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PARLIAMENT OF GUYANA

REPORT

of the

PUBLIC ACCOUNTS COMMITTEE

of the

NATIONAL ASSEMBLY

on the

PUBLIC ACCOUNTS OF GUYANA

FOR THE YEARS

2004 & 2005

15 JANUARY 2010

Report of the Public Accounts Committee
of the National Assembly on the Public Accounts Of Guyana
For the Years 2004 and 2005

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TO: THE SPEAKER AND MEMBERS OF THE NATIONAL ASSEMBLY

1. INTRODUCTION

1.1 The Public Accounts Committee (PAC) of the National Assembly of the First Session (2006-2007) of the Ninth Parliament of Guyana met on 42 occasions, to examine the Public Accounts of Guyana for the fiscal years ended 31 December 2004 and 2005 and the Auditor General's Reports thereon. The Public Accounts Committee completed this Report which I am now pleased to present to you on behalf of the Members of the PAC.

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

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

1.3 The reports of the Auditor General on the Public Accounts for the years ended 31 December 2004 and 2005 were submitted to the Speaker of the National Assembly on 6 March 2006 and 31 October 2008 respectively. These reports were laid in the National Assembly on 16 March 2006 and 24 November 2008.

1.4 The PAC adopted the same methodology as that of previous years in obtaining testimony from Public Officers. Before they were invited to appear in front of the PAC, Accounting Officers were written to and asked to offer their comments on the relevant sections of the Auditor General's reports relating to their area of responsibility. Their responses thereto were circulated to PAC members and Advisers before deliberations began. In total, forty two (42) Accounting Officers, along with their support staff, appeared before the Committee to give evidence and to assist the PAC in its deliberations.

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

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

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

2. THE PAC'S MANDATE

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

2.2 The Auditor General is required to submit his report on the Public Accounts to the Speaker of the National Assembly not later than nine (9) months after the close of the year. Invariably, this deadline was not being met because of the late submission of financial statements for audit as well as staffing difficulties at the Audit Office. The result is that the Auditor General's report is not usually made available for consideration by the PAC until at least twelve (12) months after the close of the financial year. Members were therefore concerned at the PAC's inability to examine and report on matters and issues of a more current nature. However, in order to combat this deficiency, the PAC requested the Auditor General to provide an update on current issues of the audit in progress at each Ministry, Department and Region which was being examined, in order for a more productive discussion on issues affecting each entity. This interim measure has not totally alleviated the concerns of the PAC but has assisted a great deal.

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

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

2.5 There continues to be a need for the tabling of the Treasury Memorandum in the National Assembly setting out in detail what actions the Government has taken or proposes to take in relation to findings and recommendations of the PAC. A Treasury Memorandum for the years 2002 and 2003 was tabled in the National Assembly on 3 December 2008, which is after the prescribed ninety days as required by the Standing Order.

2.6 The PAC again wishes to emphasise that the accountability cycle cannot be regarded as complete without the Government's detailed response to the PAC's findings and recommendations. In this regard, the PAC notes with satisfaction that there is a requirement in the Standing Orders that the Treasury Memorandum must be tabled in the National Assembly within ninety (90) days after the PAC's report is laid in the National Assembly.

3. GENERAL PROBLEMS OBSERVED IN GOVERNMENT FINANCIAL MANAGEMENT

3.1 During its deliberation of the 2004 and 2005 Auditor General's Reports, a number of general problems, which adversely affected the financial management system were identified and commented on by the PAC. The main issues in 2004 and 2005 were as follows:

- (i) Overpayments to Contractors;
- (ii) Breach of Tender Board Procedures;
- (iii) Lack of Maintenance of Log Books;
- (iv) Non-compliance with the stipulated timeframe for the clearing of cheque orders;
- (v) Capital expenditure being met from Current allocation;
- (vi) Wrongful payments of salaries and consequential deductions paid to Agencies;
- (vii) Outstanding police reports;
- (viii) Abuse of extra budgetary funds;
- (ix) Variation of contracts; and
- (x) High cost of maintaining vehicles.

3.2 On 1 January 2004, the Procurement Act 2003 became operational. This Act provides for the regulation of the procurement of goods, services and the execution of works, to promote competition among suppliers and contractors and to promote fairness and transparency in the procurement process. Regulations for this Act were also made and came into operation on 29 November 2004. However, although the Procurement Act to date has assisted in some instances in addressing the numerous concerns the Committee had over the years, it was noted, at the time of this report, that:

- (i) *The Public Procurement Commission provided for by the Act had still not been established and the PAC recommends that the issue be resolved.*

Overpayments to Contractors

3.3 A number of Ministries and Regions have continued to make overpayments on contracts.

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

- (i) Ministry of Agriculture;
- (ii) Ministry of Public Works and Communications;
- (iii) Ministry of Health; and
- (iv) Region Nos. 1-3, 6, 7, 9 and 10.

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

- (i) Accounting Officers should ensure that there were proper systems for the verification of works to be done and that Ministries needed to ensure independent verification;*
 - (a) not only the contractors should be held accountable for sums overpaid but also the Officer who certified the payment of such sums; and*
 - (b) the Accounting Officer should inform the National Procurement and Tender Administration Board of the names of the contractors and the amount overpaid with a view of preventing those contractors who were requested to repay overpaid amounts and failed to do so from obtaining future jobs or to assist in the recovery of overpaid amounts from subsequent contracts.*
- (ii) Accounting Officers should employ a mechanism within their building/engineering departments to improve the verification of projects to ensure accountability.*

Breach of Tender Board Procedures

3.5 There were various levels of non-compliance with the existing Tender Board Regulations relating to the procurement of goods and services and the undertaking of works, both capital and current, by a number of agencies for the years 2004 and 2005, particularly where it relates to compliance with Tender Limits. *In view of the fact that the last increase in Tender Board Limits was in November 2004 via the Procurement Regulations, the Committee recommends that the Tender Board limits be increased in light of current prices.*

Lack of Maintenance of Log Books

3.6 The Public Accounts Committee noted that during the years 2004 and 2005 the control and use of Government vehicles continued to be very lax resulting in log books not being kept or not being satisfactorily maintained. The following agencies continue to be delinquent in this regard:

- (i) Ministry of Agriculture;
- (ii) Ministry of Education;
- (iii) Ministry of Labour, Human Services and Social Security;
- (iv) Ministry of Home Affairs
- (v) Guyana Defence Force; and
- (vi) Region Nos. 1-6 and 8.

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

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

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

- (i) Ministry of Agriculture;
- (ii) Ministry of Public Works and Communications;
- (iii) Ministry of Education;
- (iv) Guyana Defence Force; and
- (v) Region Nos. 1, 2, 4, 6, 9 and 10.

Once again, the Committee recommends that the timeframe for the clearance of cheque orders be revisited.

Capital expenditure being met from Current allocation

3.8 All amounts budgeted are required to be expended in keeping with that which was approved by Parliament. However, the Committee noted a number of instances where the Auditor General reported that Ministries, Departments and Regions were funding activities of a Capital nature from amounts approved for Current Expenditure. *As such, the Committee recommends that the Accounting Officers of the Ministries, Departments and Regions:*

- (i) collaborate with the Ministry of Finance with the aim of determining or differentiating current from capital purchases/works; and*
- (ii) adhere strictly to the regulations whenever a need exists to make capital purchases from current allocations.*

Wrongful payments of salaries and consequential deductions paid to Agencies

3.9 The slow processing of pay change directives in several Ministries and mainly in the Regions resulted in wrongful payment of salaries to employees after they had resigned and the consequential deductions being paid over to various agencies without the necessary adjustments made to the payroll and the Ministries and Regions not being able to recover such sums or any at all, expeditiously. This was especially prevalent with respect to the employment of Teachers. Further, it was noted by the Auditor General that this state of affairs also resulted in these Ministries, Departments and Regions recording overstatements on their Appropriation Accounts as a result of deductions being paid over to various agencies and the Ministries and Regions not being able to recover such sums. *The PAC would therefore encourage that:*

- (i) *To strengthen the mechanism to expedite the flow of information from the various Schools/Ministries so that the necessary adjustments could be made to the payroll in a timelier manner;*
- (ii) *The Accounting Officers should seek to discuss with the National Insurance Scheme and the Guyana Revenue Authority the possibility of crediting the amounts overpaid to the respective Ministry, Department or Region's account; and*
- (iii) *In instances where the Accounting Officer attempts to recover sums from the agencies proved futile, they should seek to bring the matter to the attention of their subject Minister.*

Outstanding police reports

3.10 The PAC expressed grave concern about the number of issues concerning the loss of public property which are currently with the police and have not been resolved or which were pending in the Courts. A number of these issues are in relation to the Supreme/Magistrate Courts and are dated as far back as 1992, while others were during the years 2004 and 2005.

The PAC therefore recommends that the Accounting Officers:

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

4. THE PUBLIC ACCOUNTS STATEMENTS

4.1 The Committee noted that even though a new Consolidated Fund was opened there was still an unreconciled balance in the account. The findings reported that there were differences between the bank account balances reported on the Statement of Current Assets and Liabilities of the Government and that in the records of the Bank of Guyana. According to the records of the Bank, the new Consolidated Fund account reflected a positive balance of \$6.459 billion as at 31 December 2004, compared to a negative balance of \$6.153 billion as noted above. In addition, the total bank account balances of Other Ministries and Departments amounted to a negative balance of \$8.446 billion, compared to a positive balance of \$10.907 billion as reported on the Statement.

4.2 According to Section 73 (2) of the FMA Act, the Minister of Finance is required to prepare a Statement of Contingent Liabilities which forms a component of the annual consolidated financial statements. The Act defines a contingent liability as “a future commitment, usually to spend public moneys, which is dependent upon the happening of a specified event or the materialisation of a specified circumstance”. However, despite previous recommendation that liabilities for entities that are no longer in existence be transferred to the Public Debt, it is disappointing to note that at the time of reporting in March 2006, no action was taken on this matter. Further, it should be noted that the statement submitted was not prepared in accordance with the Act. *The Committee advised that more diligence be placed on this matter.*

4.3 According to the Statement of Receipts and Payments of the Contingencies Fund for the year ended 31 December 2005, total payments of the Fund amounted to \$5.865 billion, compared with \$2.647 billion in 2004, an increase of \$3.218 billion. Total receipts from the Consolidated Fund amounted to \$5.856 billion, as against \$1.188 billion in 2004, an increase of \$4.668 billion. This gives an excess of payments over receipts of \$9M. Of the payments made from the Contingencies Fund for the period under review, twenty five totalling \$1.468 billion remained outstanding as at 31 December 2005. In addition, it was noted that nineteen advances totalling \$37.634M granted during the period 1986 to 1995 and still outstanding as at 31 December 2005. Up to the time of reporting, the nature of the nineteen advances could not be determined. Given the time period involved and the fact that there was no financial reporting during that period 1986 to 1991, it may not be possible to ascertain how the amounts were expended for the purpose of replenishing the Fund. *In light of the matter, the Committee recommends to the Accountant General that it was not possible to receive supplementary provisions to clear the accounts, then a mechanism should be devised to regularise the issue.*

5. SPECIFIC ISSUES RELATING TO MINISTRIES, DEPARTMENTS AND REGIONS

5.1 The Committee has noted that there are a number of Ministries, Departments and Regions still being in breach of the Financial Regulations. Detailed below are some specific finding for various Ministries, Departments and Regions, which are of concern to the PAC.

For the Year Ended 31 December 2004

Office of the President

5.2 The PAC expressed dissatisfaction that the Guyana Office for Investment retained \$0.522M, which was not expended, in violation of the Law, from the amount of \$7.4M allocated for the rehabilitation of office building and purchase of office equipment instead of returning same to the Office of the President for repayment to the Consolidated Fund.

Ministry of Finance

5.3 The Committee expressed its concern about the many un-licensed liquor operators. It was noted from the Auditor General's report that amounts totalling \$15.949M were collected for liquor licences. However, an examination of liquor licences records for Regions 2, 3, 4 and 10 revealed that a total of 1,855 registered premises did not renew their licences in 2004. In the absence of information on the status of these businesses, it could not be determined whether all the premises were due for renewal. *As such, the PAC proposed that the Custom and Trade Administration investigate this matter.*

Ministry of Foreign Affairs

5.4 The old imprest bank account No. 444, which became non-operational in July 1996, reflected an overdraft of \$51.635M. *The Committee proposed that the Ministry prepare a losses report and submit same to the Ministry of Finance with a view to resolve this issue.*

5.5 With regard to the eleven stale dated cheques valued at US\$12,591.36, which were remitted through the Diplomatic Bags and whose whereabouts have not yet been ascertained, *the Ministry of Foreign Affairs was advised to approach the Ministry of Finance with a view of obtaining guidance in the clearing of these cheques.*

5.6 In respect of the Foreign Missions, the Auditor General noted that some of the Missions lacked adequate segregation of duties in the Accounting Units.

Ministry of Agriculture

5.7 *The Committee advised the Ministry to present all the financial returns for the warrants issued for 2004 for audit examination.*

Ministry of Tourism, Industry and Commerce

5.8 Amounts totalling \$1.099M were expended to purchase computers, photocopier, workstation, desks and filing cabinets for the Guyana Tourism Authority resulting in an excess expenditure of \$598,544 which was deemed as unauthorised. The Committee expressed its concern that the Ministry has been expending sums that were not approved by the Ministry of Finance.

Ministry of Education

5.9 Amounts totalling \$4.850M were expended to purchase 1000 copies of "what's cooking in Guyana". The books were received and taken to the Book Distribution Unit of the Ministry. However, a physical count revealed 609 books were in stock whereas the bin card and the stock ledger showed balances of 780 and 826 respectively. *The Committee advised the Accounting Officer to consider a new mechanism for the distribution of school books.*

5.10 Three years has elapsed since the Ministry filed a losses report on the misappropriation of funds totalling \$136,637 and the matter had not received a response from the Finance Secretary. The Committee noted this and advised the Accounting Officer to pursue this matter with the Ministry of Finance. *The Committee advised the Accounting Officer to pursue this matter with the Ministry of Finance*

Georgetown Public Hospital Corporation

5.11 The Georgetown Public Hospital Corporation (GPHC) which is now a separate entity from the Ministry of Health continued to use the Ministry's Cabinet approval CP (2003) 11:4: M dated 25 November 2003 for the purchase of drugs and medical supplies from specialised agencies, locally and overseas. *However, the Committee noted that the Procurement Act 2003 would have superseded the Cabinet decision and, as such, advised the Accounting Officer to adhere to the Procurement Act.*

Ministry of Health

5.12 The Auditor General reported that amounts totalling \$723.945M were expended on Materials, Equipment & Supplies. Included in this figure are sums totalling \$675.816M which relates to the purchase of drugs of which \$225.059M represents purchases made from overseas suppliers. This was done via Cabinet approval CP (2003)11:4: M of December 2003 which was utilized to purchase drugs and medical supplies from specialised agencies locally and overseas. Given the time period that would have elapsed, it would appear necessary for the present arrangements for the supply of drugs and medical supplies from overseas to be reviewed. *As such, the Accounting Officer was advised by the Committee that on a three-year basis evaluation should be conducted to determine the suppliers' reliability and credibility.*

Ministry of Labour, Human Services and Social Security

5.13 The public assistance imprest bank account No. 902 which ceased to be operational several years ago, was overdrawn by \$270.586M as at 31 December 2004. This was due mainly to inadequate provisions made over the years in the National Estimates to facilitate the payment of old age pensions and public assistance. *The Committee advised the Accounting Officer to discuss the matter with the Minister of Labour, Human Services and Social Security with the aim of having a letter sent to the Minister of Finance so that a Cabinet memorandum might be obtained in an effort to resolve this issue expeditiously.*

Ministry of Legal Affairs

5.14 *In relation the sum of \$834,412, representing a reconciling balance being brought forward on the State Solicitor Bank Account No.120 the Committee proposed that the Ministry prepare a losses report and submit same to the Ministry of Finance with a view to resolve this issue.*

Guyana Defence Force

5.15 It was noted by the Auditor General that as a result of this weakness of internal controls, salaries were refunded three to four months after the official payday, which is not in keeping with the Financial Regulations. *The Committee advised the Accounting Officer to have Officers open bank accounts with a view to resolving the issue of having unclaimed salaries on hand which were not refunded within the stipulated time to the Receipts and Payments Section of the Guyana Defence Force.*

5.16 It was noted in the Auditor General's Report that many instances were observed where cheques were deposited into the bank instead of cash, which indicates that the cash on hand were used to encashed cheques. Two hundred and thirteen instances totalling \$4.452M were seen for the period under review where imprest, credit union and other cheques were encashed from the unpaid salaries kept at the Guyana Defence Force Finance Office. *The Accounting Officer was also advised by the Committee to desist from the practice of encashing cheques from the cash for Officers who had not uplifted their salaries.*

Supreme Court

5.17 It was noted in the Auditor General's Report that double face carbon was not used to write receipts for tickets and fines. The receipt books used by the Court are printed yearly and the numbers used are duplicated due to the fact that books with the same serial numbers will be in circulation since all the books printed for a particular year will not be used up. In addition, at the New Amsterdam Magisterial District, it was observed that twenty-seven disbursement receipt books with the same numbers were duplicated and both sets of receipt books were in use during the period audited. A similar observation was made for Georgetown Magistrates Court. *As such, the Accounting Officer was advised to inform the Ministry of Finance in order to have the receipt books cancelled or withdrawn.*

Region 1

5.18 With respect to electricity supply in the Region, it was noted that two power plants at Mabaruma provide electricity to the Administration and to communities at Mabaruma, Kumaka and Hosororo. Electricity supplied to the communities was, however, not metered but monthly charges were made at \$100 a bulb, \$800 per fridge and \$1,200 per freezer, regardless of wattage. It should be mentioned that the 300 electrical meters purchased in June 2003 were still in the stores. *The Committee advised the Accounting Officer to pursue this matter expeditiously.*

Region 2

5.19 A Police investigation into the matter of the alleged shortage of cash totalling \$3.692M discovered at the Anna Regina Multilateral School took an extensively long period, while the alleged perpetrators continued to be paid without contributing their services. It was noted that the Headmaster for the school was sent on leave pending a police investigation into the matter and has subsequently retired. The Committee expressed concern over the time taken by the Police to investigate the matter. *The Committee also felt that this issue was prevalent and should be examined carefully with a view of developing a mechanism to address the situation.*

Region 3

5.20 In the Auditor General's Report it was noted that two of three contracts awarded for the rehabilitation of the Nurses' Hostel at WDRH, were awarded to the same contractor who was not the lowest bidder. Similarly, the contract for the Parika Health Centre was awarded to the second lowest bidder, and the contract for the re-guttering of the WDRH was awarded to the third lowest bidder. The Committee noted that there were instances where the Regional Tender Board did not award contracts to the lowest bidder on the basis that the lowest bidder had on-going jobs and deemed such practice to be unacceptable.

Region 4

5.21 The Committee continued to express concern at the number of overpayments to contractors highlighted in the comments of the Auditor General's Report, which had occurred in the Region.

Region 5

5.22 *The Committee noted the inconsistencies of not stating the reasons for awarding the contract to the lowest bidder which was not stated in the minutes and advised the Accounting Officer to adhere to the financial regulations.*

Region 6

5.23 The amounts of \$58,023 and \$99,468 were paid to the Senior Official as commuted travelling allowance for the years 2003 and 2002 respectively for the use of his car in the performance of official duties, but he was provided with full time use of a state vehicle and a chauffeur. *The Accounting Officer was advised that a final attempt should be made to recover the said amounts, failing which, the matter should be handed over to the Police.*

Region 7

5.24 The Auditor General has reported that the salaries of sixteen full-time cleaners and caretakers, which totalled \$2.151M, were inappropriately charged to the other charges subhead, Other Goods and Services Purchased. The Regional Executive Officer explained that these positions were not included in the list of authorized positions and the Public Service Ministry (PSM) was approached with a view to create these posts. *The Committee expressed the view that there was need for the regularization of the employment of the part-time employees.*

Region 8

5.25 *The Committee expressed concerns with the frequency in which it was recorded that contracts were not awarded to the lowest bidder because the contractor was engaged in another project and advised the Accounting Officer that (i) he should be satisfied that the bidder did not have the capacity to undertake another project before he was disqualified; and (ii) the invitation to tender should clearly state that persons engaged in other projects should not apply if they were using that as a criterion for awarding contracts.*

Region 9

5.26 *The Committee expressed dissatisfaction at the numerous instances where contractors were paid without physical examination conducted on projects resulting in overpayments on the projects. The Committee advised the Accounting Officer that the cost for the repairs to the guest house should not have been met from the Special Fund but instead allocation should have been requested under maintenance of building line item.*

5.27 *The Committee also noted instances where retention bonds were not withheld on contracts and liquidated damages were not instituted against defaulting contractors.*

Region 10

5.28 *It was noted in the Auditor General's Report that the Region had a number of negative variances whereby contract sums were reduced. These reductions were noted on (i) the contract for the construction of a fence and gate at Teachers' Hostel, Kwakwani; (ii) The contract for the construction of a fence at the Amerindian Hostel, Wismar; (iii) The contract for the construction of a fence at teachers' quarters' compound, Blueberry Hill; and (iv) The contract for repairs and maintenance of One Mile health centre fence, water tank, trestle and generator hut. The Committee was dissatisfied with the Accounting Officers' responses for the Region and requested that the matter be investigated to determine what led to the reductions on these contracts and to ascertain whether any changes were made to the original Bills of Quantity.*

For the Year Ended 31 December 2005

Office of the President

5.29 *The Committee noted the frequency with which the National Communication Network operated in violation of the laws in not following the Procurement Regulations and advised the Accounting officer that he should employ greater supervisory control to ensure that there was adherence to Tender Board procedures.*

Ministry of Finance

5.30 *The Committee continued to express concern that monies collected from the lottery fund (i) were not deposited into the Consolidated Fund as provided for in the Constitution; and (ii) were spent without the consent of the National Assembly.*

Ministry of Foreign Affairs

5.31 There was evidence to indicate that remittances to the various Missions were not received in a timely manner to allow for the smooth execution of the operations of these Missions. In particular, remittances to meet capital expenditure did not arrive at the Missions until after the close of the financial year, and expressed serious concerns over the issue. *In this regard the Committee proposed that a routinised system be adopted for remitting monies to Missions, especially in relation to capital expenditure.*

5.32 With regard to the Auditor General's reported finding that the main bank account was affected by two outstanding advances totalling US\$3,901.83 issued to the Ministry of Foreign Trade and International Cooperation to facilitate payment of hotel expenses for a Ministerial visit, the Committee expressed dissatisfaction that the above amounts were still outstanding

Ministry of Local Government and Regional Development

5.33 The Committee expressed serious concern over the failure of Heads of Municipalities and District Councils to submit financial statements on an annual basis as required by the law despite the legal requirement to produce financial statements in a timely manner as well as the penalties involved for the failure to do so. It was noted by the Auditor General that two of the municipal councils and majority of the district councils have been violating the provisions of the Law.

5.34 *The Committee expressed the hope, that during the discussion of the Local Government Reform legislation that the issue of instituting stringent measures against Heads of Municipalities and District Councils would be addressed.*

Ministry of Agriculture

5.35 The Committee noted with concern that the National Drainage and Irrigation Authority (NDIA) received funds from the Ministry of Agriculture through Subsidies and Contribution to Local Organisations rather than subventions to conduct its operations. It was reported in the Auditor General's report that the National Drainage and Irrigation Authority (NDIA) was formed by Act № 8/2004 dated 7 May 2004. The Authority came into effect during May 2005 and is a separate and legal entity and is required to maintain its own accounting records which are subject to separate reporting and audit.

Ministry of Public Works and Communications

5.36 The Ministry had a Mechanical Superintendent whose job was to examine vehicles however the works were contracted. Further, separate contracts were obtained for the supply of vehicles spares and labour cost with regard to the repairs to the Ministry's vehicles. *The Committee advised the Accounting Officer to desist from such practices and utilise the services of the Mechanical Superintendent.*

Ministry of Culture, Youth and Sports

5.37 With regard to the Auditor General's comments that the Ministry operated a current account № 410004235 held at the National Bank of Industry and Commerce for the operations of the National Culture Centre and did not pay over the proceeds to the Consolidated Fund and have the related expenditure met out of the appropriations. *The Committee advised the Accounting Officer to regularise the operations of the National Culture Centre and reminded that all revenues collected should be paid into the Consolidated Fund and related expenditures be met from appropriations.*

Ministry of Housing and Water

5.38 It was reported by the Auditor General that the unspent amounts totalling \$23.796M was not refunded to the Consolidated Fund but kept in a separate account. *The Committee reminded the Accounting Officer that all unspent amounts should be refunded to the Consolidated Fund and expenditures should be met from appropriated sums.*

Georgetown Public Hospital Corporation

5.39 The Committee noted that the Corporation was using a Cabinet approval as the basis of procuring drugs from the New Guyana Pharmaceutical Corporation rather than procuring such goods through the Ministry of Health. It was reported by the Auditor General that amounts totalling \$443.203M were paid to the New Guyana Pharmaceuticals Corporation (New GPC) for the supply of drugs and medical supplies and during the year under review, the Corporation entered into 3 contracts using the Ministry's Cabinet approval CP (2003) 11:4: M dated 25 November 2003 for the purchase drugs and medical supplies of which amounts totalling \$194.802M were paid on these contracts.

Ministry of Health

5.40 The Committee expressed disappointment over the absence of a supervisory role by the Government and particularly the Ministry of Health in the procurement process involving GPC.

5.41 The Committee also cautioned the Accounting Officer against the practice of procuring goods and services without tendering, and advised the Officer to adhere to the regulations provided in the Procurement Act.

Ministry of Home Affairs

5.42 With regard to the Auditor General's finding that there were (i) forty one instances where breaches of Tender Board Procedures were observed; (ii) five payments amounting to \$2.720M for which Ministerial Tender Board approvals were not seen; (iii) twenty eight payments valued at \$2.245M subdivided to avoid the adjudication of the Departmental Tender Board; (iv) eight payments totalling \$703,050, which exceeded the limit of \$600,000 and should have had the approval of the NPTAB; and (v) nine payment vouchers valued at \$7.074M which had no supporting documents attached to verify the accuracy and validity of the transaction, *the Committee advised the Accounting Officer to examine the system currently employed regarding procurement of goods and services with a view of instituting a mechanism to improve internal controls.*

Supreme Court

5.43 An examination of the amount expended under travelling revealed that the Department incurred the sum of \$7,257,800 to hire taxis. The Accounting Officer explained that although Magistrates are required to use their vehicles in the execution of their duties, the Magistrates were of the view that the services of taxis should be provided when presiding in other districts. *The Committee expressed its dissatisfaction over such a practice and requested from the Accounting Officer a list of Magistrates who were in receipt of duty free concession including those who were provided with taxi services in the execution of their duties.*

Region 1

5.44 It was noted that the Regional Administration continues to subsidise Port Kaituma and Moruca sub-regions with 20 and 3 drums of fuel respectively per month to operate their generators. In each case, these generators provided electricity to the public and private individuals. This process was administered over by Electricity Committees, which collected revenue from these individuals. Except for the fact that an Assistant Regional Executive Officer (AREO) was responsible for each plant, the Regional Administration did not exercise any supervision over the processes and the revenues were utilised to purchase fuel without adherence to governmental processes or the use of prescribed forms or official receipts. At the time of the inspection, the AREO at Port Kaituma was in possession of cash receipts in excess of three hundred thousand dollars. There was no visible means of securing the cash, which according to the AREO was secured in a briefcase and shuttled between home and office. *The Committee advised the Accounting Officer to review the situation to ensure that revenues collected from residents for electricity charges should be done by the Electricity Committee and that such revenues be lodged at the Police Station.*

Region 2

5.45 The Auditor General reported that the Regional Administration had paid an official accredited to the Region by the Ministry of Local Government and Regional Development motor car allowances totalling \$198,936 over the period June 2001 to May 2003, while providing the official on a full time basis with a chauffeur driven vehicle. The Head of the Budget Agency ceased the payment of the allowances with effect from June 2003 and took action to recover the sum. However, to date the sum involved has not been repaid, although the official is still accredited to the Region. *The Committee expressed dissatisfaction at the matter of outstanding motorcar allowance which occurred since 2003 and to date the Regional Administration was unable to recover the sum even though the Officer was still employed in the system. The Accounting Officer was requested to pursue the matter.*

Region 4

5.46 The Auditor General's findings noted that the Regional Tender Board awarded the extension of the Supply Primary School to the eighth lowest of eleven bidders in the sum of \$4.510M. The Engineer's estimate was \$5.525M. The reason given was that the contractor who was awarded the previous contract in 2004 was deemed unsatisfactory. Notwithstanding the fact that there was however a variation of \$1.666M, giving a revised contract sum of \$6.176M, there was no evidence that the variation was approved, the entire contract sum was expended. As such, the Committee expressed concern about the Region awarding contracts to someone other than the lowest bidder and questioned the unauthorised variation.

Region 5

5.47 The Region operates the Fort Wellington and Mahaicony Hospital Stores, in addition to the Regional Stores. In this regard, the Regional Administration was still to adhere fully to the requirements of stores regulations, in that, there were instances of tampering with internal stores requisitions and noted instances of failure to write up stock records. In addition, Storekeepers had at times acted as Expeditors in the ordering and procuring of items of stores. *The Committee advised the Accounting Officer to be cognisant of the recommendation to adhere to the stores regulations and implement them.*

Region 6

5.48 The Auditor General reported that amounts totalling \$109M were expended on the purchase of Fuel and Lubricants, however, a comparison between the physical balance of fuel and lubricant on hand and the balance as per stock ledger could not be done, since the stock ledger was only implemented on the 27 October 2005. An inspection carried out at the Black Bush Polder pump station revealed that two storage tanks were not calibrated. As a result, the quantity of fuel contained therein could not be determined. *The Committee expressed the view that a simple method of measuring the fuel with a properly calibrated stick could be implemented by the Accounting Officer.*

Region 7

5.49 As of September 2005, the Regional Administration commenced collecting rent for houses owned by the Region. However, the Regional Administration did not collect rent for five of these that were occupied by persons who were not public officials. The Head of the Budget Agency had since written to the defaulting occupants, but to date they are yet to comply. *In light of this, the Committee proposed that the Accounting Officer liaise with the Welfare Officer of the Region and Ministries of Housing and Human Services and Social Security and pursue the matter in an effort to regain possession of the houses.*

Region 8

5.50 *With respect to works carried out in the Region which could not be verified due to remoteness of the area, the Committee proposed that the Regional Administration should recruit a technical expert during the period projects were executed and three months after the completion of projects.* This would facilitate technical advice on the reliability of the project before final payments were made to the contractors.

6. IMPROVEMENTS RECORDED IN MINISTRIES, DEPARTMENTS AND REGIONS

6.1 The Committee has also noted that some Ministries, Departments and Regions have shown improvements in the management of their financial affairs over the two years. Detailed below are some of the comments made by the PAC to Ministries, Departments, and Regions which recorded improvements in their affairs:

For the Year Ended 31 December 2004

Ministry of Public Works and Communications

6.2 The Accounting Officer was commended for the improved situation with regards to the maintenance of log books and adhering to Tender Board adjudications.

Ministry of Home Affairs

6.3 The Committee observed that all capital works for the Ministry seemed to have followed tender board procedures and expressed the hope that all succeeding reports would reflect similar practice.

Ministry of Home Affairs (Police)

6.4 The Committee applauded the Accounting Officer for his efforts to obtain copies of business registration and certificate of compliance from suppliers to determine their credibility before conducting business with them.

Guyana Defence Force

6.5 The Accounting Officer was applauded for the establishment of an Internal Audit Department and the recruitment of two Auditors in an effort to correct the situation in the stores.

For the Year Ended 31 December 2005

Parliament Office

6.6 The Committee commended the Accounting Officer for the steps taken to introduce competitive tendering for catering services.

Ministry of Foreign Affairs

6.7 The Committee applauded the Accounting Officer for efforts being made to recruit the adequate number of personnel within the Embassy at Washington D.C.

7. CONCLUDING REMARKS AND ACKNOWLEDGEMENTS

7.1 Public Accounts Committee through its Chairperson wishes to express sincere gratitude to the other members of the Committee for their contribution to the work of the Committee and for the non-partisan approach they have adopted throughout the deliberations of the Committee. It was indeed hard work spanning a period of approximately 19 months, and had it not been for the strenuous efforts of all members of the Committee, this report might not have been possible.

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

Volde Lawrence
VOLDA A. LAWRENCE, M.P.
CHAIRPERSON
PUBLIC ACCOUNTS COMMITTEE
15 JANUARY 2010