

## **TREASURY MEMORANDUM**

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**TO:** The Speaker and Members of the National Assembly

**FROM:** Finance Secretary, Ministry of Finance

**DATE:** 2006-04-26

**REF NO:** TM 2006 – REP. 2000-2001

**SUBJECT:** **Treasury Memorandum Pursuant to Resolution No. 100/2006 dated 2006-03-16 of the National Assembly on the Public Accounts of Guyana for 2000/2001.**

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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. 100/2006 dated 2006-03-16 of the National Assembly adopting the report of the Public Accounts Committee on the 2000/2001 Public Accounts of Guyana.

2. The issue 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, Department and Regions (MDR's)

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

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

3. The Government is cognizant 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 respect, it has embarked on a comprehensive programme of Public Sector Reform .In the specific area of Information Technology, perhaps the major change has been the implementation of the Integrated Financial Management and Accounting System (IFMAS), which became operational in January 2004. The IFMAS system is a comprehensive interlinked financial management and decision-making tool that supports the efficient processing and storage of data and generation of reports, thereby complementing effective management and accountability. It will help in the timely availability of financial and programme information and, importantly, increase the capacity to support effective decision making in managing budgets and resources.

4. All Central Government Agencies are connected to a central processing server at the Ministry of Finance via wireless and/or dial-up technologies, with the exception of Regions 1, 8 and 9 because of remoteness and inadequate telecommunications facilities. In the case of those Regions, their data is uploaded on to the IFMAS monthly through a batch processing arrangement. It must be pointed out that at the time of reporting, the Accountant General's Department is examining options in having the IFMAS system operational in Regions 1, 8, and 9.

5. The System operates on the basis of a single bank account, The Official Consolidation Fund, a significant improvement on the previous arrangement that required multiple and numerous bank accounts for the MDR's.

6. The complete automation of the Financial Operations of Central Government will be done in phases. Currently, both the Accounting and Appropriation Modules are operational and these, among other features:

- i. releases to be made o the Agencies;
- ii. the Agencies to control and distribute their Activities' budgets;
- iii. the Agencies to commit funds for contracts and other obligations;
- iv. the agencies to enter data in a coded Expense voucher window;
- v. expenses to be charged to the appropriate Chart of Account in the General Ledger;
- vi. a Cheque File to be created detailing amount, payee, etc; and
- vii. a Cheque register report to be generated.

7. Both the payroll and pension systems have also been automated, resulting in improved timeliness and accuracy in the processing of payrolls and pensions.

8. The configuration of a Bank Reconciliation Module (BRM) and a Budget Preparation and Reporting System (BPRS) will commence in the beginning of the second half of this year. The other modules, in particular those related to purchasing, revenues, assets and inventory control, together with a high-end reporting software, are currently being contemplated.

9. Training Programmes to upgrade employees' skills so as to allow them to function effectively within the new environment will be intensified.

10. In addition to the introduction of IFMAS and its various benefits, the Fiscal and Financial Management Programme, will strengthen the operational capacities of the Ministry of Finance, the Guyana Revenue Authority, the Economic Services and Public Accounts Committees of the National Assembly and the Public Procurement Commission. Through this programme, the Ministry of Finance has already acquired one hundred and thirty computers, and distribution is at an advanced stage, to the Office of the Budget, the Accountant General's Department and the other Ministries, Departments and Regions which have connectivity to the IFMAS. Under the Institutional Strengthening project that

is captured under the capital budget of the Ministry of Finance, the Government will continue to purchase computers hardware and software centrally and distribute them to critical areas in identified Ministries.

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

11. The Government agrees that the accounting and financial systems procedures and regulations are archaic, cumbersome and tedious. In this context, the Government undertook a project to examine this situation and implement a new system that is consistent with best practices internationally. This has resulted in the enactment of modern, comprehensive legislation in the form of the Fiscal Management and Accountability Act 2003 (FMAA), which substantially replaces the Financial Administrative and Audit Act (FAAA) 73:01.

12. The FMAA provides for the regulations to facilitate the preparation and execution of the annual budget, the receipt, control and disbursement of public moneys; the accounting for public moneys; and such other matters connected with or incidental to the transparent and efficient management of the finances of Guyana.

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

14. Steps have been taken to improve public management efficiency and transparency and accountability. At the time of reporting, the public service management and institutional capacity project of the Public Service Ministry (PSM) has already commenced work. The Public Management Modernization Project (PMMP) has been established and will shortly be recruiting key and critical staff to further enhance and improve the entire public service. Projects earmarked include the improvement of the capacity of PSM to regulate and manage the public service systems including the review of the public service rules and regulations, the enhancing of the existing Human Resource Management Information System, the strengthening of the management capacity of personnel officers and the training of Permanent Secretaries and Heads of Department.

#### **C. Non-compliance of the FAA Act**

15. As mentioned earlier, the FAA Act has been superseded by the Fiscal Management and Accountability Act (FMAA 2004). With the introduction of the Integrated Financial Accounting and Management System (IFMAS), the Accountant General would be in a better position to access information from that system in order to prepare and make his consolidated submissions to the Auditor General within the specified time frame.

16. Regarding the issue raised in Section 3.9 of the Report of the Public Accounts Committee 2000/2001, 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 Official Consolidated Fund, which replaced the previous Consolidated Fund. In the case of those bank accounts which were overdrawn, a Treasury Circular was issued by the Accountant General to the respective Accounting Officers requesting them to investigate the occurrence of the overdrafts and report their findings to him. The Finance Secretary has strongly suggested that Heads of Budget Agencies/ Accounting Officers must make every effort to have all the bank accounts reconciled even if it requires additional persons for short periods to conclude the exercise. With the full functioning of IFMAS system, overdrawn bank accounts will occur infrequently, if ever, since Ministries are no longer required to operate individual bank accounts. All cheques are now being drawn from one Bank Account, that is, the Official Consolidated Fund account.

17. The Government has taken note of the concern raised about the large number of payments being processed beyond the close of the financial period, while the transactions were back dated to December 31. It has taken a number of steps to improve the situation, including improved project planning and better management of the budget cycle. The Ministry of Finance continues to provide guidance to Heads of Budget Agencies especially as it relates to Multi-Year Contracts; where they are constantly being reminded that all Multi-Year Contracts must be dealt with in accordance with the FMAA Section 55.

18. The issue of State Institutions in receipt of a Government subvention and not complying with FAA Amendment Act of 1993 has been recognized. The Government has made several efforts to improve the transparency of operations and accountability of these bodies. At the legislative level, Part XII, Section 80 of the FMA Act provides for the statutory body to submit to the National Assembly, an annual report of its activities not more than four months after the start of the fiscal year. In addition, the budgets of all such bodies now have to be approved first by the Minister of Finance before submission to the National Assembly. As a result of this requirement, the budgets of all statutory bodies are now being included in the annual Estimates of Revenue and Expenditure of the Public Sector.

19. The Government, as part of its effort to improve the entire public service, will shortly embark on a project to develop and implement a general institutional framework to classify semi autonomous agencies and statutory bodies; revise and reclassify them from a sector perspective; support the strengthening and management and accountability capabilities of them; and to design and implement a monitoring and evaluation system.

20. With respect to the concern about the proceeds from the Guyana Lotteries being held in a special bank account at Bank of Guyana (Section 3:16 of the Report of the Public Accounts Committee), the Government has indicated previously that all sums going into and coming out of that account are properly accounted for. The observation raised in the same Section pertaining to the Ministry of Education, Guyana Defence

Force and Region 2 has been engaging our attention. While the new FMA Act makes provision for the establishment of special accounts, the Minister of Finance has to give approval and the use of such funds must be clearly identified and be part of the budgetary allocation of the Budget Agency. The Ministry of Finance is currently undertaking an assessment of all Government Bank Accounts with a view of closing them and transferring balances to the Official Consolidated Fund. The concern raised by the PAC regarding the three identified Budget Agencies will be examined during the assessment.

21. On the issue of some employees who had not been properly registered with the National Insurance Scheme (NIS), the Ministry of Finance in collaboration with the Public Service Ministry, will issue a circular to all Heads of Budget Agencies seeking their co-operation to regularize all affected persons within a given timeframe.

22. On the perceived abuse of the Contingencies Fund, the Fiscal Management and Accountability Act 2003 has sought to reinforce the requirements and procedures for accessing this Fund. Section 24 (5) of the Act restricts the Minister to introducing no more than five Supplementary Appropriation Bills (inclusive of Contingencies Fund Bills) in any fiscal year.

23. Recourse to the Contingencies Fund, outside of an unforeseen circumstance, will be obviated with strengthened public financial management, including improved planning and budgeting, earlier presentation of the national budget, stricter monitoring and control, and constant review and evaluation of projects and programmes.

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

24. The unsatisfactory management of cash resources will improve greatly with the introduction of the IFMAS, the establishment and operation of a new Official Consolidated Fund and the cutting of cheques centrally, at the Ministry of Finance for the various Agencies. In addition, and as mentioned earlier, all bank accounts that were operated by Agencies prior to January 2004 and which had positive balances have been closed and the balances transferred to the Official Consolidated Fund. A Treasury Circular has also been sent out to the Head of Budget Agencies regarding bank accounts which have been overdrawn and provision is being made for the systematic reconciliation of accounts and their subsequent closure. Now that the IFMAS is operational, a consultant will be hired to activate the Reconciliation Module of the IFMAS, and staff will be trained accordingly.

25. The only bank accounts that will be allowed to operate outside of the Official Consolidated Fund and its sub Accounts are those related to projects and programmes, for which the contractual obligations include the opening of separate bank accounts. These accounts will be closed, and properly reconciled at the end of the project or once the purpose which gave rise to the special fund account has been accomplished.

**E. Failure to Reconcile Bank Accounts**

26. As mentioned in paragraph 25 above, a procedure has been adapted for the reconciliation of bank accounts, whether overdrawn or not, even though most of them have been closed and the balances transferred to the Consolidated Fund.

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

27. The PAC Report has commented on previous occasions about the non-compliance by Agencies of the Tender Board Regulations. The Government has taken a number of decisive steps that would see a considerable reduction in, if not the complete elimination of, this practice.

28. The Procurement Act 2003 is in force and procedures are spelt out in the Act and Regulations to ensure transparency in relation to a number of issues including the evaluation of projects.

29. The utilization of Standard Evaluation Reports to be introduced by the NPTAB/Commission would serve to facilitate an independent evaluation of the basis for the award of the contracts, especially in cases where contracts were not awarded to the most competitive bidders.

30. In addition the Act provides for procurement involving national defence or national security. It is expected that one the requisite guidelines are followed when dealing with procurement of this nature, incidents of adverse reports on the method of procurement pursued by the Guyana Defence Force would be minimized and eventually eradicated.

31. The Tender Boards of all Ministries, Regions and Agencies have been established and action is being taken to ensure that they comply with the provisions of the Act. Further, a private sector representative has been appointed to the Tender Boards of the Ministry of Home Affairs and the Guyana Defence Force and it is expected that the monitoring mechanisms to be implemented by the National Procurement and Tender Administration Board (NPTAB)/Commission would result in conformity by these and all of the other Budget Agencies.

32. Because of the concern expressed in the PAC Report about the high incidence of variation works and their implication for budgeting, the Government has put, or will be putting, the following measures in place:

- i. Before Civil Works Contracts are awarded, the engineers who prepare the Engineers' Estimates are required to explain the reason(s) for disparities whenever there is a significant difference between the Engineer's Estimate and the value of bids received;

- ii. A comparison of prices of the main items in the Bill of Quantities, especially for very large projects, is usually undertaken by the Board to establish whether the prices are reasonable or realistic;
- iii. In instances where the recommended bidders' submissions are significantly below the Engineers' Estimate, the engineer and the evaluators are requested to justify the recommendation made in the Evaluation Report;
- iv. Variation Orders are subjected to similar scrutiny by the Board. Site visits are sometimes undertaken by the Board to get an appreciation of the job under scrutiny. An example of this was the rehabilitation works to the roof of the National Assembly Building;
- v. In establishing Tender Boards for the Regions, Ministries and Agencies similar considerations are taken into account and, as far as is practicable, persons with an engineering background have been named to the boards.

33. Heads of Budget Agencies will be reminded by memorandum to reacquaint themselves with the Circular which requires them to seek the approval of the Chief Planning Officer for a change in programme, before undertaking works which are not reflected in the Capital Projects Profile of the concerned Ministry or Department and, as a consequence, not approved by the National Assembly.

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

34. Action has been taken to ensure that all Government vehicles are clearly marked to identify them as State property. In this regard, a Public Service Ministry Circular No. 1/2003 dated February 20, 2003 was issued to all Permanent Secretaries, Heads of Department and Regional Executive Officers with a specific time frame of March 10, 2003, to have all Government vehicles and equipment appropriately marked or identified. The response from Agencies has been very encouraging.

35. In addition, all Budget Agencies are required to submit information on vehicles under their control to the Office of the Budget, Ministry of Finance. This information, which is included as part of the annual Budget submission, is updated periodically.

## **II. THE PUBLIC ACCOUNTS STATEMENTS**

36. Transactions relating to Treasury Bills will be included in the Statement of Receipts and Payments of the Consolidated Fund for the years 2005 and beyond.

37. With respect to Government's liability to the Lloyd's Bank of London, there were two (20 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, but it is being addressed in a similar manner to debts owed to Paris Club creditors within the framework of the Enhanced HIPC Initiative.

38. With regards to the issue of large balances in accounts of projects that have ended, the Ministry of Finance will initiate an exercise to ascertain the status of the accounts with a view of closing accounts, where appropriate, and transferring the balances to the Official Consolidated Fund.

39. Regarding the proper accounting for gifts received by Government Agencies, a Secretary to the Treasury Circular No. 2/2002 dated 2002-04-10 was sent to all Accounting Officers. They were reminded about the obligation to comply 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.

40. With respect to Paragraph 4.5, steps have been taken to update the Public Debt Register using the loan agreements as source documents. All loan agreements entered up to 2004 have been tabled in the National Assembly.

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

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

41. The Office of The President have put a number of measures in place to ensure that the stores regulations are adhered to; and also the award of contracts are properly documented and presented for review.

#### **Ministry of Finance**

42. The Government has taken steps to regularize 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 Privatization Unit has been subsumed under a reconstituted NICIL.

43. Regarding the employment of staff under 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 times not in a position to deliver vital information and data because of an absence of qualified staff. As a temporary approach to addressing that problem, the SPC has been employing staff, on a contractual basis, to fill key and critical vacancies in selected Ministries.



44. In relation to a number of bank accounts not properly reconciled, the Accountant General's Department was advised to have the bank accounts reconciled, with the assistance of other professional bodies where that type of service can be obtained.

45. In line with PAC's recommendation, Financial Statements of the Student Loan Agency for 1994-2001 have been prepared and audited by the Auditor General Office. The issue of whether to grant statutory status to the Student Loan Agency was examined by a Government-appointed Committee on Statutory Authorities. A final decision awaits a more comprehensive examination of statutory bodies under a project to modernize public management.

46. A mechanism has always been in place for the disposal of derelict or other unserviceable machines. To re-state the mechanism, the procedures that must be followed are:

- i. A Board of Survey, comprising three members, is set up in each Ministry to examine items to be disposed and the means of disposal (whether by destruction or sale). In the case of vehicles, the Chief Mechanical Officer, Ministry of Public Works will examine the vehicle and recommend a sale price;
- ii. The Unserviceable Article form is completed and signed off by the Auditors, the Storekeeper and the Board of Survey members;
- iii. The Unserviceable Article form is forwarded to the Finance Secretary with a covering letter from the Accounting Officer seeking approval for disposal;
- iv. The request is examined by the Finance Secretary and written approval is granted with specific instruction that the disposal must be done by Public Tender; and
- v. The Accounting Officer is also asked to inform the Finance Secretary when the disposal transaction is completed.

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

47. The Ministry is aware of the staffing difficulties at the foreign missions. Steps have been taken to fill a number of the accounting vacancies in the missions, resulting in improved record-keeping and timely submission of financial statements. The Director General will initiate action with the Public Service Ministry to examine the staff shortage with a view filling the vacancies.

### **Ministry of Agriculture**

48. With respect to the Ministry's Bank Account with positive balances, those accounts were closed and the balances transferred to the Consolidated Fund. With the introduction of IFMAS, the Ministry only operates an Imprest Account.

49. A number of issues were raised in the PAC Report with specific reference to the determination of award of contracts. At the time of reporting, the Ministry of Agriculture has incorporated appropriate measures to ensure that all awards are being done with the rules and guidelines.

### **Ministry of Public Works**

50. With the establishment of a Reconciliation Section within this Ministry, overtime payments for the reconciliation of the Ministry's Bank Accounts have ceased. In addition, with the introduction of the IFMAS in January 2004, no reconciliation of bank accounts will be required by the Ministry, save and except that pertaining to the Imprest Bank Account.

51. There were a few instances of capital items being purchased from the current allocation. This was an error that was occasioned by the inexperience of the staff. The problem has been addressed.

52. The Ministry has a register of Government properties and accepts that it was not up to date at the time of the Auditor General's inspection. This was due to the acute shortage of staff within the Ministry. This problem was addressed and attention has been focused on updating the register. In fact, there was no adverse comment by the Auditor General in his Report on the Public Accounts for 2003.

53. The Ministry operates a large vehicle fleet in carrying and each vehicle has its own log book. The accounting Officer has given the assurance that vehicle log book will be maintained and presented for audit purposes.

54. The appearance of an attempt to avoid adjudication by the Central Tender Board is unfortunate. The Ministry of Public Works indicated that there was no deliberate attempt to undertake any project by way of subdivision of contracts; and every effort is being made to ensure that there is no subdivision. The Ministry has also been reminded of the need to seek approval for a change of programme before undertaking any capital works not approved by the National Budget.

55. With respect to the concern raised about financial returns not being received to account for inter departmental warrants issued to a number of government agencies, action was taken that resulted in a marked improvement in the situation.

### **Ministry of Education**

56. Two of the three BCM account, 483-108-7 and 483-052-7, were closed in 2000 and the balances transferred to the Consolidated Fund. The other account, 483-107-9, is operated by the UNESCO Office to carry out transactions on behalf of that office. Systems have since been put in place for the proper maintenance of the cashbook and supporting documentation.

57. The discrepancies of the Ministerial Tender Board were in relation to the form of minute taking rather than content. The Auditors were displeased with the disaggregated nature of minutes (being kept in individual files). This has since been rectified and consolidated minutes are now being kept.

58. The problem of high incidence of unvouched expenditure has been remedied.

### **Ministry of Health**

59. With respect to the observations that there was a lag in the Goods Received Books; this record have been updated with all relevant information and has since been kept up-to-date and in a satisfactory manner. Work is continuing to update all of the ledgers. Provision for additional storage was made and approved in the Estimates for 2004 and 2005.

60. Steps have been taken to prevent recurrence of capital items being met from the current expenditure estimates.

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

61. With respect to the Public Assistance Imprest Bank Account No. 902, attempts have been to examine the coupons with a view to seeking re-imburement. However, because the relevant documents were damaged by wood ants and water at the Homestretch Avenue office, the exercise remains incomplete. Inadequate allocation was never an issue. The problem was that all the vouchers were not processed in their respective years because of late receipt of coupons after the closure of the cash book at the end of the year. The Office of the Finance Secretary advised that continued efforts be undertaken in ensuring that a proper reconciliation be done so as to bring closure to this issue.

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

62. The National Cultural Centre keeps the receipts from the takings of the performances and other activities and having deducted its rental and other fees, pays over the balance to the producer. This has been the modus operandi of the National Cultural Centre for a number of years. The Special Project account, which receives funds from various Government and Non-Government Agencies to meet specific expenditure, is used within the Ministry. The Ministry is required to account to these Agencies for the use of

these funds. In light of the comments made in the PAC Report to Parliament, the Ministry of Finance has been in dialogue with the Ministry of Culture, Youth and Sports in order to redress the situation.

### **Ministry of Housing and Water**

63. The last set of audited accounts for the Central Housing and Planning Authority was in respect of 2001. However, it should be noted that the records for the period January to June 2001 were destroyed by fire and as a result only the period July to December 2001 was audited.

### **Guyana Defence Force**

64. The Guyana Defence Force is complying with the regulations under the new Procurement Act 2003. It has instituted a system of public advertisement to allow for competitive bidding and transparency in the process of awarding contracts. The Departmental Tender Board is more proactive in ensuring that all tender board regulations are observed.

65. With respect to revenue earned from the sale of farm produce and unserviceable vehicles, the proceeds are presently being paid to the Consolidated Fund.

### **Supreme Court and Magistrates' Courts**

66. At the time of the Auditor General's inspection, some case jackets were before different Courts and could not be presented. In addition, the Police sometimes take matters directly to Court before filing them at Districts Head Office. This results in lacunae in the numbering of case jackets. These matters are being resolved through consultation with the Police and Magistrates.

67. While financial record keeping has improved in a number of Magisterial Districts, management is examining the staffing situation in order to address this problem completely in a more comprehensive manner.

68. The apparent sub-division of contracts was due to the failure of the Supreme Court to get competent engineering advice and estimates. This situation no longer exists as an engineering firm has been contracted to assess all works; to provide an engineer's estimate before contracts are awarded; and to supervise construction works.

### **Deeds Registry**

69. All records pertaining to Business Names and Transport are now in order and properly maintained. There is, however, a backlog with respect to applications for Trade Marks Licence. This Department has been experiencing problems in attracting trained and experienced staff. However, efforts are being made to strengthen the Department and, in this context, a project restructuring is being executed. When the restructuring is

completed, staff will be required to work more efficiently to meet the demands of the public.

### **Region No. 2**

70. 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 the other required 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; and
- iii. Disposal of unserviceable items is now done in accordance with the regulations.

71. With respect to accounting for fuel, stock balances are checked daily and reconciled with bin cards; fuel receipts are verified by the Field Audit Department; and the issuing of fuel is monitored by the Regional Transport Officer who also examines all log books to ensure that fuel requisitioned is for official purposes.

72. The account that was being operated locally for the operation and maintenance section has been closed and the balance paid into the Consolidated Fund. All receipts from the Region are now being paid directly into revenue.

### **Region No. 3**

73. Variation orders have been reduced significantly over the years. This is because the Regional Engineer's Department has been strengthened resulting in better assessment of estimates and reduced need to utilize the contingency sums set aside in the contracts. Store keeping regulations have been re-enforced. Regular stock verification is done by the Regional Field Audit Department. Further, the introduction of IFMAS has severely restricted the incidences of over-expenditure.

### **Region Nos. 4 & 5**

74. With respect to the observation made in relation to the operations of the tender board, systems have been put in place and these are backed by strict adherence to the Tender Board Regulations. The result has been a reduction in audit queries regarding the awarding of tenders and execution of capital works. Store-keeping records have been updated. The system is being closely monitored by the Field Auditor and periodic reports are sent to the Regional Executive Officer through the Principal Assistant Secretary (Finance).

### **Region No. 6**

75. At the time of the Auditor General's inspection the log book/register to record the usage of fuel was not available and therefore, not presented for audit. The logbook was presented subsequently by the Pump Station operator to the Audit Office in the Region, and it revealed that there was no shortage of fuel. The fuel was utilized by the irrigators in the region.

76. With regards to the issue of awarding of contracts to "not the most competitive bidders", the Regional Tender Board was tardy in not recording the justification for each award in the Minutes book. The Central Tender Board was also derelict in not presenting for audit contracts adjudicated by it. In both instances, steps have been taken since then to prevent any recurrence. This situation would show a marked improvement with the introduction and usage of the Tender Board laws and regulations

### **Region No. 7**

77. The regional authorities have given the assurance that reconciliatory work has been undertaken to address the overdrawn bank accounts. As regards to the fuel situation new systems were introduced which, together with additional storage facilities, have helped to end the theft and pilfering of fuel and lubricants. The small losses that may occur now are due to spillage and evaporation.

### **Region No. 8**

78. While this Region has shown some signs in providing and maintaining essential financial records, much more supervisory work has to be undertaken. The reconciliation of overdrawn bank accounts has commenced; this region has given the assurance that closure to these bank accounts be done shortly. Steps have also been taken to address the issue of the unsatisfactory store keeping and accounting; a change in key personnel at the top has seen visible improvement in the two areas over the last four years.

### **Region No. 9**

79. With respect to the observation about inventory records, the Region has completed 80 percent of the inventourisation and marking of assets. Bin cards are now in place in the stores, and the ledger is being updated and kept by the Regional Accounting Unit.

### **Region No. 10**

80. While a number of bank accounts remained un-reconciled, this region continues to give the assurance that work is continuing to have all the overdrawn bank accounts reconciled and brought to closure.

81. An increased number of employees in this Region are not registered with the National Insurance Scheme (NIS); this region was advised to engage in direct dialogue with the NIS to immediately resolve this continuing problem.

**Office of the Auditor General – Physical Verification of Works in Regions Nos. 1, 7, 8 and 9**

82. 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. The staff structure, the unavailability of suitable means of transportation to access these areas and a lack of financial resources have caused some works not to be physically verified by the OAG. To redress these problems, the OAG has increased its staff strength with the addition of two properly trained, qualified and experienced Engineer/Quantity Surveyors and one Senior Engineer/Quantity Surveyor. 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.

**IV. CONCLUSION**

83. This Treasury Memorandum is an integral part of the Government’s systematic drive and on-going efforts to improve Public Financial Management, bring improved levels of accountability in general, transparency, and accountability in the conduct of Government Business, in particular. It provides a succinct, but cogent, response to the comments, observations and recommendations that were made in the Report of the Public Accounts Committee on the 2000 and 2001 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 the 2000 and 2001 Public Accounts by the PAC.

84. As mentioned earlier in this Memorandum, the promulgation of 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 Public Sector Management are numbered among the many improvements to Government accounting and Government financial management. These visible improvements have had 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 the Auditor General.

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