

**PARLIAMENT OF GUYANA**

**REPORT**

Of The

**PUBLIC ACCOUNTS COMMITTEE**

Of The

**NATIONAL ASSEMBLY**

On The

**PUBLIC ACCOUNTS OF GUYANA**

FOR THE YEAR

**1999**

9 DECEMBER 2003

**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 (2001-2002) of the Eighth Parliament of Guyana met on twenty-seven(27) occasions to examine the Public Accounts of Guyana for the fiscal year ended 31 December 1999 and the Auditor General's Report thereon. The PAC of the First Session also met on two(2) occasions to consider its report but owing to the prorogation of Parliament on 27 November 2002 was unable to complete it. The PAC of the Second Session met once and completed consideration of the Report for 1999. I am now pleased to present to you this Report by the Members of the PAC.
- 1.2 The Constitution (Amendment) Act No. 6 of 2001 defines the "public accounts of Guyana" as: "public accounts of Guyana" includes the accounts of;-
- (i) all central and local government bodies and entities;
  - (ii) all bodies and entities in which the State has a controlling interest; and
  - (iii) all projects funded by way of loans or grants by any foreign State or organisation.
- 1.3 The report of the Auditor General on the Public Accounts for the year ended 31 December 1999 was submitted to the Minister of Finance on 17 November 2000. This report was, however, not laid in the National Assembly until 31 May 2001. Following the National Elections in March 2001, the PAC was constituted on 26 June 2001. These factors hindered the timely examination of the Public Accounts and the Auditor General's Report thereon.
- 1.4 Having observed the similarity of the Auditor General's comments with respect to most Agencies in his Report, the Committee agree to meet all Accounting Officers and discuss with them what were the Committee's expectation with regard to the 2002 accounts. This was especially important in view of the fact that several Accounting Officers had recently been appointed. That meeting took place on 21 November 2001 and there was full participation from Members, Advisers and Accounting Officers.

- 1.5 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, thirty-eight(38) Accounting Officers, along with their support staff, appeared before the Committee to give evidence and to assist the PAC in its deliberations.
- 1.6 The PAC continued to receive very valuable advice from the Auditor General, the Secretary to the Treasury and the Accountant General during its deliberations.
- 1.7 In accordance with Standing Order No. 76(3) the Committee attaches to this Report, its minutes of its proceedings. These minutes include: -
  - (a) the names of the Members of the Committee and its Advisers; and
  - (b) 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 During the deliberations, concern continued to be expressed at the inadequacy of the PAC's mandate to "examine the accounts together with the Auditor General's report thereon". 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 are therefore concerned at the PAC's inability to examine and report on matters and issues of a more current nature.

- 2.2 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 108, to ensure the attendance of the persons at hearings of the Committee. This Act empowers Legislative Committees to summon persons to give evidence and produce documents. A person who refuses or neglects to attend without sufficient cause may be apprehended and held in custody for a period not exceeding one week.
- 2.3 The PAC is heartened that the relevant sections of the Constitution have been amended to provide the Audit Office with greater autonomy and flexibility to recruit and remunerate staff at competitive salaries. The Committee urges that the process be accelerated since with a fully staffed Audit Office, there is every likelihood of a more timely presentation of the Auditor General's reports to the National Assembly. The Auditor General should also consider issuing special reports on issues of a current nature thereby enabling the PAC to carry out its examination of these issues in a timely manner.
- 2.4 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. The result is that the findings of the Auditor General continue to repeat themselves year after year, with little effort being made on the part of some Accounting Officers to correct the deficiencies as they relate to their respective operations. It is, therefore, evident that there continues to be the need for the submission of a Treasury Memorandum to be tabled in the National Assembly.
- 2.5 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 recommends that it should be made a requirement of the Standing Orders that the Treasury Memorandum be tabled in the National Assembly not later than sixty(60) days after the PAC's report to the National Assembly is referred to the Government.

2.6 As a result of the recent constitutional amendments, the PAC has been mandated to exercise general supervision over the functioning of the Office of the Auditor General in accordance with the Rules, Policies and Procedures Manual for the functioning of the Office. The Auditor General shall prepare and submit to the PAC quarterly reports on the performance and operation of the Office. It shall also receive annually from the Auditor General a copy of an Annual Systems and Financial Audit Report with respect to the Office of the Auditor General.

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

3.1 A number of general problems, many of which were previously identified and commented on by the PAC, continue to adversely affect the financial management system in Government and the operation of that system. These include:-

- Inadequate use of information technology;
- Archaic and cumbersome systems;
- Inadequate supervision leading to diseconomy, inefficiency and ineffectiveness in use of resources;
- Non-compliance with the FAA Act;
- Unsatisfactory management of cash resources;
- Failure to reconcile bank accounts;
- Non-compliance with the Tender Board Regulations; and
- Poor control over the use of government vehicles.

## **Inadequate Use of Information Technology**

- 3.2. The Committee is concerned that present financial management system in Government remains largely manual despite rapid advances in information technology during the last decade. In late 1993, the Government had embarked on a comprehensive programme to computerise the systems through the use of a network of computers. However, the only form of computerisation at the time of reporting was in relation to the automated votes ledger and was only in respect of a few Ministries.
- 3.3 In view of the large number of transactions committed across the Central Government and the unavailability of skilled accounting personnel, it is obvious that the quality of financial accounting, cash management, reporting and related record-keeping would be greatly enhanced through the use of information technology. The PAC urges that before the end of the year 2002 an evaluation be conducted by means of a questionnaire:-
- (a) The status of the training programme which Government had embarked upon in the promotion of greater use of information technology and its comprehensive programme to computerise Government Ministries with a view to achieving the completion of the training by a given date;
  - (b) The level of acceptance/rejection which the programme of computerisation of the Ministries is encouraging from employees, particularly the older ones; and
  - (c) Also that a brief educational manual be compiled explaining the benefits to be gained from computerisation, among which are;  
to Ministries – increased efficiency and reduced operational cost and to employees – no displacement even among the older ones who might not be computer literate,
  - (d) the implementation of the use of available computer software to facilitate the acceleration of full computerisation of the Government's financial management systems by a given date.

## **Archaic and Cumbersome Systems**

- 3.4 The PAC noted the fact that present financial management system has been in place since the Colonial era, with little or no modification over the years. From the evidence made available to the Committee, the system is archaic and cumbersome, and is not fulfilling its purpose of ensuring proper accountability for public funds.
- 3.5 The Committee took note of the expenditure by different entities on similar functions and activities, and recommends that future reports of the Auditor General compare the use of such resources by different entities with the aim to ensure that the maximum value for money is obtained and that where possible “best practices” systems and procedures are adopted.
- 3.6 The PAC recommends that the present system be reviewed urgently. The objectives of the review should be to ensure that:-
- a simple model is in place to reduce the number of routine activities currently carried out manually as well as paperwork involved;
  - account is taken of new developments in Government financial management;
  - advantage is taken of the rapid advances in information technology; and
  - account is taken of the availability of the relevant skills needed to manage the system.

## **Non-compliance with the FAA Act**

- 3.7 Section 7(2) of the Financial Administration and Audit (FAA) Act provides for all Accounting Officers and Principal Receivers of Revenue to prepare and submit to the Auditor General, appropriation and revenue accounts within four(4) months of the close of the fiscal year. However, several Ministries, Departments and Regions continued to be in **contravention** of the Law by making their submissions of these statements after the statutory deadline. This has affected the Accountant General’s ability to make his consolidated submissions to the Auditor General and therefore limits the time available to the Auditor General to conduct his audit.

3.8 The PAC wishes to restate its previous recommendation that the accountability cycle be revised in such a way that the entire process, including the issuing of the Treasury Memorandum, is completed within twelve(12) months of the close of the fiscal year. In this regard, the PAC proposes the following deadlines for completion of various aspects of the cycle:-

DESCRIPTION	DEADLINE
Submission of appropriation & revenue accounts	28 February
“ “ consolidated accounts	31 March
Presentation of the Auditor General's report	30 June
PAC examination of the Public Accounts	31 August
Presentation of Treasury Memorandum	30 September

3.9 A significant number of bank accounts currently in use, as well as non-operational bank accounts, were allowed to be overdrawn by large amounts without the authority of the Minister, in contravention of Section 22 of the FAA Act. The PAC cannot condone the continued contravention of the Law. It should not be over-emphasised that it is the responsibility of Accounting Officers to monitor bank accounts under their control so as to avoid these accounts being overdrawn. Accounting Officers should also be given time-frames within which to investigate overdrafts and to take steps to liquidate them and where that is not possible consultations should be sought with the Secretary to the Treasury and the Accountant General for the necessary approval in closing the accounts. With regard to accounts prior to 1996 the necessary action should be taken expeditiously to bring these old accounts to a close.

3.10 The PAC, however, recognises that despite their best efforts, Accounting Officers may not be able to ascertain the reasons for some of the prior years' overdrafts because of the passage of time and the non-availability of the relevant documents. In such circumstances, the PAC again recommends that losses reports be filed with the Secretary to the Treasury. In addition, the Secretary to the Treasury should institute surcharge proceedings against any officer who has been found negligent in causing a bank account to be overdrawn, as provided for by Sections 8 to 12 of the FAA Act. The PAC also observed instances in which funding of activities of capital nature from provisions under the Current Estimates.

- 3.11 The PAC is once more expressing its concern about the number of reported instances where large numbers of payments were made beyond year-end but the transactions were backdated to 31 December. These were not normal year-end transactions, which the Accountant General would allow through the opening of cash books for a few days after the close of the year. Rather, the Committee is convinced that in the majority of cases this was done to exhaust the allocations for the year. This practice, apart from being a breach of Section 36 of the FAA Act since all appropriations lapse on 31 December, may and probably lead to irregularities. Indeed, the practice in place can be regarded as one which encourages spending rather than saving, especially in the last two(2) months of the year.
- 3.12 The PAC recommends that the Accountant General take immediate steps to write and update all Accounting Officers on the procedures to be followed for the disbursement of salaries and wages and their related deductions in order to arrive at a “nil” balance at the end of the month and to prepare a programme to train accounting personnel in the procedures and methods of reconciliation of bank accounts.
- 3.13 The PAC continues to recommend that the practice of opening cash books beyond year-end should be discontinued. Any normal year-end transaction which is not included in an appropriation account can be accounted for in the following year, subject to the approval of the Secretary to the Treasury, as provided for under the existing arrangements. In addition, the Ministry of Finance should carefully monitor monthly releases to Ministries, Departments and Regions to avoid the acceleration of expenditure towards year-end.
- 3.14 In its previous Report the PAC drew the attention to several State institutions in receipt of subventions were found to be significantly in arrears in terms of financial reporting without evidence of any action being taken to ensure that they are financially accountable for funds appropriated to them by Parliament. In addition, the FAA Amendment Act of 1993 requires all agencies in which controlling interest vests with the State to submit audited financial statements to the National Assembly within six(6) months of the close of the financial year. This requirement was, however, honoured in the breach, except in few instances, without any sanctions being imposed for the continued violation of the Law.

- 3.15 The PAC recommends that all outstanding reports be laid in the National Assembly as early as possible. In addition, appropriate sanctions, including possible withholding of subvention, should be imposed on the Heads of institutions for any failure on their part to have timely financial reporting and for not having their audited accounts laid in the National Assembly within the required deadline. In this regard, Accounting Officers should establish deadlines within which financial reporting of these entities is brought up-to-date.
- 3.16 The proceeds from the Guyana Lotteries are not paid over to the Consolidated Fund. Instead, they are kept in a special bank account at the Bank of Guyana and are used to meet public expenditure without Parliamentary approval. A similar observation was made in respect of funds received by a number of Ministries, Departments and Regions, notably the Ministry of Education, the Guyana Defence Force and the Operations and Maintenance Division of Region 2. This practice, apart from being a breach of Section 17 of the FAA Act as well as a usurpation of Parliamentary authority to incur expenditure, can and probably does lead to irregularities.
- 3.17 The PAC wishes to emphasise that requirement of the Law as it relates to public revenues must be scrupulously observed. All revenues are required to be paid over to the Consolidated Fund gross and under no circumstances should expenditure be met from such revenues. Similarly, all public expenditures must be voted for by the National Assembly and reflected in the National Estimates. In this regard, the PAC recommends that the Secretary to the Treasury carry out a survey of Ministries, Departments and Regions as well as semi-autonomous agencies to determine to what extent the practice of retaining public revenues is prevalent. Based on the results of the survey, steps should be taken against the errant agencies to ensure that this practice is discontinued.
- 3.18 The Committee noted the frequency with which it was reported by the Auditor General that there were cases involving large numbers of employees who had not been properly registered with the National Insurance Scheme (NIS) and the implications which that had for their social security or other benefits.

3.19 The abuse of the Contingencies Fund continued unabated despite comment to this effect in previous PAC reports. As required by Section 25 of the FAA Act, this fund should only be used if the proposed expenditure is (a) unforeseen (b) urgent (c) no other provision exists and (d) the expenditure cannot be postponed without injury to the public interest until adequate provision is made by the National Assembly. It follows that the Fund should not be used to cover routine expenditure. Due process must be followed and supplementary appropriations sought where there are inadequate allocations.

### **Unsatisfactory Management of Cash Resources**

3.20 The Auditor General has reported that the Consolidated Fund was overdrawn by \$57.110 billion as at 31 December 1999 although large sums were held in other Government bank accounts. The main reason for this state of affairs is the general failure to transfer to the Consolidated Fund unspent balances at the end of the year, especially in relation to capital programmes, as well as to close bank accounts which were no longer in use. Had such transfers been undertaken, the Consolidated Fund would have reflected a positive balance of \$14.101 billion.

3.21 In particular, although there were forty(40) Ministries, Departments and Regions, the number of bank accounts under the control of these agencies was 842, of which 567 became inactive during the period 1981 to 1996. There are a number of inherent risks in the continued existence of inactive accounts, which, by their very nature, are not subject to close supervision. In addition, 214 of the inactive accounts reflected overdrafts totalling \$509.820M while forty-five(45) active accounts (excluding the Consolidated Fund) were overdrawn by \$5.345 billion.

3.22 The PAC considers the above state of affairs to be far from satisfactory from the point of view of the management of the Government's cash resources. The Committee noted that steps have been taken to close inactive accounts and to effect transfer to the Consolidated Fund. However, the process needs to be accelerated so that the minimum number of bank accounts are kept in use and all funds which represent public revenues are speedily transferred to the Consolidated Fund. Such difficulties could be overcome by the accelerated introduction of appropriate information technology and treatment of reconciliation of bank accounts as a priority activity.

### **Failure to Reconcile Bank Accounts**

- 3.23 The vast majority of bank accounts under the control of Ministries, Departments and Regions remained unreconciled and in some cases the related cash books were not properly maintained. The failure to reconcile bank accounts, to maintain proper cash books and the absence of supervisory checks have contributed to the several acts of misappropriation of funds which are now engaging the attention of the Police and the Courts.
- 3.24 Despite the Government's decision in 1996 to close all bank accounts and to open new accounts in an attempt to start from a clean position, the problems associated with the old accounts continued in respect of the majority of new accounts, which were opened. Accounting Officers, without exception, have attributed this state of affairs to staffing difficulties. Much of the evidence, however, indicates that the reconciliation of bank accounts is not considered a priority activity. Generally, Ministries, Departments and Regions appear to concern themselves only with receiving funds from the Treasury and making payments. The related record keeping, reconciliation, and monitoring and supervision remain very much neglected.
- 3.25 The PAC again recommends that the Ministry of Finance carry out a survey of all Ministries, Departments and Regions with a view to determining an acceptable level of staffing at the various accounting units, both in terms of numbers and skills involved. Based on the results of the survey, urgent steps should be taken to ensure that all Ministries, Departments and Regions are properly staffed with accounting personnel. Thereafter, Accounting Officers should be made responsible for ensuring that all bank accounts under their control are properly reconciled within thirty(30) days of the close of the month. They should be held personally liable for failure to do so and the appropriate penalties imposed on defaulting Accounting Officers.

## **Non-compliance with the Tender Board Regulations**

- 3.26 The PAC continues to express concern at the level of non-compliance in a number of agencies with the existing Tender Board Regulations relating to the procurement of goods and services and the undertaking of works, both capital and current. In particular, there was continued evidence of contract-splitting to avoid adjudication by the Ministerial and the Central Tender boards. The PAC also noted the need to adopt procedures to ensure transparency in respect of the evaluation of tenders to be recommended for inclusion in the Public Procurement Act. In addition, there is urgent need to activate the Public Procurement Commission.
- 3.27 At the Ministry of Home Affairs, the Ministerial tender board did not function for eleven(11) months in the year while at the Guyana Defence Force, there was an almost total absence of competitive bidding before contracts were awarded, even in cases of the acquisition of non-military items.
- 3.28 In several instances, minutes of tender board meetings were not maintained in a manner to allow for an independent evaluation of the basis of the awards of contracts, especially in cases where contracts were not awarded to the most competitive bidders.
- 3.29 The PAC is extremely alarmed at the high incidence of variation orders which were issued after contracts were awarded, despite the widespread practice of engaging the services of consultants to prepare estimates and to oversee the works. Other concerns include instances of overpayments to contractors and of defective, poor quality and incomplete work.
- 3.30 Numerous instances were highlighted where Accounting Officers failed to seek the requisite approval to undertake works which were not reflected in the Capital Profile of the concerned Ministry or Department and hence not approved by the National Assembly. Such work can only be undertaken through a request for a change in programme and approval from the Chief Planning Officer.
- 3.31 In the light of widespread violations referred to above, the PAC again strongly recommends urgent reforms by way of legislation of the Government's Tender Board Regulations to ensure as far as possible greater transparency, fairness, equity and accountability in the system. Such reforms should include:-

- a re-organised Central Tender Board to include representatives of various interest groups e.g. consumers' association, professional engineering bodies, trades union movement and University of Guyana;
- reviewing the authority limits for Regional, Ministerial and Departmental Tender boards as well as those of Accounting Officers;
- guidelines for the keeping of proper minutes of meetings held and decisions taken;
- requirements for filing and general record-keeping;
- procedures and criteria to be followed for the issuing of variation orders;
- prohibition of contract-splitting;
- the forms of sanction to be imposed for any violation of the tendering procedures;
- procedures for the formal evaluation of public tenders and for the availability of such evaluation to bidders; and
- all documents relating to contracts and the contracts themselves approved by the Central Tender Board must be copied to the Auditor General and the executing agency.

A number of these recommendations would have been suspended by the promulgation of the Public Procurement Act.

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

3.32 Control over use of Government vehicles continued to be very lax. In many cases, log books were not kept or were not satisfactorily maintained. Many Government vehicles were also not marked to identify them as State property. The PAC is deeply concerned that this state of affairs remains uncorrected since it lends itself to serious abuse with consequential financial loss to the State. It therefore urges all Accounting Officers to ensure that the requirement to maintain log books and to have vehicles marked, be rigidly enforced, except where security considerations determine otherwise, so as to secure as far as possible effective control over the use of Government vehicles.

3.33 The Committee noted the high cost of maintenance and the high level of consumption of fuel and recommends that Governments Agencies acquire appropriate "Fleet Management" computer software to enable them to closely monitor maintenance cost, the consumption of fuel and lubricants, etc. in order to be able to access the operating efficiency and cost effectiveness of operating their fleet of vehicles or equipment. Motor vehicles and other equipment which are used by the various Governments, should be replaced on a regular basis within, but definitely not beyond their economic life. The records will show that the yearly cost of repairs and maintenance of vehicles and equipment which have surpassed their economic lives equal or exceed the cost of replacing them. In instances where vehicles and equipment are unserviceable, these should be disposed of in a transparent and timely manner, in order to recover maximum value before they deteriorate.

#### **4. THE PUBLIC ACCOUNTS STATEMENTS**

- 4.1 Despite an assurance previously given by the Accountant General, the issuing and redemption of Treasury Bills remained unreported in the Statement of Receipts and Payments of the Consolidated Fund. In order to give a full picture of the movement of the Fund from one year to the next, it is necessary for transactions relating to Treasury Bills to be included.
- 4.2 The Auditor General continues to report on the Government's liability to the Lloyds Bank of London in respect of two(2) loans, which has been attracting interest semi-annually. That liability, inclusive of interest, stood at G\$2.764 billion at the end of 1998. (Information relating to subsequent years was not made available.) The PAC wishes to express its previously stated view that had action been taken in a timely manner in relation to this matter since several years of interest charges, which account for the greater portion of the debt, could have been avoided.
- 4.3 The PAC is particularly concerned at the large amounts which were held in special accounts at the Bank of Guyana on behalf of the Government. These are funds which relate to projects which came to an end and appeared to be transferable to the Consolidated Fund. The failure to ascertain what amounts should be transferred to the Fund creates avenues for extra budgetary sources of financing. Of particular concern is the use of moneys held in Account No. 1663 - Agricultural Rehabilitation Special Account (ARSA).

- 4.4 The proper accounting for gifts received by Government agencies both within and outside of Guyana remains unsatisfactory. The Committee wishes to re-emphasise the importance of valuing all gifts and informing the Accountant General so that they can be reflected in the Public Accounts.
- 4.5 The Public Debt Register was not satisfactorily maintained, as several columns were incompletely written up e.g. omission of repayment terms. Loan agreements were also not tabled in the National Assembly in a timely manner. In addition, several deficiencies in the system of recording, monitoring and reporting of outstanding loans or credits guaranteed by the Government as well as loans and advances from the Consolidated Fund, were also highlighted in the Auditor General's Report.

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

- 5.1 Some Ministries/Departments/Regions have shown improvements in the management of their financial affairs over the years. These include the Ministries of Housing & Water, and Trade Tourism & Industry, the Guyana Police Force, the Guyana National Service and Parliament Office. The PAC wishes to commend the relevant Accounting Officers for efforts in this regard. There are, however, a number of specific issues which the PAC would like to highlight in respect of other Ministries, Departments and Regions.

### **Office of the President**

- 5.2 Apparent excessive maintenance costs of vehicles under the control of this department continued to prevail for the period under review. A number of statutory bodies in receipt of subventions have also not submitted annual accounts for audit, particularly the IAST and the GNEA. These two(2) agencies have last been audited in 1983 and 1984 respectively. In addition, the provision of subvention to the Presidential Guard and the Joint Intelligence Coordinating Agency, which are departments within the Office of the President ought not to be given since subventions are only given to autonomous and semi-autonomous bodies.

## **Ministry of Finance**

5.3 A number of departments within the Ministry of Finance continued to receive subventions - COMU, CANU, BASS and the Privatisation Unit - contrary to established practices. In addition, the State Planning Commission, which should have been abolished several years ago as a separate legal entity, continues to exist with a staff of forty-nine(49). Twenty-five(25) of these employees were attached to other Government agencies and their emoluments were met from the State Planning payroll. This arrangement facilitates the circumvention of the application of the Government's salary scales as they relate to the emoluments of the concerned employees. Further, amounts totalling \$2 billion were disbursed to the Student Loan Agency which was yet to produce periodic financial statements for audit. The Committee recommends that:-

- (a) the Student's Loan Agency must provide the required periodic statements for audit and consideration should be given to granting statutory status to the Student's Loan Agency;
- (b) copies of divestment documents be made available to the Secretary to the Treasury and the Auditor General;
- (c) a mechanism be instituted for derelict or other unserviceable equipment and machines to be disposed of expeditiously;
- (d) the approval of the Secretary to the Treasury must be obtained in disposing of such equipment and machines; and
- (e) the Secretary to the Treasury must devise a system to deal with requests for the disposal of State property expeditiously.

## **Customs & Excise Department**

- 5.4 The Auditor General has reported that forty-four(44) cheques valued at \$29.730M and covering the period 1996 to 1999 remained dishonoured. This is an indicator of apparent laxity in the system of authenticating cheques before accepting them. The Committee is of the view that once an agency issued a bad cheque all future payments by that agency should be made by manager's cheques. The Department was also not timely in the recovery of Merchants' Overtime from importers. The Committee recommends that urgent consideration should be given to proposals for the erection of a Government's warehouse.
- 5.5 There was evidence of undue delays in perfecting PIDs. For example, for the period under review, a total of 305 PIDs valued at \$6.678 billion had not been perfected at the time of the Auditor General's Report. Similar delays in relation to the perfecting of bills of sight were also noted. In addition, the PAC is particularly concerned at the level of laxity in completing files relating to cargo vessels coming into port. For the period under review, a total of 1,115 vessels reportedly arrived in Port Georgetown but as at September 2000, only 487 files were completed and submitted to the Internal Audit Division. The Committee is of the view that the existing rules and regulations should be enforced.
- 5.6 Other areas of serious concern include poor record-keeping relating to seizures and ships' files, and the failure to fully implement the Automated System for Customs Data (ASYCUDA) .

## **Ministry of Foreign Affairs**

- 5.7 Staffing at the foreign missions to manage their financial affairs was not of the desired level. As a result, record-keeping continued to be poor. Remittances to the missions were also not received in a timely manner.
- 5.8 At the Guyana Embassy in Brasilia, the Auditor General reported that a senior official was indebted to the Government in the sum of US\$12,553.78 for advances taken during the period 1995 to 1999.

## **Ministry of Local Government**

- 5.9 For the period under review, municipalities and neighbourhood democratic councils received amounts totalling \$250M to assist them with their infrastructure and rehabilitation works. However, most of them have been significantly in arrears in terms of financial reporting.

## **Ministry of Agriculture**

- 5.10 The failure to reconcile bank accounts, the incurrence of overdraft and the manipulation of voted provisions to exhaust budgetary allocations continued to prevail for the period under review. For example, 354 cheques valued at \$201.699M were issued during the period 1 – 18 January 2000 but were backdated to 31 December 1999.
- 5.11 A number of statutory bodies in receipt of subvention have been delinquent in preparing their annual financial statements and submitting them for audit. The Pink Mealy Bug Unit should also not be in receipt of a subvention since it is a department within the Ministry. In addition, the Auditor General could not have evaluated the basis of the award of several contracts for the rehabilitation of D & I areas because the related files kept at the Central Tender Board were not presented for audit. There were also several instances where the Ministry failed to obtain the requisite approval for a change in programme to undertake certain capital works. The Committee is of the view that all documents related to the award of contracts for the rehabilitation of Drainage and Irrigation areas should be copied to the Auditor General.

## **Ministry of Public Works**

- 5.12 The PAC has noted with deep concern a number of issues raised by the Auditor General in relation to financial management of this Ministry. These include:-
- The payment of large sums of money to four(4) senior officials to carry out the reconciliation on a overtime basis of the Ministry's bank accounts. Despite this, bank accounts continued not to be reconciled in a timely manner and the quality of the reconciliation left much to be desired;
  - The manipulation of voted provisions to avoid overrunning budgetary allocations especially in relation to the Ministry's capital programme;

- The payment of substantial amounts annually in respect of rates and taxes to the GS & WC and the Mayor and City Council. However, the Ministry did not maintain a register of properties owned by the Government;
- The retention of toll fees amounting to \$188.359M by the Demerara Harbour Bridge to meet the cost of operation in violation of the Law. The Committee is of the view that the system by which the Management of the Harbour Bridge is able to use toll fees to meet the operational costs, should be formalised.

This recommendation has been overtaken by the recent corporatisation of the Demerara Harbour Bridge.

- The apparent sub-division of contracts to avoid adjudication by the Central Tender Board. For example, three(3) contracts valued at \$13.269M were awarded on the same date to the same individual for the construction of revetment at Bush Lot/Maida. There were also several instances where the Ministry failed to seek approval for a change in programme to undertake certain works;
- Financial returns were not received to account for inter departmental warrants issued to other Government agencies for work undertaken on behalf of the Ministry; and
- The transfer of large sums of money to the Transport & Harbours Department mainly for the rehabilitation of ferry vessels and dredging of the rivers without ensuring that financial statements were submitted to account for the amounts transferred. Refunds were also not being made in respect of unspent balances.

### **Ministry of Education**

- 5.13 The PAC is very concerned at the high incidence of unvouched expenditure at this Ministry over the years. In 1999, \$48M worth of payment vouchers were not presented for audit examination. A number of breaches in the tender Board Regulations were also observed. In addition, the Ministry was operating three(3) BCM accounts without authority, and supporting documents were not provided to verify the transactions relating to these accounts.

### **Ministry of Health**

- 5.14 Storekeeping and stores accounting systems continued to be of an unacceptable standard. In particular, the Pharmacy Bond in Kingston appeared unsuitable for the storage of drugs and medical supplies. It lacked proper ventilation, was hot and dusty, and the manner in which the items were packed, rendered physical verification extremely difficult.
- 5.15 In the area of capital expenditure, a number of instances were observed where expenditure was incurred but approval was not sought for a change in programme. In particular, five(5) double cab vehicles were acquired from the Ministry's current expenditure programme to avoid overrunning the Ministry's budgetary allocation under the relevant capital subhead.

### **Ministry of Human Services**

- 5.16 The public assistance imprest bank account No. 902, which became non-operational several years ago, continued to be overdrawn by \$270.586M. This was due to inadequate allocations made over the years. At the time of reporting, attempts to identify vouchers and supporting documents with a view to clearing the overdraft, had to be aborted because of the poor state of record keeping.

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

- 5.17 The Ministry continued to retain revenues from the operations of the National Cultural Centre to meet expenditure totalling \$31.127M, in violation of Section 17 of the FAA Act. The use of the special projects bank account No. 3174 to meet expenditure totalling \$80.708M, is also a serious violation.

### **Ministry of Housing & Water**

- 5.18 The Central Housing & Planning Authority, which is an autonomous body has not had its accounts audited since 1996. While financial statements for the years 1996 to 1998 were submitted for audit, the audit was stymied by the destruction of the records by fire on 15 June 2001.

## **Ministry of Home Affairs**

- 5.19 The Ministerial Tender Board at the Ministry of Home affairs did not function for eleven(11) months in the year. As a result, contracts for goods and services as well as works falling within the limits of \$180,000 to \$600,000 and \$450,000 to \$900,000 respectively were awarded on the sole authority of the Accounting Officer.
- 5.20 The Auditor General has reported that he was unable to verify that value was received for goods and serviced valued at \$171.629M since the related cheque orders had not been cleared This observation is a clear reflection of a lack of accountability for the use of significant amounts of public funds.

## **Guyana Defence Force**

- 5.21 In relation to the Guyana Defence Force, there was an almost total absence of competitive bidding before contracts were awarded, even in the case of non-military items. In particular, the involvement of the Departmental Tender Board appeared merely cosmetic to facilitate payments by the Sub-Treasury since there was no reference to other bidders and to the basis of the award of the contracts.
- 5.22 The Force continued to retain revenue from the commercial operations of its aircraft to meet expenditure in violation of Sections 17 of the FAA Act.

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

- 5.23 The PAC noted the Auditor General's observations regarding the failure of the Deeds Registry to maintain proper records of Business Names, Trade Marks and Transports. In particular, applications for the registration of business names were not filed in a sequential manner. There was also a huge backlog of applications for trade mark licences.
- 5.24 The failure by the Magistrates' Court to present case jackets for audit is to be viewed very seriously in that it is reflective of improper management and lack of capacity/potential to maintain law and order. In addition, the Magisterial Districts continued to demonstrate very poor financial record-keeping.

- 5.25 Several instances of apparent subdivision of contracts were observed at the Supreme Court of Judicature as well as at the Magistrates' Court. The PAC cannot condone this irregular practice since there are mechanisms in place to deal with emergencies and other similar circumstances. In addition, several discrepancies were reported based on physical verification of the works.

### **Region 2**

- 5.26 Storekeeping and stores accounting continued to be in disarray. In particular, accountability for fuel continued to pose a problem. In addition, the Region retained revenue from the Operations and Maintenance section to meet expenditure totalling \$27.795M in violation of the FAA Act.

### **Region 3**

- 5.27 The PAC is very concerned at the extent to which variation orders were issued after contracts for works were awarded, indicating that proper assessments of the works to be undertaken were not being carried out. Storekeeping and accounting were also not considered satisfactory.

### **Regions 4 & 5**

- 5.28 Several contracts were awarded to bidders other than the lowest bidders on the grounds that the lower bidders had existing work or were far below the engineer's estimates. In addition, there was a high incidence of variation orders. Further, proper store keeping records were either not kept or not written up to date.

### **Region 6**

- 5.29 The shortage of 10,044 gallons of fuel valued at \$2.180M was uncovered at the Black Bush Polder pump station. In addition, several contracts for works were not awarded to the most competitive bidders without reasons being stated in the minutes of the Regional Tender Board. The basis of the award of a number of contracts adjudicated by the Central Tender Board was also not presented for audit.

### **Region 7**

- 5.30 The PAC is concerned that after a lapse of five(5) years the Resource Centre at Bartica remained incomplete. Only the foundation, columns and retaining wall were constructed although sums totalling \$12.725M were expended. Proper accountability for fuel and lubricants also continues to be a problem for the Region.

### **Region 8**

- 5.31 The construction of the nurses' hostel at Madhia at a cost of \$5.051M was met from current expenditure instead of capital expenditure. The evidence indicates that this was done to avoid overrunning the voted provision under the Region's capital programme. Storekeeping and accounting were also not of a satisfactory level.

### **Region 9**

- 5.32 The Region had not completed the inventorisation of assets following the destruction by fire in 1995 of the inventory records. Storekeeping and accounting were also not of a satisfactory level.

### **Region 10**

- 5.33 The construction of the Students' Hostel at Kwakwani remained substantially incomplete although amounts totalling \$8.726M, representing 98% of the contract sum, were paid to the contractor. Defective and incomplete work was also reported in relation to the construction of the hostel at Wismar and the extension of the health post at Amelia's Ward. In addition, the Region did not seek the requisite approval for a change in programme to undertake a number of capital works.

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

- 5.34 The Committee was concerned that because of the inaccessibility of certain areas some works were not physically verified by the Auditor General's Office. It is therefore recommended that in order to alleviate this problem, Executing agencies should make their means of transport available to representatives of the Office of the Auditor General to permit the physical verification of works. Further the Office of the Auditor General should make special effort to physically verify these works.

## **6. CONCLUDING REMARKS AND ACKNOWLEDGEMENTS**

- 6.1 In my capacity as Chairman of the PAC, I wish to express my sincere gratitude to the other members 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 five(5) months, and had it not been for the strenuous efforts of all members of the Committee, this report might not have been possible.
- 6.2 The advisers to the Committee - the Auditor General, the Secretary to the Treasury 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.
- 6.3 Since the preparation of this Report, the Committee has noted that in subsequent years some Accounting Officers have made a special effort to comply with the financial regulations, accounting systems and procedures.



**WINSTON MURRAY  
CHAIRMAN  
PUBLIC ACCOUNTS COMMITTEE**

**9 December 2003**