

PARLIAMENT OF GUYANA

REPORT

of the

PUBLIC ACCOUNTS COMMITTEE

of the

NATIONAL ASSEMBLY

on the

PUBLIC ACCOUNTS OF GUYANA

FOR THE YEAR

2006

25 October 2010

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TO: THE SPEAKER AND MEMBERS OF THE NATIONAL ASSEMBLY

1. INTRODUCTION

1.1 The Public Accounts Committee (PAC) of the National Assembly of the First Session (2006-2010) of the Ninth Parliament of Guyana met on 11 occasions, to examine the Public Accounts of Guyana for the fiscal year ending 31 December 2006 and the Auditor General's Reports thereon. The Public Accounts Committee completed this Report, which I am now pleased to present to you on behalf of the Members of the PAC.

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

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

1.3 The Report of the Auditor General on the Public Accounts for the year ended 31 December 2006 was submitted to the Speaker of the National Assembly on 30 July 2008. This report was laid in the National Assembly on 7 August 2008.

1.4 The PAC adopted the same methodology as that of previous years in obtaining testimony from Public Officers. Before they were invited to appear in front of the PAC, the Heads of Budget Agencies were written to and asked to offer their comments on the relevant sections of the Auditor General's reports relating to their area of responsibility. Their responses thereto were circulated to PAC Members and Advisers before deliberations began. In total, twenty-nine (29) Heads of Budget Agencies, along with their support staff, appeared before the Committee to give evidence and to assist the PAC in its deliberations.

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

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

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

2. THE PAC'S MANDATE

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

2.2 The Auditor General is required to submit his report on the Public Accounts to the Speaker of the National Assembly not later than nine (9) months after the close of the year. Invariably, this deadline was not being met because of the late submission of financial statements for audit as well as staffing difficulties at the Audit Office. The result is that the Auditor General's Report was not made available for consideration by the PAC until at least ten (10) months after the statutory deadline for submission of the Auditor General's Report to the Speaker of the National Assembly. Members were therefore concerned at the PAC's inability to examine and report on matters and issues of a more current nature. However, in order to combat this deficiency, the PAC requested the Auditor General to provide an update on current issues of the audit in progress at each Ministry, Department and Region which was being examined, in order for a more productive discussion on issues affecting each entity. This interim measure has not totally alleviated the concerns of the PAC but has assisted a great deal.

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

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

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

2.6 The Committee also noted with satisfaction, that Government has since tabled two Treasury Memoranda, the first on the 30th October, 2006 on the Public Accounts for 2000/2001 and another on the 3rd December, 2008 on the Public Accounts for the years 2002 and 2003. The Reports of the Public Accounts Committee of the National Assembly on the Public Accounts of Guyana for the years 2004/2005 was laid in the National Assembly on 15 February 2010, and passed on 11 March 2010, and a Treasury Memoranda for this report has been laid before the National Assembly on the 15 July 2010.

3. GENERAL PROBLEMS OBSERVED IN GOVERNMENT FINANCIAL MANAGEMENT

3.1 During its deliberation of the 2006 Auditor General's Report, a number of general problems, which adversely affected the financial management system were identified and commented on by the PAC. The main issues in 2006 were as follows:

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

Public Procurement Commission

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

Overpayments to Contractors

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

- (i) Ministry of Public Works and Communications;
- (ii) Ministry of Education;
- (iii) Ministry of Culture, Youth and Sports;
- (iv) Guyana Defence Force; and
- (v) Region Nos. 1-7, 9, and 10.

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

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

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

Non-clearance of Advances

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

- (i) Accountant General Department;
- (ii) Guyana Embassy in Washington D.C.;
- (iii) Guyana High Commission in London;
- (iv) Guyana Elections Commission; and
- (v) Region No. 9.

Breach of Tender Board Procedures and splitting of contracts

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

- (i) Ministry of Public Works;
- (ii) Ministry of Education;
- (iii) Ministry of Home Affairs (Guyana Police Force);
- (iv) Ministry of Health;

- (v) Georgetown Public Hospital Corporation;
- (vi) Ministry of Legal Affairs;
- (vii) Guyana Defence Force; and
- (viii) Region Nos. 3, 7 and 10.

Refusal to refund monies to the Consolidated Fund by Ministries

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

- (i) Guyana Revenue Authority;
- (ii) Ottawa Mission;
- (iii) Toronto Mission;
- (iv) Guyana Embassy in Brussels;
- (v) Guyana Elections Commission;
- (vi) Ministry of Amerindian Affairs;
- (vii) Ministry of Education;
- (viii) Ministry of Agriculture;
- (ix) Guyana Defence Force; and
- (x) Region No. 1.

Outstanding Police Reports

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

The PAC therefore recommends that the Heads of Budget Agencies:

- (i) Seek the assistance of the Ministry of Home Affairs where matters with the Police have long been outstanding;*
- (ii) Seek the assistance of the Attorney General with a view of bringing closure to Court matters; and*
- (iii) Where discrepancies and fraud were discovered, measures should be instituted to avoid recurrences.*

Non-submission of Financial Statements by Subvention Agencies

3.8 The Committee expressed concerns that a number of agencies which are required to maintain their own accounting records and which are subject to separate reporting and audit, failed to submit financial statements for audit examination. These include:

- (i) State Planning Secretariat;
- (ii) National Trust; and
- (iii) Central Planning & Housing Authority.

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

The Committee also noted that the National Drainage and Irrigation Authority, which is a separate entity, was not adhering to the legal requirements under which it was established, and advise the Accounting Officer to bring this matter to the attention of the Minister of Agriculture in order to resolve same.

Lack of maintenance of log books

3.9 The Public Accounts Committee noted that during the year 2006, the control and use of Government vehicles continued to be very lax, resulting in log books not being kept, or not being satisfactorily maintained. The following Regions continue to be delinquent in this regard:

- (i) Region Nos. 1-4, 6, and 8-10.

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

- (i) Unauthorised journeys could be undertaken;
- (ii) Frequency of fuel and lubricants purchased are unknown; and
- (iii) Lack of information on breakdowns and repairs in order to assess the vehicle suitability and worth for long term use.

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

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

3.11 All Ministries, Departments and Regions are required to clear cheque orders within sixteen days from when they are issued. However, the Committee noted that the inability to clear cheque orders within the stipulated 16 days timeframe was a prevalent issue in some Ministries, Departments, and Regions. The following agencies continue to be delinquent in this regard:

- (i) Ministry of Legal Affairs;
- (ii) Ministry of Public Works and Communications;
- (iii) Ministry of Education; and
- (iv) Region Nos. 1, 4 – 6, and 9.

Capital expenditure being met from Current allocation

3.12 The Committee noted that amounts budgeted are required to be expended in keeping with that which was approved by Parliament. However, it was noted that the Auditor General reported that during 2006, Region Nos. 1, 3, and 8 funded activities of a Capital nature from amounts approved for Current Expenditure.

Wrongful payments of salaries and consequential deductions paid to Agencies

3.13 The Committee is concerned that slow processing of pay change directives in some Ministries and mainly in the Regions resulted in wrongful payment of salaries to employees after they had resigned, and that the consequential deductions were being paid over to various agencies without the necessary adjustments made to the payroll, resulting in the Ministries and Regions not being able to recover such sums or any at all, expeditiously. This was especially prevalent with respect to the employment of Teachers. Further, it was noted by the Auditor General that this state of affairs also resulted in these Ministries, Departments and Regions recording overstatements on their Appropriation Accounts as a result of deductions being paid over to various Agencies and the Ministries and Regions not being able to recover such sums. However, a number of agencies reported that they have begun to take measures which should ameliorate this situation.

Non-refund of deductions by Agencies

3.14 The Committee is concerned with the slow refund of monies paid to Agencies such as the Guyana Revenue Authority and the National Insurance Scheme due to the non-payment of salaries from which these deductions were made.

Non-adherence to Stores Regulations

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

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

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

- (i) Guyana Election Commission;
- (ii) Ministry Amerindian Affairs;
- (iii) Ministry of Public Works;
- (iv) Ministry of Education;
- (v) Georgetown Public Hospital Corporation;
- (vi) Ministry of Home Affairs;
- (vii) Supreme Court; and
- (viii) Region Nos. 1 to 10.

4. THE PUBLIC ACCOUNTS STATEMENTS

4.1 The Committee noted that even though a new Consolidated Fund was opened, there was still an unreconciled balance in the account. The findings reported that there were differences between the bank account balances reported on the Statement of Current Assets and Liabilities of the Government and that in the records of the Bank of Guyana. According to the records of the Bank, the new Consolidated Fund account reflected a positive balance of \$17.452 billion as at 31 December 2006, compared to a balance of \$6.098 billion in 2005. In addition, the total bank account balances of Other Ministries and Departments amounted to a positive balance of \$6.686 billion, compared to a balance of \$6.661 billion in 2005.

4.2 According to Section 73 (2) of the Fiscal Management and Accountability Act (FMA Act), the Minister of Finance is required to prepare a Statement of Contingent Liabilities, which forms a component of the annual consolidated financial statements. The Act defines a contingent liability as “a future commitment, usually to spend public moneys, which is dependent upon the happening of a specified event or the materialisation of a specified circumstance”. Further, it should be noted that the statement submitted was not prepared in accordance with the Act. The Committee is concerned that action was not taken to address these matters.

4.3 However, despite previous recommendations that liabilities for entities that are no longer in existence be transferred to the Public Debt, it is disappointing to note that at the time of reporting for the year of accounts 2006, no action was taken on this matter.

4.4 According to the Statement of Receipts and Payments of the Contingencies Fund for the year ended 31 December 2006, total payments of the Fund amounted to \$3.945 billion, compared with \$5.865 billion in 2005, a decrease of \$1.920 billion. Total receipts from the Consolidated Fund amounted to \$3.691 billion, as against \$5.865 billion in 2005, a decrease of \$2.174 billion. This gives an excess of payments over receipts of \$254M. Of the payments made from the Contingencies Fund for the period under review, forty-nine payments totalling \$1.721 billion remained outstanding as at 31 December 2006.

5. SPECIFIC ISSUES RELATING TO MINISTRIES, DEPARTMENTS AND REGIONS

5.1 The Committee noted that while several agencies must be commended for adherence to the FMA Act and relevant financial regulations, others continue to operate in breach of these regulations. This Report showed some improvements over 2005 in this regard.

Ministry of Finance

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

5.3 The Committee also noted with concern that monies collected from the lottery fund were not deposited into the Consolidated Fund which is in contravention of Article 216 of the Constitution and Section 38(1) of the FMA Act.

5.4 The Committee also expressed concern at the large sum of money for conference advances which remained unclear and requested that the Accountant General submit a matrix showing a breakdown as per agency, status of the advances, and how many advances remained outstanding. *The Committee also expressed the hope that the advances would be cleared immediately.*

Ministry of Foreign Affairs

5.5 With respect to revenue, the Auditor General reported that there continued to be differences between the records of the Ministry and that of the Accountant General's Department for amounts remitted by Guyana's Overseas Missions to the Ministry of Foreign Affairs for onward transmission to the Accountant General's Department. In this regard, *the Committee recommended that the Head of Budget Agency, the Accountant General, and the Auditor General continue to work to resolve this matter.*

5.6 The Committee noted the Auditor General's finding that the Accounting Units of the Guyana Mission in Ottawa and the Guyana Embassy in Brussels were staffed by only one person each which constitutes a serious breach of segregation of duties and urges that the situation be corrected immediately.

Guyana Elections Commission

5.7 The Auditor General reported that there were no supporting documentations in relation to the sum of \$3.815M reported under line item Rental of Buildings. The Head of Budget Agency reported that the said amount was utilised on the payment of salaries to polling day staff. He indicated that his objections to the advancing of money without any proper documentation were overruled by the Chairman of the Commission. *The Committee expressed the view that it was unacceptable for the Chairman to overrule the decision made by the Head of Budget Agency which was in keeping with the Financial Regulations.*

Ministry of Public Works and Communications

5.8 The Committee noted the report that the Ministry had a Mechanical Superintendent who was employed to assess the needs for repairs and parts needed for all vehicles in the Ministry, but that the works were being contracted out of the Ministry. Further, separate contracts were obtained for the supply of vehicles spares and labour cost with regard to the repairs to the Ministry's vehicles. *The Committee advised the Head of Budget Agency to guard against the act of awarding contracts for repairs to the Ministry's vehicles to specific contractors, and that he should ensure that there was equal opportunity for other contractors to tender for such works.*

5.9 With regard to the Auditor General's comment on the overpayment of \$1.113M on the contract for the construction of earthen embankment at Tranquility Hall/Voorzigtigheid, *the Committee advised the Head of Budget Agency to examine the internal systems with a view to determining whether the procedures under which payments were being made to contractors should be reviewed.*

5.10 The Auditor General noted that Transport and Harbours Department continues to request and has been granted, blanket waivers of tender procedures by the NPTAB for all capital works. *The Committee was of the view that all such Capital Projects should be subjected to public tendering in accordance with the Procurement Act.*

5.11 The Committee expressed serious concerns over the negligence regarding two contracts which were awarded in the sums of \$7.781M and \$5.252M for the rehabilitation of Gandhi Street, Enterprise and Enterprise, Sideline Dam, respectively, to the same contractor. The Auditor General reported the mobilisation advances totalling \$1.305M were paid on both contracts. However, the contractor did not complete the roads. No documentation was provided to determine why the contract was terminated, and for the valuation of the work completed by the contractor. Further, he was unable to determine the basis of award for this contract, since, the tender board minutes were not presented for audit examination. *The Committee advised the Head of Budget Agency that in such instances the Police should have been called in to investigate the matter. The Committee also advised the Head of Budget Agency to avoid such situations in the future.*

Ministry of Education

5.12 The Committee noted in the Auditor General's Report that the Ministry has still not resolved the issue of an apparent overpayment of \$32M on the construction of the male dormitory at President's College. *The Accountant General advised that the matter is at the level of arbitration.*

5.13 The Auditor General reported that the Ministry has still not recovered overpayments of (i) \$178,000 on the rehabilitation of the Guyana Industrial Training Centre (GITC) building; (ii) \$704,000 on the renovation of the library building; and (iii) \$12.142M on the construction of a science library at the University of Guyana. The Head of Budget Agency explained that there was a written agreement between himself and the contractor to repay the overpayment. He also indicated that the money would be deducted from the contractor's payment, since he was employed with the Ministry on another contract. The Committee requested that the Audit Office verify this information.

5.14 It was noted in the Auditor General's report that the sum of US\$9,056 was sent to the supplier for the purchase of text books for the University of Guyana (Berbice), however, audit checks revealed that none of the books were delivered. *The Committee advised the Head of Budget Agency to revisit this matter and submit a report to the Committee.*

5.15 The Auditor General indicated that physical verification carried out revealed that there were overpayments on eleven projects totalling \$10.982M. *The Committee advised the Head of Budget Agency to follow up aggressively on the recovery of these overpayments.*

Ministry of Housing and Water

5.16 The Committee expressed concerns that the last audited accounts of the Guyana Water Incorporated had been a qualified opinion. The Committee also noted that although the accounts for the years 2005 and 2006 were audited, these were not laid in the National Assembly as required by Law. The Head of Budget Agency informed members of the Committee that the statement was issued due to the fact that there were difficulties regarding the position of the Agency's accounts receivables, provision for bad debt, the inventory level and the inability to establish genuine accounts payable. The Head of Budget Agency further explained that all the issues except the issue regarding the accounts receivable had been resolved and should be concluded in 2009.

Georgetown Public Hospital Corporation

5.17 The Committee noted in the Auditor General's Report that the Corporation continued to procure drugs on the basis of a Cabinet Decision which named specific agencies from which drugs should be bought, in violation of the Procurement Act.

Ministry of Health

5.18 The Committee noted the report that the Ministry, like the GPHC, continued to procure drugs on the basis of a Cabinet Decision which named specific agencies from which drugs should be bought in violation of the Procurement Act.

Ministry of Labour, Human Services and Social Security

5.19 With regard to the Auditor General's finding that the old public assistance imprest bank account No. 0902 which became non-operational several years ago was overdrawn by \$270.586M, and the closure of this account remained unresolved, *the Committee therefore urged a speedy resolution to this matter.*

5.20 The Committee expressed its concern that the Ministry was not able to resolve the issue relating to the reimbursement of the old age pension and public assistance imprest bank account No 3039 with an amount of \$91.3M. *The Committee advised the Head of Budget Agency to pursue the matter following the prescribed procedure in an effort to bring it to closure.*

Ministry of Home Affairs (Prisons)

5.21 With regard to the Auditor General's finding that there continued to be breaches in the procurement process relating to the purchases of building materials, the Committee expressed its dissatisfaction with the disregard for the Public Procurement Act shown by the Head of Budget Agency.

5.22 The Committee noted the responses from the Head of Budget Agency that the supplier was taken to Court for failing to supply the items or refund the money paid for undelivered arms and ammunition totalling \$11.160M and *advised the Head of Budget Agency that the Ministry could have pursued civil litigation for a refund of money. The Officer was also advised to revisit the matter and seek the necessary advice in an effort to recover the said sums from the supplier.*

Ministry of Home Affairs (Police)

5.23 The Auditor General continued to report that items of military kit to a value of \$225.536M were purchased from sums allocated for Benefits and Allowances. These purchases were deemed inappropriate charges to the line item, since allowances or benefits as an accounting concept connotes the receipt of cash or kind by a payee for his or her use or consumption. *The Committee advised the Head of Budget Agency to engage the Auditor General and the Director of Budget with a view to seeking clarification on the correct line item under which such military kits should be purchased.*

Ministry of Legal Affairs

5.24 The Auditor General reported that 257 applications for registration of business names were not seen. The Committee enquired whether the Ministry was involved in computerising these applications and was informed by the Head of Budget Agency that this process was in progress and should have been completed by the end of 2009.

5.25 With regard to the Auditor General's findings on both the State Solicitor Bank Account Nos. 0120 and 0330, it was explained at the examination that the Ministry had a problem with reconciling the two Accounts, and the Committee suggested that the Ministry seek guidance from the Accountant General Office on this matter. The Head of Budget Agency was required to submit to the Committee, an update on this matter every six months.

5.26 The Committee expressed dissatisfaction that the Head of Budget Agency had not taken the necessary steps to have the cheques totalling \$4.021M for the years 2000 to 2006 deposited into the Public Trustee Bank Account No.0270.

5.27 An examination of the rental register of the First Federation Building revealed that there were 30 tenants occupying this building. *The Committee suggested that the Ministry take serious action against the tenants of the building for accrued rent, and recommended that proper tenancy agreements be entered into with the tenants which should cater for more realistic rentals, taking into consideration that most of the tenants were lawyers who are at present failing to pay even the ridiculously low rentals now in effect.*

Guyana Defence Force

5.28 The Committee noted the non-presentation for audit of 25 vouchers totalling \$60.172M relating to the purchase of fuel and lubricants, including that uplifted in drums and the report that not all the fuel and lubricants bought was brought to account in the Stock Records. *Members were dissatisfied with the system being used and urged the Agency to correct this practice as soon as possible.*

5.29 The Committee noted that amounts totalling \$128.688M were expended on the hire of vehicles of which there were 191 transactions valued at \$55.646M involving an army institution and its staffers. Noteworthy was the fact that among the contracts to staffers was the vehicle hired from a maid for amounts totalling \$2.568M. In this case, the Army had hired three cars from the maid, who was the wife of a senior functionary in its corps. *The Committee concurred with the Auditor General's comments and advised the Head of Budget Agency that such services should be procured on the basis of public tendering thus allowing for a more transparent process.*

Region 1

5.30 With regard to the Auditor General's finding that the staff of the Regional Administration frequently uplift cheques for suppliers and contractors without authorisation, *the Committee proposed that the Head of Budget Agency should put in writing, the advice to staff to desist from this practice.*

5.31 The Committee noted the comment in the Auditor General's Report that the appropriate measures were not implemented to monitor the fuel purchased for the three power plants located at Port Kaituma, Moruca and Mabaruma, as well as for the vehicles and equipment owned by the Region, and that the issuance of stocks were not adequately documented. *The Auditor General reported that the Head of Budget Agency was advised that all fuel purchased should be stored in one location before being transferred to the other areas.*

5.32 The Committee noted that the utilisation of 300 electrical meters was an outstanding issue and *urged that the Agency take whatever actions that are necessary to have the meters put to use before they become inoperable.*

5.33 It was noted in the Auditor General's report that systems were not in place by the Regional Administration to account for revenues from the electricity generation project and have same paid into the Consolidated Fund.

Region 2

5.34 The Committee noted that the motor car allowance totalling \$198,936 for a period prior to 2006 paid to an official accredited to the Region by the Ministry of Local Government and Regional Development has still not been recovered even though this official is presently employed within the system *and recommended that the Head of the Budget Agency re-engages the official in an effort to recover the said sum.*

Region 3

5.35 The Auditor General reported that the Region overpaid amounts totalling \$7.223M on nine contracts for the years 2005 and 2006. The Committee expressed its concern that the Region continued to incur overpayments on contracts.

Region 4

5.36 The Committee expressed its concern that the Region had not resolved the issue relating to the registration of thirty-one employees with the National Insurance Scheme and *advised the Head of Budget Agency to take the necessary steps to ensure that those employees are registered.*

5.37 The Auditor General reported that the Regional Administration was unable to present Regional Tender Board (RTB) minutes, other related documents and details as regard the awarding of contracts in 2006 by the RTB, since, these were destroyed by fire in September 2006. As a result, the examination of minutes and other related documents for the award of contracts by the RTB was not possible. As a result, the Audit Office could not verify whether all contracts awarded were done in accordance with the Procurement Act and *recommended that electronic copies of such records could be kept off site in order to avoid a recurrence of such a situation.*

5.38 The Auditor General reported that the Region overpaid amounts totalling \$6.076M on ten contracts for the years 2005 and 2006. The Committee expressed its concern that the Region continued to incur overpayments on contracts.

Region 5

5.39 The Auditor General reported that approval had not been obtained by the Regional Administration for the writing off of a sum of \$230,000, which was misappropriated from the salaries bank account for which a Police report is still outstanding. However, the Head of Budget Agency explained that the Officer involved had offered to repay part of the misappropriated sum. The Committee pointed out that there is a Statute of Limitation which applies when seeking legal recourse for the recovery of money.

5.40 The Committee expressed its dissatisfaction that the Region has not been able to clear 43 cheque orders totalling \$4.859M relating to the year 2005 and 117 cheque orders valued at \$30.146M for the year 2006.

5.41 The Auditor General reported that the Region continued to utilise its current provision to make payments for works of a capital nature. *The Committee recommended that such works should be budgeted for under the capital budget or the necessary approval should be obtained in accordance with the FMA Act before such works are undertaken.*

Region 6

5.42 The Auditor General's findings noted that the Region was not in compliance with the Cabinet Decision which recommends that the Ministry of Finance make a comprehensive submission to Cabinet in order for Cabinet to write off all losses prior to 2002. This was because there was an absence of relevant records and the Region was unable to reconcile its old bank account No. 3070, which became non-operational, and was overdrawn by \$1.058M. The Committee advised that the Head of Budget Agency acquires a copy of this Cabinet Decision and that the Permanent Secretary of the Ministry of Local Government advise the Head of Budget Agency on the way forward.

5.43 The Committee expressed its dissatisfaction that the Region has not been able to clear 241 cheque orders totalling \$112.530M, relating to the years 1998 – 2005 and 145 cheque orders valued at \$6.664M for the year 2006 and noted that in the absence of the corresponding payment vouchers and supporting documents, the Auditor General could not determine whether the expenditure was properly incurred and the Region received value for the sums expended.

5.44 The Auditor General reported that the Region overpaid amounts totalling \$11.043M on nine contracts. The Committee expressed its concern that the Region continued to incur overpayments on contracts without success of any recoveries.

5.45 The Auditor General reported that the Region failed to produce minutes of tender board meetings for works, both capital and current in nature. The Committee expressed its disapproval over the disregard for the Public Procurement Act by the Head of Budget Agency.

Region 7

5.46 The Committee noted in the Auditor General's Report that the Regional Administration expended the sum of \$5.421M on capital works that were charged under Current line items. *The Committee advised the Head of Budget Agency that even though he would have received oral approval from the Ministry of Finance, a written approval should be sought subsequently.* It was also identified in the Report that the Regional Administration had not complied with the requirements of the Stores Regulations as it relates to the maintenance of inventory records and the marking of assets. *The Committee suggested that the Head of Budget Agency should implement a time frame to complete the process of marking the assets of the Administration.*

Region 8

5.47 The Committee expressed its dissatisfaction that the Region has not been able to clear 237 cheque orders totalling \$51.026M, relating to the years January 2004 – July 2007 and noted that in the absence of the corresponding payment vouchers and supporting documents, the Auditor General could not determine whether the expenditure was properly incurred and the Region received value for the sums expended.

Region 9

5.48 A physical check revealed that there were variances between recorded and physical balances of the stock of fuel in the Region. *As such, the Committee advised the Head of Budget Agency to open a fuel register for the receipt and issue of fuel with a view to being able to determine current balances.*

5.49 The Auditor General noted that the Regional Administration failed to put measures in place to have items on loan to agencies and private individuals over the years 1995 to 2005 returned. He also noted that there were several instances where items were inappropriately loaned to contractors and private individuals. *The Committee requested that the Accounting Officer submit a list of the names of persons to whom items were loaned and the cost of the items and take the necessary steps to recover them or their value. In cases where persons died, recoveries should be made from their estate.*

5.50 It was identified in the Auditor General's Report that the Region continued to utilise its Special Fund Account for advances to employees as well as non-employees of the Region although the Head of Budget Agency acknowledged that the Minister of Local Government had issued a circular advising Regional Executive Officers that no advance should be issued from such funds unless approved by the said Minister. However, the Committee noted that the situation remained the same and requested the Auditor General to provide a legal framework for the establishment, functioning, and use of such Special Fund Accounts.

5.51 It was also identified in the Auditor General's Report that the salaries of the Caretakers of the Regional Guest Houses were met from the Region's current provisions, although all revenues derived from operations are deposited into the Project Fund, and the Regional Administration continued to utilise the cash receipts to effect payments from time to time.

Region 10

5.52 The Committee noted with concern that the Administration has still not taken action to correct the defect in the 30KVA 3 phase 60HZ 220/110 generator and to put it into operation.

5.53 The Committee expressed its concern that twenty five payment vouchers totalling \$21.908M were not presented for audit examination and noted that in the absence of payment vouchers, the Auditor General could not determine whether the expenditure was properly incurred and the Region received value for the sums expended.

5.54 The Auditor General reported that the Region overpaid amounts totalling \$2.704M on five contracts. The Committee expressed its concern that the Region continued to incur overpayments on contracts without success of any recoveries.

6. IMPROVEMENTS RECORDED IN MINISTRIES, DEPARTMENTS AND REGIONS

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

7. CONCLUDING REMARKS AND ACKNOWLEDGEMENTS

7.1 Public Accounts Committee through its Chairperson wishes to express sincere gratitude to the other members of the Committee for their contribution to the work of the Committee and for the non-partisan approach they have adopted throughout the deliberations of the Committee. It was indeed hard work spanning a period of approximately 12 months, and had it not been for the strenuous efforts of all members of the Committee, this report might not have been possible.

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

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

25th October, 2010