

**AUDITED ACCOUNTS OF THE OFFICE  
OF THE COMMISSIONER OF INSURANCE**

**FOR THE YEAR ENDED  
31 DECEMBER 2007**

**AUDITORS: THE AUDIT OFFICE OF GUYANA  
63 HIGH STREET  
KINGSTON  
GEORGETOWN  
GUYANA**



## *Audit Office of Guyana*

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AG: 56/2008

15 July 2008

REPORT OF THE AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS  
OF THE OFFICE OF THE COMMISSIONER OF INSURANCE  
FOR THE YEAR ENDED 31 DECEMBER 2007

I have audited the financial statements of the Office of the Commissioner of Insurance for the year ended 31 December 2007. These statements have been prepared under the historical cost convention and in accordance with the accounting policies as set out on page 7.

### Respective Responsibilities of Management and Auditors

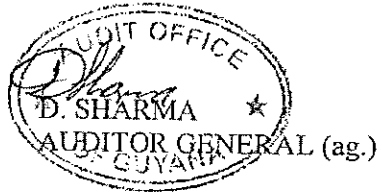
The preparation of the financial statements, including assertions relating to their completeness, accuracy and validity, is the responsibility of the Management of the Office of the Commissioner of Insurance. My responsibility is to express an independent opinion on these statements based on these assertions and to report my opinion to you.

### Basis of Opinion

The audit was conducted in accordance with the Generally Accepted Auditing Standards, including those of the International Organization of Supreme Audit Institutions (INTOSAI) and the International Standards on Auditing, issued by the International Federation of Accountants (IFAC). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Office of the Commissioner of Insurance as at 31 December 2007 and of its net deficit for the year then ended in conformity with the International Financial Reporting Standards.



AUDIT OFFICE  
63 HIGH STREET  
KINGSTON  
GEORGETOWN  
GUYANA

**OFFICE OF THE COMMISSIONER OF INSURANCE**  
**Income Statement For the Year Ended 31 December 2007**

	Notes	2007	2006
		\$	\$
<b>INCOME</b>			
Assessment, registration fees	3	15,890,799	28,353,952
Government Subvention		4,500,000	4,500,000
Interest	10	508,600	435,686
Miscellaneous Income		327,459	177,343
		<u>21,226,858</u>	<u>33,466,981</u>
<b>EXPENSES</b>			
Administration		1,108,795	2,348,133
Bank charges		8,719	4,200
Depreciation	5	719,790	285,362
Salaries		21,578,350	16,161,790
Professional Fees	4	1,516,450	2,483,750
Website Development		-	-
Motor Vehicle		273,996	-
		<u>25,206,100</u>	<u>21,283,235</u>
<b>Net Income/(Deficit)</b>		<u><u>(3,979,242)</u></u>	<u><u>12,183,746</u></u>

**Statement of Accumulated Surplus**

	2007	2006
	\$	\$
Balance as at 31 December 2006	23,966,617	11,782,871
Income for the Period	(3,979,242)	12,183,746
<b>Balance as at 31 December 2007</b>	<u><u>19,987,375</u></u>	<u><u>23,966,617</u></u>

**OFFICE OF THE COMMISSIONER OF INSURANCE**

**Balance Sheet as at 31 December 2007**

	Notes	2007 \$	2006 \$
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property Plant and Equipment	5	2,648,512	715,816
Statutory Deposits	6	630,111,311	684,706,026
		<hr/>	<hr/>
		632,759,823	685,421,842
<b>Current Assets</b>			
Cash at Bank	8	19,750,373	24,430,778
Petty Cash		25,000	10,000
Receivables & Prepayments	7	29,940	337,523
		<hr/>	<hr/>
		19,805,313	24,778,301
		<hr/>	<hr/>
<b>Total Assets</b>		<b>652,565,136</b>	<b>710,200,143</b>
 <b>EQUITIES &amp; LIABILITIES</b>			
Retained Earnings		19,987,375	23,966,617
 <b>Non-Current Liabilities</b>			
Deposits held for Insurers		630,111,311	684,706,026
 <b>Current Liabilities</b>			
Accruals	9	2,466,450	1,527,500
<b>Total Current Liabilities</b>		<hr/>	<hr/>
		2,466,450	1,527,500
		<hr/>	<hr/>
<b>Total Equity &amp; Liabilities</b>		<b>652,565,136</b>	<b>710,200,143</b>

Commissioner of Insurance..... *Min Park*

Assistant Commissioner (Risk and Operations)..... *J. Samano*

**OFFICE OF THE COMMISSIONER OF INSURANCE**  
**Cash Flow Statement For the Year Ended 31 December 2007**

	2007	2006
	\$	\$
<b>Cash Flows from Operating Activities</b>		
Net Income/(Deficit)	(3,979,242)	12,183,746
<b>Adjustments for:</b>		
Depreciation	719,790	285,362
Loss on Disposal of Asset	64,637	-
(Increase)/Decrease in Receivables	307,583	1,029,586
Increase/(Decrease) in Accruals	938,950	(515,151)
<b>Total Adjustments</b>	<b>2,030,960</b>	<b>799,797</b>
<b>Net Cash Provided by Operations</b>	<b>(1,948,282)</b>	<b>12,983,543</b>
<b>Cash Flows from Investing Activities</b>		
<b>Used for purchase of:</b>		
Computer Equipment	(559,253)	-
Office Equipment	(361,870)	(170,660)
Motor Vehicle	(1,796,000)	-
<b>Net cash used in Investing</b>	<b>(2,717,123)</b>	<b>(170,660)</b>
<b>Net increase/(Decrease) in Cash</b>	<b>(4,665,405)</b>	<b>12,812,883</b>
<b>Summary</b>		
Cash Balance at End of Period	19,775,373	24,440,778
Cash Balance at Beginning of Period	(24,440,778)	(11,627,895)
<b>Net Increase/(Decrease) in Cash</b>	<b>(4,665,405)</b>	<b>12,812,883</b>

**OFFICE OF THE COMMISSIONER OF INSURANCE  
NOTES ON THE ACCOUNTS**

**1. Background**

The Office of the Commissioner of Insurance was established by the Insurance Act No. 20 of 1998. This Act repealed the 1970 Insurance Act and introduced direct supervision of the occupational pension plans. The office became operational on December 18<sup>th</sup> 2002 by the virtue of Order No. 45 of 2002 issued by the Minister of Finance. The Commissioner is responsible for the general administration of the Act. In addition to insurance companies, underwriters and pension plans, the Commissioner is required to regulate all insurance intermediaries such as insurance sales agents, brokers, claims adjusters and surveyors and handle complains by the policy holders against insurance companies and brokers. The operations of the office are funded by the government and fees and assessments paid by regulated insurance companies, brokers, agents and pension plans.

**2. Accounting**

**a. Accounting Conversions**

The financial statements have been prepared under the historical cost convention, and in accordance with the international Accounting Standards adopted by the institute of Chartered Accounts of Guyana.

**b. Fixed Assets and Depreciation**

Fixed Assets are stated at cost and are depreciated on a straight line method at rates, which are estimated to write-off the assets over the term of their useful lives, as follows:-

Motor Vehicles	20%
Office Furniture	20%
Computer Equipment	20%

**OFFICE OF THE COMMISSIONER OF INSURANCE**  
**NOTES ON THE ACCOUNTS**

**3 Registration Fees and Assessments**

These fees and assessments represent amount received from Insurance companies, pension plans, agents and brokers are as follows:-

Particulars	2007	2006
	\$	\$
<b>Assessments</b>		
Insurance Companies	14,585,299	27,481,103
Pension Plans	-	-
Brokers	350,000	182,849
<b>Sub Total</b>	<u>14,935,299</u>	<u>27,663,952</u>
 <b>Registration Fees</b>		
Insurance Companies	250,000	-
Agents	455,500	390,000
Brokers	-	300,000
Pension Plans	250,000	-
<b>Sub Total</b>	<u>955,500</u>	<u>690,000</u>
 <b>Total</b>	 <u><u>15,890,799</u></u>	 <u><u>28,353,952</u></u>

**4 Professional Fees/Consultancy**

Legal Fees Retainer	250,000
Audit Consultancy	<u>1,266,450</u>
<b>Total</b>	<u><u>1,516,450</u></u>



**OFFICE OF THE COMMISSIONER OF INSURANCE**  
**NOTES ON THE ACCOUNTS**

**5 Fixed Assets**

	Office Equipment	Computer Equipment	Motor Vehicle	Total
	\$	\$	\$	\$
<b>Costs as at</b>				
1 January 2007	355,160	1,071,648	-	1,426,808
Disposal	-	(194,330)	-	(194,330)
Additions	361,870	559,253	1,796,000	2,717,123
31 December 2007	<u>717,030</u>	<u>1,436,571</u>	<u>1,796,000</u>	<u>3,949,601</u>
<b>Depreciation</b>				
1 January 2007	154,132	556,860	-	710,992
Depreciation on Disposal		(129,693)		
Charge for the year	87,090	307,944	324,756	719,790
31 December 2007	<u>241,222</u>	<u>735,111</u>	<u>324,756</u>	<u>1,301,089</u>
<b>Net Book Value</b>				
31 December 2007	<u>475,808</u>	<u>701,460</u>	<u>1,471,244</u>	<u>2,648,512</u>
31 December 2006	<u>201,028</u>	<u>514,788</u>	-	<u>715,816</u>

**OFFICE OF THE COMMISSIONER OF INSURANCE  
NOTES ON THE ACCOUNTS**

**6 Statutory Deposits**

Where an insurer carries on long-term and general insurance business, deposits in accordance with Section 40(1) of the Insurance Act are required to be made with the Commissioner of Insurance. These deposits are held until the insurer ceases to be registered. As at December 31st 2007 the commissioner and the insurer held the following deposits.

**Deposits held for the Commissioner of Insurance**

<b>Company</b>	<b>Amount Deposited</b>	<b>Statutory Requirement</b>
	<b>\$</b>	<b>\$</b>
Frandec	7,644,017	7,658,369
Diamond Fire & General Insurance	16,841,643	15,251,717
Guyana & Trinidad Mutual Fire Insurance	130,067,378	128,531,009
Guyana & Trinidad Mutual Life Insurance	21,235,545	18,750,000
Hand-in-Hand Mutual Fire Insurance	123,683,506	130,099,400
Hand-in-Hand Mutual Life Insurance	18,750,000	18,750,000
North American Life Insurance	20,511,465	18,750,000
North American Fire Insurance	60,894,978	70,311,331
Clico Life & General Insurance	46,470,927	60,902,871
GCIS	46,224,082	43,854,600
Caricom General Insurance Inc.	65,184,119	39,189,662
United Insurance	40,437,847	40,056,127
Demerara Fire & General insurance	18,611,205	16,502,500
Demerara Mutual Life Insurance	13,554,599	12,500,000
	<b>630,111,311</b>	<b>621,107,587</b>

**OFFICE OF THE COMMISSIONER OF INSURANCE  
NOTES ON THE ACCOUNTS**

**7    Prepayments**

Payment for 3 mths DSL Chgs - January to March 2008 @ \$9,980 each	\$        29,940
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**8    Cash at Bank**

	2007	2006
	\$	\$
Current account # NBIC 654-367-2	4,536,140	4,164,527
Savings account # NBIC 261-008-7	15,214,233	20,266,251
	19,750,373	24,430,778

**9    Accruals**

Jack A. Alli & Sons	\$        2,466,450
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**10   Interest**

Interest Received	635,750
Less W/Holding Tax	(127,150)
<b>Net Interest</b>	<b>\$        508,600</b>

## **TREASURY MEMORANDUM**

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TO: The Speaker and Members of the National Assembly

FROM: Finance Secretary, Ministry of Finance

DATE: November 7, 2008

FILE NO: FS 60 / 1 / 1

SUBJECT: **Treasury Memorandum Pursuant to Resolution No 63 of the National Assembly dated July 1, 2008 on the Public Accounts of Guyana for the years 2002 and 2003.**

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1. This Treasury Memorandum details the comments and actions that the Government has taken, or intends to take, in response to Resolution No 63 of the National Assembly dated July 1, 2008 adopting the report of the Public Accounts Committee on the 2002 and 2003 Public Accounts of Guyana.

2. The issues will be addressed using the same format in which they were presented in the Report of the Public Accounts Committee, that is, in the three broad categories:

- i. General problems observed in Government financial management
- ii. The Public Accounts Statements
- iii. Specific issues relating to Ministries, Departments and Regions (MDRs)

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

#### **A. Inadequate use of Information Technology**

3. As indicated in previous memoranda, the Government is cognisant of the need to utilise Information Technology as an integral part of its strategy to modernise the Government Sector, improve its efficiency and effectiveness, thus ensuring its capacity to deliver quality services to the general public. In this regard, it embarked upon a comprehensive programme of public sector reform with emphasis on appropriate best practices. In the specific area of information technology, the implementation of the Integrated Financial Management and Accounting System (IFMAS) is undoubtedly the

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most significant change that has taken place. This system became operational in January 2004. IFMAS is a comprehensive interlinked financial management and decision-making system that supports the efficient processing and storage of data and generation of reports, thereby complementing effective management and accountability. The availability of financial and programme information certainly augments its capacity to support effective decision-making as it relates to the management of budgets.

4. All Central Government Agencies are now connected to a central processing server at the Ministry of Finance via wireless and /or dial-up technologies.

5. The system operates on the basis of a single main bank account, The Official Consolidated Fund Account. Most of the bank accounts that were in operation prior to the implementation of IFMAS have been closed. The reduction in the number of the bank accounts has provided much relief from the rigors associated with reconciliation. The single main bank account is now being reconciled through the use of a modified Treasury Management Module and is done on a monthly basis. My previous Treasury Memoranda would have made mention of this module being configured.

6. The execution of the automation of the financial operations of Central Government was programmed to be implemented in a phased manner. The modules that are currently in operation are as follows:

- a) Controls Module
- b) Appropriations Module
- c) General Ledger Module
- d) Expenditure Module
- e) Reconciliation Module (Treasury Management Module)
- f) Revenue Module

7. Whilst Modules (a) to (d) were implemented in January 2004 the Reconciliation and Revenue Modules were implemented at a later date. The Reconciliation as well as the Revenue Modules became operational in January 2007. With the implementation of these Modules, there are now several features which ensure;

- i. Allotments are made to all Agencies;
- ii. Agencies can now control and distribute their respective budgets activity level;
- iii. Agencies can now commit funds for contracts and other services;
- iv. Agencies can now enter data into a coded Expense Voucher window;
- v. Expenses can now be charged to an appropriate Chart of Account in the General Ledger;

- vi. Agencies can now enter data into a Cash Sales Voucher window as it relates to Revenues, Expenditure Credits and Deposits Fund Receipts;
- vii. Cheque files are created detailing amount, payee, cheque number among other features;
- viii. A Cheque Register Report is generated.

8. Furthermore, the Payroll as well as the Pension Systems have long been automated. The payroll system through its Smartstream application has been interfacing with the Free Balance application within IFMAS since the implementation of the latter system in January 2004. The benefits accruing from such an interface involves the computerisation of all salaries and deduction cheques throughout the Government of Guyana (GOG). This has eliminated the necessity of manual preparation and signing of cheques for salaries and deductions as well as the maintenance of the related records.

9. Training has and continues to be an ongoing activity. Extensive training programmes were conducted by the Ministry of Finance during the period October to November 2007. Over four hundred employees throughout the various Ministries, Departments and Regions were targeted. The main objective of this training was, in addition to the upgrading of skills and knowledge, to bring about consistency in the performance of duties and the maintenance of the relevant records. The interactions during the sessions were very encouraging and there is much optimism that there will be improvements in performance and efficiency levels.

10. In addition to the introduction of IFMAS and its various benefits, the Fiscal and Financial Management Programme (FFMP), has strengthened the operational capacities of the Ministry of Finance, the Guyana Revenue Authority, the Economic Services and Public Accounts Committees of the National Assembly. Through this programme, the Ministry of Finance has acquired computer hardware and software which have been distributed to the Office of the Budget, the Accountant General's Department, and the other Ministries.

11. Under the Institutional Strengthening Project that is reflected under the capital budget of the Ministry of Finance, the Government continues to purchase computers for distribution to critical areas in identified Ministries.

12. There is no doubt that with the introduction of IFMAS, there should have been reorganisation within some agencies of central government, with particular reference to the Sub-accounting Agencies; since officers are no longer required to maintain manual cash books, reconcile their main and salaries bank accounts, write, sign and countersign cheques. This process of reorganisation is expected to be accelerated shortly.

## **B. Archaic and Cumbersome Systems**

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13. Recognising the need to modernise systems, in addition to the implementation of a new computerised system, the Government undertook a project to examine this situation and implement a new computerised system. A modern, comprehensive legislation in the form of the Fiscal Management and Accountability Act 2003 (FMAA) was also enacted.

14. The FMAA provides for the regulation of the preparation and execution of the annual budget, the receipt, control and disbursement of public monies; the accounting for public monies; and such other matters connected with or incidental to the transparent and efficient management of the finances of the State.

15. For the first time, the Act clearly spells out the responsibilities and functions of the Finance Secretary and the Head of Budget Agencies; specific time lines regarding the preparation and presentation of the budget to the National Assembly; clearly defined penalties and fines for defaulters of the Act. In addition, new regulations to the FMAA, which replaced the Financial Regulations of 1955, were completed and gazetted on December 31, 2004.

16. Under the Public Management Modernisation Program, steps were taken to further strengthen Public Service Management and the institutional capacity of the Public Service Ministry; improve accountability mechanisms aimed at fostering transparency and integrity in the Public Sector.

Key activities undertaken, included enhancing the Public Service Ministry's capacity to regulate and manage the Public Service, to facilitate greater efficiency and effectiveness within the Public Service.

Another major achievement of this Programme was the enhancement of the Human Resources Management Information Systems at the Public Service Ministry, and the development of a general institutional framework for the classification of Semi Autonomous Agencies and Statutory Bodies.

### **C. Non-Compliance with the FAA Act**

17. As mentioned earlier, the FAA Act has been superseded by the Fiscal Management and Accountability Act (FMAA) 2003. With the introduction of the Integrated Financial Management and Accounting System (IFMAS), the Accountant General is now in a better position to access information from that system in order to prepare and submit the Consolidated Annual Financial Statements to the Auditor General within the specified timeframe.

18. The recommendations of the PAC, as stated in paragraph 3.11, are inconsistent with those stipulated in the FMAA. The deadlines set out in the FMA Act and Regulations are being adhered to. In addition, the longest delay in the accountability cycle is the length of time taken by the PAC in its deliberations on each year's Public Accounts.

19. Regarding the issue raised in paragraph 3.12 of the Report of the Public Accounts Committee, all old bank accounts operated by Ministries, Departments and Regions were frozen

as at June 30, 2004. Those accounts, which had positive balances as at that date, were closed and the balances transferred to the new official Consolidated Fund Account, which replaced the previous Consolidated Fund Account No. 400. In the case of those bank accounts that were overdrawn, circular instructions have been issued to the respective Accounting Officers requesting them to investigate the occurrence of the overdrafts and report their findings to him. This exercise is however not without its difficulties. Because of the passage of time and the non-availability of the relevant records and documents the probability of this exercise achieving its objective appears non-attainable. With the introduction of IFMAS in general, and the concept of a single bank account, the possibility of overdrawn bank accounts will reduce considerably. All cheques are now drawn from the single Consolidated Fund Bank Account, which is maintained and operated by the Accountant General.

20. With the introduction of IFMAS and the withdrawal of the main and salaries bank accounts from the Ministries, Departments and Regions, overdrafts will also be minimised. All cheques are now drawn from the single main bank account maintained by the Accountant General's Department. The recommendation of the PAC in paragraph 3.13 is noted. However, because the statutory limitation period for surcharge may have lapsed in most cases, it may not be possible to implement same.

21. The Government has taken note of the concerns raised about the large number of payments being processed beyond the close of the financial year, while the transactions were backdated to December 31. The implementation of IFMAS has negated this occurrence. The Government has taken a number of steps to improve the situation, including improved project planning and better management of the budget cycle with particular emphasis being placed on cash flow management.

22. In relation to the issue of State Institutions in receipt of a government subvention and not complying with the FAA (Amendment Act of 1993), Government has made significant efforts to improve the transparency of operations of these bodies. In the FMA Act 2003, there is provision for these institutions to submit to the National Assembly not more than four months after the start of the fiscal year their respective annual reports.

In addition, the budgets of all these institutions now have to be approved first by the Minister of Finance before submission to the National Assembly. Moreover the budgets of statutory bodies are now being incorporated in the Annual Estimates of Revenue and Expenditure of the Public Sector.

23. Government recognises the need for improved compliance by these institutions.

24. With respect to the concern about the proceeds from the Guyana Lotteries being held in a special bank account at the Bank of Guyana, the Government had indicated previously that all sums deposited and withdrawn from that account are properly accounted for. The observation raised in the same Section pertaining to the Ministry of Education, the Guyana Defence Force



and Region 2 has already engaged the attention of the Ministry of Finance and appropriate action will be taken shortly.

25. The implementation of IFMAS in general and the Revenue Module in particular has allowed the Accountant General to track all revenues received and transferred to the Consolidated Fund on a daily basis.

26. The Government is in the process of formulating a policy to address concerns expressed as it relates to employees who have not been properly registered with the National Insurance Scheme.

27. Regarding the use of the Contingencies Fund, every advance granted from this Fund is in accordance with the FMAA and is brought to the National Assembly by way of Supplementary Financial Paper and is therefore subjected to full parliamentary scrutiny.

#### **D. Unsatisfactory Management of Cash resources**

28. The management of cash resources has improved significantly since the introduction of IFMAS, the abolition of the General Account System and the opening of a single main bank account from which all cheques in respect of Central Government Agencies are currently being printed by the Ministry of Finance.

In addition, and as mentioned earlier, all bank accounts that were operated by the various agencies prior to January 2004 and which contained positive balances have been closed and their balances transferred to the Official Consolidated Fund.

A Treasury Circular has also been issued to those Heads of Budget Agencies under whose jurisdiction there are overdrawn accounts; indicating to them that the onus is upon them to ensure the systematic reconciliation of the said accounts so as to facilitate their subsequent closure. The recommendation of the PAC in terms of the use of appropriate Information Technology to address the concerns raised has been overtaken by the implementation of the Reconciliation and Revenue Modules within IFMAS.

#### **E. Failure to Reconcile Bank Accounts**

29. The concerns raised by the PAC have been noted. However in several instances supporting records are unavailable to facilitate reconciliation of these accounts. Government is currently reviewing its policies as it pertains to this issue.

30. However, as indicated earlier, all the old bank accounts operated by the Ministries/ Departments and Regions were frozen as at 30<sup>th</sup> June 2004 and the positive balances transferred to the Consolidated Fund Bank Account. Those with negative balances are still being investigated.

With the implementation of IFMAS in January 2004 the main and salaries bank accounts, which were previously operated by the MDRs, were closed.

All Cheques are now drawn on the Consolidated Fund Bank Account of the entire system. This bank account is being reconciled on a timely basis using the computerised Bank Reconciliation Module on IFMAS, and is currently up to date.

**F. Non-compliance with Tender Board Regulations**

31. As acknowledged in paragraph 3.30, a number of the recommendations made in 3.29 have been superceded by the Procurement Act and Regulations made thereunder.

**G. Poor control over the use of Government vehicles**

32. All Ministries, Departments and Regions are now required to submit a monthly Vehicle/ Equipment Inventory and Maintenance Report to the Ministry of Finance as a prerequisite for the release of their monthly allotments.

**THE PUBLIC ACCOUNTS STATEMENTS**

33. This matter is still engaging the attention of the Ministry of Finance. The proposals made with regards to the format for the presentation of treasury bills in the statement of Receipts and Payments of the Consolidated Fund will be discussed with the Auditor General and implemented thereafter.

34. With respect to Government's liability to the Lloyd's Bank of London, there were two (2) loans owed to this institution at the end of 1998. The amount due to Lloyd's Bank by the defunct GNTC was settled under an IDA/World Bank sponsored debt buy-back programme in 1999. This liability was part of the External Payments Deposit Scheme (EPDS) held at the Bank Of Guyana. However, the amount due to Lloyd's Bank by the Guyana High Commission in London remains outstanding. This matter is being addressed in a similar manner to debts owed to Paris Club creditors within the framework of the Enhanced HIPIC Initiative.

35. With regards to the issue of large balances held in project accounts, which have ended, the Ministry of Finance has initiated an exercise to ascertain the status of those accounts with a view to having them closed, where appropriate, and their balances transferred to the Official Consolidated Fund Bank Account.

36. The Secretary to the Treasury vide Circular No. 2/2002 dated 2002-04-10 had issued a directive to all Accounting Officers with regards to the proper accounting for grants and gifts received by government agencies. They were reminded about their obligation to ensure full compliance with the guidelines regarding the treatment of grants and gifts in cash and kind. As part of the requirement for monthly releases, a statement of unrequited transfers is submitted and steps have been taken to bring them to account.

37. With regards to section 4.5 of the report, the Public Debt Register has since been updated and previously incomplete columns are now reflective of the information required.

38. Moreover, all loan agreements entered up to 2007 have been tabled in the National Assembly.

### **SPECIFIC ISSUES RELATING TO MINISTRIES, DEPARTMENTS AND REGIONS ( YEAR ENDED 31 DECEMBER 2002 AND 2003)**

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

39. The administration of the Office of the President, in an effort to reduce to reduce expenditure in the area of vehicle spares and services, has since taken the decision to dispose of all vehicles deemed uneconomical to maintain. Eleven such vehicles have been disposed of during the reporting period.

40. The Integrity Commission has indicated that the last audited financial statement was in respect of the year 2002 and furthermore that all outstanding statements for the period 2003 to 2007 would be completed and submitted for audit by 30 June, 2008.

As indicated earlier, the Government has embarked on a project aimed at strengthening the management and accountability capabilities of all semi-autonomous and statutory bodies.

41. The comments of the Auditor General have been duly accepted by the administration. An Overseas Telephone Calls Register has since been opened and maintained by the Central Accounting Unit of the Office of the President. Also recoveries are being made for private calls.

42. All the supporting documentations in respect of the seven payments totaling \$12.5M were duly submitted for audit inspection.

The amount of \$168.257M was transferred from the Deposits Fund Bank Account to the Consolidated Fund Bank Account vide Credit Advice No. 39-029252 Dated 2004 -01-06. The records in relation to the period July 1998 to June 2002 cannot be located and all attempts to have same reconstructed have been futile.

43. The Wildlife Scientific Authority is still in the process of identifying parameters to be used in ascertaining endangered or threatened species of wild animals and plants, after which, the Annual Report will be finalised. With effect from 2006, the Wildlife Management Authority implemented the use of a Register as required by Section 71 of the Species Protection Regulations.

44. The recommendation made by the PAC with regards to the accountability for revenues generated by the GDF has been noted. The Ministry of Finance is currently reviewing this matter.

### **Ministry of Finance**

45. The Government has, and continues in its effort to regularise the operations of departments that are in receipt of a subvention under the Ministry of Finance. COMU was disbanded in 2000, BASS has been subsumed under the Guyana Revenue Authority, and the Privatisation Unit has been subsumed under a reconstituted NICIL.

Regarding the employment of staff under the State Planning Commission (SPC) and their subsequent attachment to other Government Agencies, it should be noted that the mandate of SPC is wide and varied. In the process of executing that mandate, it is necessary to interact with a number of Government and quasi Government Agencies. Many of these Agencies, while willing, are often not in a position to deliver information and data because of an absence of qualified personnel. As a temporary approach to address this issue, the SPC has sought to employ staff on a contractual basis only to fill key and critical posts.

### **Customs & Trade Administration**

46. Regarding the issue of Merchant's Overtime, tangible evidence has been seen of GRA's ongoing efforts to recover same.

At present checks are being made to find a suitable location to place a State Warehouse where all seizures would be securely kept.

47. All PID's for the year 2002 have been perfected; while four (4) remain outstanding for the period ending 2003. Currently, the department has an ongoing exercise aimed at perfecting all PID's for the period 2004 to 2007.

48. For the period under review, 729 Ship Files have been completed and efforts are being made to complete the remainder. In addition the ASYCUDA system has since been replaced by the Total Revenue Integrated and Processing System (TRIPS), which has been implemented in 2007.

49. Efforts have been intensified to monitor defaulting manufacturers and owners of spirit shop licenses with a view to prosecution.

50. All matters relating to the 86 duty free concessions granted in August 2003 were referred to the Police for investigation and action.

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

51. The Guyana Revenue Authority has since sought to institute legal proceedings against defaulting companies, in an ongoing effort to recover outstanding taxes due to the Government.

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

52. The staffing situation at the various missions has been addressed. Emphasis is being placed to ensure there is segregation of duties as a means of enhancing the levels of internal control, improved record keeping and the timely submission of financial reports.

53. The Salaries Bank Account No. 3086 was closed on April 29<sup>th</sup>, 2005 and the balance has since been transferred to the Consolidated Fund.

It was the recommendation of the PAC during its 13<sup>th</sup> meeting held on June 11<sup>th</sup>, 2007 that a Losses Report be submitted to the Finance Secretary for the overdrawn amount of \$51.635M against the Imprest Account No. 444. However the Ministry of Foreign Affairs subsequently submitted that Losses Report in May, 2008.

54. The Ministry of Finance has written the subject Ministry to provide an explanation.

55. The amount of US \$12,553.78 and not US \$10,171.63, as previously reported by the Auditor General, represents the sum advanced to a former Head of Mission in Brasilia. The officer has since been dismissed and payments due to him, including his superannuation benefits, have been withheld. The Director General will initiate action including an approach to the Ministry of Finance to write off any balance, after deducting the sum withheld.

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

56. The comments made have been noted as it relates to financial reporting mechanisms of

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the Neighborhood Democratic Councils. At present the Ministry of Local Government has implemented a system whereby the NDCs are requested to prepare their current financial statements whilst efforts are ongoing to have the preparation of those statements which are in arrears. Statements for the prior years 2004 to 2006 have been completed and submitted to the Auditor General. Those financial statements for the prior years are expected to be submitted shortly.

57. In an effort to ensure that the municipalities and district councils comply with the Municipal and District Council Act, Chapter 28:01, the Ministry conducted training programmes targeting both Overseers and Town Clerks from the NDCs and Municipalities respectively. It has now been recognised that there has been noticeable improvement in the preparation of the financial statements, as a consequence of the completion of the training. Out of a total of sixty five (65) NDC's sixty one (61) financial statements have been submitted for audit to the Auditor General. With respect to those pertaining to the Municipalities, all have been submitted.

#### **Ministry of Agriculture**

58. All bank accounts under reference in the PAC report for the period 2002/2003 have been reconciled up to June 30, 2004. These accounts were closed and where positive balances existed, these were transferred to the Consolidated Fund Bank Account.

59. As mentioned earlier, the Government has embarked upon a project aimed at addressing this deficiency as raised in paragraph 5.11 of the PAC's report.

60. With the introduction of IFMAS, it is unlikely for expenditure relating to the previous year, to be back dated.

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

61. The misallocation referred to in paragraph 5.12 of the PAC's report was due to an error made whereby an outstanding amount due on a contract was charged to an incorrect Sub-Head of Charge.

62. In relation to the apparent sub-division of contracts, the Ministry of Public Works has explained this may have arisen where works were executed under certain specific project class, in a phased manner which was dependent upon the availability of cash flows.

63. Steps have been implemented to ensure that the Transport and Harbours Department submits financial returns in respect of sums transferred to undertake various capital works.

64. Maintenance costs of the vehicles were high because of the age factor. The vehicular fleet will continue to be managed in a manner that which strikes an appropriate balance between maintenance and replacement subject to the availability of funds.

65. In the case of rental of the forty-one government quarters, the Ministry of Public Works has advised that many of these quarters are now occupied by senior government functionaries, whose condition of service provides for the provision of "rent free" accommodation. This has accounted for the shortfall in receipts.

#### **Ministry of Education**

66. The Ministry of Finance has written the Permanent Secretary requesting that the matter be investigated and a response submitted.

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

67. The Ministry of Finance has written the Permanent Secretary requesting that the matter be investigated and a response submitted.

#### **Ministry of Health**

68. With respect to paragraph 5.15 of the report of the PAC, corrective action has been taken so that the storekeeping system is of an acceptable standard. The stores records have since been updated with all the relevant information and efforts are being made by the ministry to ensure that continuity is maintained. The Ministry of Health has since sought to implement a computerised store keeping system, having acquired the necessary hardware and software, in an effort to have an effective and efficient system, which would address issues of stock on hand, storage and the distribution of items.

As a result of the unsuitability of the Kingston Bond, the ministry has since rented facilities to house a warehouse at Farm, EBD for the storage of its medical supplies. At the same time, a new warehouse is under construction at the Eccles Industrial Site. All expired drugs are now quarantined and destroyed on a weekly basis by the Food & Drugs Administration. This has resulted in prompt disposal of expired drugs and the provision of vital space.

69. The ministry recognised the lapse in non-compliance as it relates to a request for a change in programme to meet expenditure of a capital nature.

70. With reference to paragraph 5.49, some of the positions have been filled, however the ministry has been unable to attract suitably qualified personnel locally. In an effort to retain the services of skilled medical personnel, the ministry sought and received the assistance from external funding agencies.

In relation to the ministry's overdrawn main bank account, the recommendation made by the PAC has been accepted, and the ministry has since submitted a Losses Report to the Finance Secretary with a view to having the loss written off.

The Wismar Hospital's expenditure is being met by the Regional Administration: Region # 10 with specific areas of expenditure being met through the Ministry of Health's sub programme: Regional and Clinical Services whilst the Mc Kenzie Hospital now under a sub programme the Ministry of Health.

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

71. The C.E.O., Georgetown Public Hospital Corporation, was officially instructed to pay over all revenues collected to the Consolidated Fund's Bank Account.

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

72. With respect to the Public Assistance Imprest Bank Account, the ministry acknowledged that the relevant documents were damaged by wood ants and water whilst the ministry occupied offices at Homestretch Avenue. As such a reconciliation exercise was not completed. The problem was that all the vouchers were not processed in their respective fiscal years because of the late receipt of coupons after the closure of the Country's Accounts. This matter remains unresolved.

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

73. The issue relating to the cheque orders referred to in chapters 5.19 and 5.53 of the PAC's report is still to be verified by the Audit Office.

74. The statement "that revenues amounting to \$18.289M have since been transferred to the Consolidated Fund Bank Account" needs to be rephrased.



The Ministry acknowledges the observation made in relations to the apparent subdivision of purchases. However since the Ministry has the responsibility to manage five (5) prisons in three widely dispersed geographic locations and because of their peculiarities it is not always convenient to effectively co-ordinate all the purchases due to their geographical locations and the nature of some supplies. The ministry would endeavour to strengthen its co-ordination as far as possible to avoid the breaches.

Moreover steps have been made to ensure that there is compliance, as it relates to the procurement of goods and services by the Guyana Police Force and the Guyana Prisons Service, through a public tendering process.

### **Guyana Defence Force**

75. The Chief of Staff has been written to requesting that the matter be investigated and a response submitted.

76. The Guyana Defence Force has made significant efforts to ensure there is compliance with the Tender Board Procedures as it relates to the procurement of goods and services. The GDF has not only instituted a system of public advertisement but has also sought to request approvals from the National Procurement and Tender Administration Board for the procurement of specific categories of goods and services pertaining to National Security.

The issue of the unreconciled amount which appeared on the reconciliation statement of the salaries bank account remains unresolved. The situation has been further compounded due to the destruction of source documents during the floods of 2005.

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

77. There have been serious efforts at updating and maintaining in the prescribed manner, all records pertaining to Business Names, Transport and Trade Marks. The applications for registration of Business Names are now filed in sequential order, with periodic checks being carried out by supervisory staff.

There was indeed a huge backlog of applications for Trade Mark Licenses since 2002 and this was primarily because of a shortage of experienced personnel. However, the situation has since improved and currently Trademarks filed in 2007 are being processed. Every effort would be applied towards bringing this situation up to date by the end of the year 2008.

78. The Ministry of Finance has written to the Permanent Secretary requesting that the matter be investigated and a response submitted.

79. The Ministry of Finance has written to the Permanent Secretary requesting that the matter be investigated and a response submitted.

80. At the time of the Auditor General's inspection, some case jackets were before different courts for adjudication and could not be presented. In addition the Guyana Police Force would sometimes take matters directly to the court prior to filing them at the district head office. This results in lacunae in the numbering of case jackets.

With the employment of trained and qualified staff the magisterial districts have improved as it relates to their financial record keeping, and this will be observed in subsequent audit reports.

81. The apparent sub-division of contracts was due to the failure of the Supreme Court to obtain competent engineering advice and estimates. This situation no longer exists since the retention of the services of a building engineer to assess and prepare Bills of Quantities for all works prior to execution, as well as to under take the supervision of these projects.

All reported cases of discrepancies based on the physical verification of the works have been rectified by the contractors.

82. The salaries and main bank account balances were transferred to the Consolidated Fund after the year ending December 2003.

### **Region 1**

83. To date all cheque orders in respect of the years 2002 and 2003 were submitted to the Regional Sub-Treasury.

84. Better stewardship of the accounts is presently engaging the attention of the Regional Administration.

## Region 2

85. The following steps have been taken to improve Store-keeping and Stores Accounting:

- i. Bin cards have been re-introduced and are being maintained on a daily basis along with all other relevant ledgers and registers.
- ii. Whenever items are issued in bulk to sections and schools, records are kept at the location to properly account for the items.
- iii. Disposal of unserviceable items is now done in accordance with the regulations.

86. With respect to the accounting for fuel, stock balances are checked on a daily basis and are reconciled with bin cards; fuel receipts are verified by the Field Audit Department; and the issuance of fuel is monitored by the Regional Transport Officer whose responsibility it is to examine all log books to ensure that fuel requisitioned is utilised for official purposes.

The account that was being operated locally for the operation and maintenance section has been closed and the balance paid over to the Consolidated Fund.

## Region 3

87. The issuance of variation orders has reduced significantly over the years. This is due to the strengthening of the Regional Engineer's Department, which resulted in better assessment of estimates, and a reduced need to utilise the contingency sums provided for in the contracts.

88. Efforts are being made to ensure that there is compliance as it relates to the relevant Tender Board procedures, with specific attention being made to sub-division of contracts

89. Storekeeping regulations have been re-enforced. There is a continuous effort at improving the unsatisfactory physical layout of the stores and obsolete items are being removed, in accordance with the procedure applicable to the Standing Board of Survey. Further, regular stock verification is carried out by the Regional Field Audit Department.

90. With regards to the failure of the Regional Administration to solicit the Approval of the Chief Planning Officer of Ministry of Finance for a change of programme, the Region has indicated that efforts are being made to ensure that there is full compliance.

91. The wages and salaries accounts are no longer active. The Accountant General has been instrumental in ensuring that all such accounts are inoperable.

New systems are now in place to have cheque orders cleared as promptly as possible and this can be verified.

#### **Region 4, 5 & 6**

92. The Ministry of Finance has written the Regional Executive Officer requesting that the matter be investigated and a response submitted.

#### **Region 7**

93. This situation has since been corrected. The Region has explained that most of the fuel losses were as a result of inaccurate measuring equipment. Not only has this matter been rectified but the installation of additional storage facilities have added to the general safeguarding of the commodity. There have also been changes in the personnel assigned to the Regional Stores and this has contributed to the overall improvement of accountability and record keeping.

#### **Region 8**

94. The region continues to note of the comments made by the Auditor General's as it relates to the Region's storekeeping and accounting performance. Efforts are being made to curb the identified inefficiencies.

95. The reflection of high maintenance costs pertaining to the Region's fleet of vehicles and heavy equipment is due primarily to the rugged terrains that they have to traverse, whether en-route to Georgetown or within the region. This is further compounded by the fact that most of the Region's vehicles have been acquired more than five years ago. However the Region has acquired, over the past three years, a number of new vehicles thus alleviating the high annual maintenance costs.

#### **Region 9**

96. The inventurisation and marking of assets have been completed. Over the past two years significant efforts have been made as it relates to the clearing of cheque orders. All goods purchased during the reporting period 2002/2003 have been received and recorded in the 'Goods Received Book' and the 'Bin Cards'. There are also no outstanding purchases. It should be mentioned that the Regional Accounting Unit as well as the Sub Treasury were relocated on two occasions. During that period many documents and payment vouchers were misplaced and have not been retrieved.

The Region continues in its effort to improve storekeeping and accounting.

## **Region 10**

97. The Ministry of Finance has written the Regional Executive Officer requesting that the matter be investigated and a response submitted.

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

98. The Office of the Auditor General (OAG) has experienced some difficulties in undertaking work in certain areas of Regions Nos. 1, 7, 8 and 9. To address this constraint, the OAG has since increased its staff strength with the addition of two Engineer/ Quantities Surveyors. The OAG has also requested various Executing Agencies to make available their personnel together with suitable means of transportation on a timely basis, so as to undertake physical verification when necessary. Mindful of the cost of these exercises, the OAG has suggested that staff of these Regions accompany them to visit and inspect the works, particularly those in the "hard to reach" areas.

## **CONCLUSION**

This Treasury Memorandum is an integral part of the Government's systematic drive and on-going efforts to improve Public Financial Management, in general, and transparency and accountability in the conduct of Government Business, in particular. It provides succinct, but cogent, response to the comments, observations and recommendations that were made in the Report of the Public Accounts Committee on 2002/2003 Public Accounts and adopted by Parliament. In preparing the Government's responses, the opportunity was taken to apprise the National Assembly of the significant and substantial improvements to Public Financial Management in the country that have been achieved since the examination of 2002/2003 Public accounts by the PAC.

As mentioned earlier in this Memorandum, the promulgation of a new Fiscal Management and Accountability Act 2003 and a new Procurement Act 2003; the introduction of IFMAS in 2004; the progressive application and use of information technology; and the implementation of projects to boost the public sector management are numbered among the many improvements to Government accounting and financial management. These visible improvements have a qualitative impact on accounting, record keeping, preparation of accounts and financial statements. The upshot has been a reduction in the number of queries emanating from Auditor General.

It is worthy to note that the level of compliance by the Heads of Budget Agencies, regarding the queries in the report under review, has been satisfactory. However, there remains room for improvement in some areas, and these will be addressed as the benefits of the modernisation process and the employment of best practices continue to accrue to the public financial management system.

**MINUTES OF PROCEEDINGS  
OF THE 8<sup>TH</sup> MEETING OF THE COMMITTEE OF SELECTION OF THE  
NATIONAL ASSEMBLY OF THE FIRST SESSION (2006-2008)  
OF THE NINTH PARLIAMENT OF GUYANA  
HELD ON WEDNESDAY, 3<sup>RD</sup> DECEMBER, 2008  
AT 4.00 P.M.  
IN THE SPEAKER'S CHAMBERS,  
- PUBLIC BUILDINGS, BRICKDAM, GEORGETOWN.**

**ATTENDANCE**

**MEMBERS OF THE COMMITTEE (11)**

**Chairman**

The Speaker of the National Assembly,  
The Hon. Hari N. Ramkarran, S.C., M.P.

**Other Members**

**Members from the People's Progressive Party/Civic (PP/C) (6)**

The Hon. Samuel A.A Hinds, M.P., - (Excused)  
Prime Minister and Minister of Public Works and Communication

The Hon. Dr. Henry B. Jeffrey, M.P.,  
Minister of Foreign Trade and International Co-operation

The Hon. Dr Leslie S. Ramsammy, M.P.,  
Minister of Health

Mr. Donald Ramotar, M.P. - (Excused)

Ms. Gail Teixeira, M.P.

Mrs. Indranie Chandarpal, M.P., Chief Whip

**From the People's National Congress Reform - 1Guyana (PNCR -1G) (3)**

Mrs. Clarissa S. Riehl, M.P.,  
Deputy Speaker of the National Assembly

Mr. E. Lance Carberry, M.P., Chief Whip

Ms. Africo Selman, M.P.