non-maintenance of the utility registers, the HoBA stated that the agency is utilising existing staff to update the registers.
- 3.6.3 *The MoF will urge the agency to fill the vacancy and properly maintain the relevant registers and stores records.*

3.7 Region No. 8 - Potaro/ Siparuni

- 3.7.1 The HoBA expressed regrets with respect to the unpreparedness of the former accounting officer at the PAC hearing.
- 3.7.2 With respect to the maintenance of Log Books, Personnel Files with relevant information, and overpayment to contractors, the HoBA stated that the following corrective measures were taken:
- *Log Books:* Log Books have been procured, distributed, and are in use by the relevant personnel.
 - *New Recruits:* All recruits must present their NIS cards and TIN Certificates in order to be placed on the payroll.
 - *Overpayment to contractors:* Overpaid contractors have been written, and some of the overpaid sums have been recovered. Currently, projects are being monitored closely to prevent overpayment incidences from occurring.
- 3.7.3 *The HoBA was reminded to properly maintain Log Books, relevant employment records (NIS, TIN Certificates) as well as to effectively manage and monitor contracts to avoid recurrence of overpayments.*

3.8 Region No. 9 – Upper Takatu/ Upper Essequibo

- 3.8.1 Concerning the award of two contracts to the same contractor with the same scope of works and identical payments on the same date, the Auditor General was requested to conduct a special audit.
- 3.8.2 *The MoF is awaiting the outcome of the Special Investigation.*

3.9 Region No.10 - Upper Demerara/Upper Berbice

- 3.9.1 With respect to overpayments to contractors, the HoBA stated that several measures were adopted to avoid recurrence. These included:
- Securing the services of a Senior Engineer employed by the Ministry of Communities;

3.15 Ministry of Social Protection

3.15.1 Regarding the updating of the Old Age Pension Database and unavailability of funds at Post Offices to cash pension vouchers, the HoBA offered the following responses to address the issues:

- *Updating of Old Age Pension Database:* the Old Age Pension Database is updated regularly using death returns received from the General Registrar's Office; and,
- *Establishment of a System:* a new system to uplift Old Age Pension (OAP) and Public Assistance (PA) coupons more frequently (twice weekly) was set up to ensure funds are available at the Post Offices.

3.15.2 *The MoF will closely monitor the implementation of these measures to determine their effectiveness.*

3.16 Ministry of Business

3.16.1 Concerning the non-completion of the Call Centre at Enmore and the discontinuation of the Chip Factory in Wakenaam, the HoBA provided the following update:

- **Enmore Call Centre:** the HoBA indicated that this project is currently completed and ready for operationalisation.
- **Wakenaam Chip Factory:** a review was done, and it was recommended that the site/location for the factory was unsuitable.

3.16.2 *Going forward, the MoF will ensure that projects sites are properly determined based on relevant studies to avoid a repeat of future breaches.*

3.17 Ministry of Tourism, Industry and Commerce

3.17.1 With respect to the non-submission of financial statements/reports by four statutory agencies under the control of the Ministry and incomplete works at the National Exhibition Centre, Sophia, the HoBA provided the following update:

- **Financial Statements:** the HoBA indicated that the agency has commenced addressing the backlog of financial statements.
- **National Exhibition Centre, Sophia:** the agency's engagement with the contracting company, Kares Engineering Inc., to complete the outstanding works ended in futility. As a result, it has written the Office of the Solicitor General seeking advice on the matter.

3.17.2 *The MoF will engage the HoBA on possible solutions to address the backlog of financial statements. With respect to the failure of the contractor to fulfil its contractual obligations, possible debarment of the contractor will be pursued.*

3.21 Ministry of Public Health

3.21.1 Regarding the failure of suppliers to deliver drugs and medical supplies in keeping with their contractual obligations, the HoBA indicated that reconciliation is ongoing to determine the outstanding drugs and medical supplies to be delivered by each supplier.

3.21.2 Concerning the recommendation by the PAC to conduct a value for money audit on drugs and medical supplies, the HoBA stated that he would follow up with the Auditor General for an update.

3.21.3 *The MoF will collaborate with the HoBA to ensure that the reconciliation exercise is completed and the outstanding drugs and medical supplies are received.*

3.22 Ministry of Public Security

3.22.1 Concerning the industrial washer and dryer procured from an American Supplier, the HoBA indicated that the supplier delivered these items. However, these items were subsequently destroyed by fire at the Georgetown Prisons on July 9, 2017.

3.22.2 *The MoF will provide the agency with guidance on how to resolve this issue.*

3.23 Guyana Police Force

3.23.1 With respect to the overpayment of salaries, the Commissioner of Police stated that efforts are being made to recover the overpayment. To avoid recurrence of this breach, the Commissioner of Police also indicated that the network connecting the Force's Human Resources Department with the Office of the Commissioner, Regional and Branch Commanders is being strengthened. According to the Commissioner of Police, the new measure will help the agency avoid paying salaries to members of the Police Force who are not entitled to such payments.

3.23.2 *The MoF will continue to monitor the effectiveness of the measures implemented by the Guyana Police Force.*

3.24 Ministry of Foreign Affairs

3.24.1 With respect to the untimely return of unspent balances for 2015, the HoBA stated that all outstanding balances were returned to the Consolidated Fund. The HoBA indicated that the agency has also implemented systems to promptly return unspent balances. These systems included regular monitoring of cash flows, allotment releases, expenditures, and visits by Head Office staff to the Missions to ensure that accounting and financial system are in place within the Missions. According to the HoBA, there has been a marked reduction in reports of late refunds of unspent balances due to these interventions.

3.24.2 *The MoF will continue to closely monitor the implementation of these measures to ensure compliance with the FMLA regarding unspent balances.*

3.27.2 The MoF will encourage the HoBA to ensure that items procured are delivered promptly and properly secured and marked as the agency's property.

4. CONCLUSION

4.1 The Treasury Memorandum is an essential tool for improving public finance accountability, transparency, and efficiency. Like the previous Treasury Memoranda, this Treasury Memorandum outlines the Government's actions or intended actions to address the deficiencies highlighted in the report of the PAC for 2015.

4.2 Concerning the systemic deficiencies outlined under the heading '*General Challenges Observed Across Budget Agencies*', the Government either took or will undertake the actions outlined in the table below.

No.	Issue	Action Government took or intend to undertake
1.	Non-refund of monies to the Consolidated Fund	Encourage budget agencies to execute their programmes and activities more effectively. This would serve to prevent the printing of a large volume of cheques at the end of the year to pay for goods and services received during the fiscal year.
2.	Non-submission of Financial Statements of Subvention Agencies	The MoF issued several circulars making it mandatory for Constitutional Agencies and Public Enterprises to submit unaudited financial statements.
3.	Maintenance of Log Books	Organized meetings with HoBAs where the importance of maintaining Log Books was emphasized.
4.	Uncleared Payment Vouchers and Cheque Orders	The MoF did an assessment and issued Circular No. 2/2019 subsequently to address this problem. Accountant General also instructed the Sub-Treasuries to monitor the usage and clearance of Cheque Orders.
5.	Breach of Procurement Act 2003 and Regulations.	The MoF will issue a circular to encourage the maintenance of proper Tender Board Minutes. The NPTAB also appointed Tender Boards as specified in the Procurement Act. Continuous training will also be done on monitoring and methods of procurement.
6.	Non-adherence to Stores Regulations	The MoF through its Internal Audit Department continuously monitor the adherence of Stores Regulations.
7.	Maintenance of Utility Registers	The MoF will issue a circular on the maintenance of Utility Registers.
8.	Overpayment to Contractors	The MoF will train HoBAs and Engineers regarding the payments to contractor based on measured works and consider surcharging officers who certify transactions that contribute to the overpayment to contractors.

4.3 With respect to the plethora of agency-specific issues identified in the 2015 Report of the PAC the MoF will:

- Monitor, through its Internal Audit Department, the effectiveness of corrective measures implemented by each agency to determine whether they are producing the desired results.