

STRATEGY FOR MONITORING THE PL-480 TITLE III PROGRAM

AND

**GENERAL ASSESSMENT OF THE ACCOUNTABILITY
ENVIRONMENT IN GUYANA**

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GENERAL ASSESSMENT OF THE ACCOUNTABILITY ENVIRONMENT IN GUYANA

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STRATEGY FOR MONITORING THE PL-480 TITLE III PROGRAM

Introduction

On January 29, 1993 the Government of Guyana and the Government of the United States of America signed a PL-480 Title III Agreement to provide 31,111 metric tons of wheat to the Government of Guyana during FY93. The local currency generated from the sale thereof may be used to support the sectors as indicated below:

SECTOR PROGRAMS	ILLUSTRATIVE AMOUNT PROGRAMMED	IMPLEMENTING AGENCY
a) Rehabilitation and maintenance programs of sea defense, drainage and irrigation infrastructure	2,600,000	Ministry of Agriculture
b) Household consumption, production, income surveys, data processing and analyses	200,000	Statistical Bureau
c) Non-governmental rural and urban enterprise support programs	1,000,000	NGO's
d) Rehabilitation and maintenance programs of road and transport infrastructure	1,300,000	Ministry of Communication, Works and Regional Dev.
e) Government financial accountability programs	200,000	Ministry of Finance
f) Rehabilitation at regional hospitals	500,000	Ministry of Health
g) Local administrative office and support	<u>110,090</u>	Ministry of Finance
TOTAL	<u>\$5,911,090</u>	

The Title III Agreement includes the following description of responsibilities:

- 1) The capability of RDO/C in the management of the program will reside in a Barbados-based program manager; a Georgetown-based Title III Coordinator (U.S. Contractor) an administrative officer and secretary; and Barbados-based financial analysis and support staff in the Office of the Controller. Senior Mission management will support the policy and program dialogue from its base in Barbados. The U.S. Embassy in

Georgetown also will support the dialogue with the other institutions involved in the management of the program, and will serve as the site of the program's administrative office in Guyana.

- 2) The Ministry of Trade, Government of Guyana, will be the formal recipient of the commodities on behalf of the Government of Guyana, and assure deposits of local currency payments into the separate interest bearing account of the Ministry of Finance in a local commercial bank.
- 3) The Ministry of Finance, Government of Guyana, will: (a) establish and manage the separate interest-bearing local currency account for the proceeds from the sale of Title III commodities; (b) administer the official government budgeting process, which includes the programming of government owned local currencies; (c) apportion budgetary resources to other public and private sector institutions with responsibility for the administration of Title III local currencies; (d) assure, in conjunction with the Accountant General and technical Auditor General of the Ministry of Finance and the independent financial management, monitoring and auditing of budget line items receiving Title III local currency; and (e) lead a Title III steering committee comprised of Government of Guyana, private miller, and U.S. Government representatives, which will meet on a quarterly basis to direct, review and assign responsibilities for implementation of the various aspects of the program.
- 4) The Department of International Economic Cooperation (DIEC) of the Ministry of Finance, Government of Guyana, will be responsible for coordinating the local currency disbursement, monitoring, reporting, and financial management/audit actions on behalf of the Ministry of Finance. In short, the DIEC will serve as the local currency account manager, on behalf of the Ministry of Finance, and will assume all local currency responsibilities, as required by A.I.D. policy and guidance. It will rely on its own staff, as well as staff from the offices of the Accountant General, the Auditor General, the Finance Offices of technical ministries, departments, and private sector organizations to execute its responsibilities. Its financial management, monitoring, and reporting capabilities will be enhanced by staffing, training, equipment and technical assistance resources, allocated to the DIEC and participating agencies from the local currency budget. No local currencies will be disbursed for sector support until the RDO/C Controller's Office has confirmed DIEC's capacity for managing the local currency uses.

The Ministry of Finance will take lead institutional responsibility for the Government of Guyana for assuring

overall compliance with the policy agenda. The Ministries of Agriculture, Health, and Trade, Tourism and Industry will be delegated responsibility for the compliance of specific sector measures outlined above, but ultimate responsibility will continue to rest with the Ministry of Finance.

Under the agreement, the Ministry of Finance will manage the separate account and will be responsible for all disbursements, through its Department of International Economic Cooperation (DIEC), to the various other ministries receiving PL-480 specific sector support. It will also be the implementing agency for the Regional Sector. In accordance with the guidance on specific sector support, the Ministry of Finance (MCF) should perform or arrange for the performance of financial assessments of the other agencies to establish reasonable assurance that they will be able to monitor the local currency expenditures, audit the programs and report on expenditures and progress in meeting program objectives.

Mode of Programming

The mode of programming during the previous PL-480 Title I Program was specific sector support. It was originally intended that PL-480 funds would be a partial contribution to the total amount budgeted for each sectoral line item. Reports now show that such line items were in fact fully PL-480-funded for all local currency costs. Some line items did receive other donor contributions for foreign currency costs, e.g. sea wall defenses. We anticipate that the same situation will develop in this program.

The mode of programming local currency generations under the new PL-480 Title III Program is also specific sector support. To use this type of programming, the mission should have a medium to high level of confidence in the reporting and control mechanisms of the financial and budgetary systems of the Government of Guyana (GOG). This type of programming may be used when the mission determines that a more direct involvement at the project or line item level is appropriate, and as such may involve funding of projects or budget line items below the general sector level.

The mission should be assured that programs to be financed by local currency through the GOG budget meet acceptable technical, financial and administrative standards and that local currency allocations to support these programs are likely to be effectively utilized. Based on a recent Controller's general assessment of the accountability environment in Guyana, it was concluded that the Mission can only have a medium level of confidence in the capability of the Government of Guyana to maintain acceptable standards of financial management and internal control throughout its government departments. Consequently, the Mission must introduce additional controls to ensure that PL-480 resources will be properly managed and accounted for.

The general assessment determined that the current shortage of qualified accounting personnel significantly reduces the Mission's confidence in GOG's financial reforms. The current weaknesses in internals throughout the public service has made the system susceptible to waste, fraud and abuse. A.I.D. has included in the programming document funds to increase the financial management capability at the ministry level. The Controller's Office will conduct capability assessments of specific implementing agencies within the next three months to make recommendations for improvement and identify specific financial weaknesses.

Monitoring

The financial monitoring for this program should be brought one stage below the level normally required for specific sector support. All funds disbursed to the various ministries and other government agencies should be tracked to end use.

In accordance with the agreement, expected delivery dates for the shipment of wheat are as follows: March 15-20, May 1-10, June 20-30, August 15-25, September 15-25. Deposit of local currency should commence 90 days after the shipping date. Therefore, using the above dates as a guide, it is anticipated that the first deposit of local currency should occur around May 1993; the second around July 1993; the third around August 1993; the fourth around October 1993 and the fifth around December 1993.

TABLE OF EXPECTED DEPOSITS AND DISBURSEMENTS

<u>Delivery Dates</u>	<u>Local Currency Deposits</u>	<u>Mode of Disbursements</u>
March 15-20	May 1993	Reimbursement
May 1-10	July 1993	Reimbursement
June 20-30	August 1993	Reimbursement
August 15-25	October 1993	Advance
September 15-25	December 1993	Advance

The GOG has expressed a desire to disburse PL-480 local currency funds as quickly as possible from the separate account. At the commencement of FY93 activities programmed to receive Title III support, no local currency will have yet been generated. Initial disbursements of PL-480 funds will first be used to reimburse implementing agencies for funds already expended during the first 5 months of the FY93 program. Eventually, local currency generations will catch up with expenditures for programmed activities. At this point, PL480 funds can be advanced to the implementing agencies as would be the same with other government funds.

The GOG has made a concerted effort to assure the mission that it placed priority on accountability. The GOG has documented an acceptable proposal describing a system which it plans to implement

to ensure that PL 480 funds are properly accounted for. The proposal gives a detailed account of the steps and procedures the GOG will use to track for PL480 funds to end use. These are incorporated below as part of this document.

PROPOSED BY GOVERNMENT OF GUYANA
ACCOUNTING FOR RECEIPT AND UTILIZATION OF PL480 FUNDS.

The proceeds from the sale of the wheat will be used for the maintenance of infrastructure and to finance Capital Projects. The funds, however, are required to be kept in a separate bank account at National Bank of Industry & Commerce Ltd. and not to be paid into the Consolidated Fund. This account should be a "business-man account" which will attract interest and at the same time be operated like a current account.

Monetisation of Wheat to National Bank of Industry & Commerce Ltd (N.I.B.C.) Account.

1. *The GOG is obligated under the terms of the agreement to pay into the N.B.I.C. account, within ninety (90) days from the shipping date, the Guyana dollar equivalent of wheat received.*
2. *On the receipt of wheat, the National Milling Company is required to forward a cheque for the Guyana dollar equivalent of wheat received under cover of memorandum to the Ministry of Trade.*
3. *The Ministry of Trade immediately forwards the check under cover of memorandum to the Accountant General's Department.*
4. *The Accountant General deposits cheque into the N.B.I.C. PL-480 Main Bank Account.*

Establishment of Bank Account

A separate Bank Account must be opened by each Executing Agency at N.B.I.C. for the receipt of PL-480 Funds. Approval to open such accounts must be obtained from the Secretary to Treasury and a list of signatories who will operate this account must be forwarded to the Accountant General for his approval in the usual manner.

**Release of Funds from the N.B.I.C. PL-480
Main Account to Executing Agencies Bank Accounts**

Funds will be transferred from the N.B.I.C. PL-480 Main Bank Account to the Executing Agencies PL-480 Bank Account as follows:

Capital Releases

1. *Executing Agencies are required to submit Work Programs and Cash Flows in respect of the Capital Projects to be funded by PL-480 funds to the Capital Releases Committee of the State Planning Secretariat.*
2. *Based on an examination of the Work Programs and Cash Flows State Planning Secretariat will recommend to the Secretary to the Treasury appropriate monthly Releases of funds.*
3. *The Secretary to the Treasury will authorise the release of funds from the N.B.I.C. PL-480 Main Account to the Executing Agencies PL-480 Bank Accounts at N.B.I.C. as an Advance.*

Current Releases

1. *Executing Agencies submit Cash Flows in respect of maintenance of Infrastructure Sub-Head 305 to the Budget Section of the Ministry of Finance.*
2. *Based on the Cash Flows, the Secretary to the Treasury authorizes the DIEC transfer of funds from the N.B.I.C. PL-480 Main Account to the Executing Agencies PL-480 Bank Accounts.*

Records to be maintained by Executing Agencies

Cash Book

A separate Cash Book is to be maintained for funds received from the N.B.I.C. PL-480 Main Account. All receipts of PL-480 funds must be debited and payments credited in the Cash Book.

Ledger

A general ledger must be maintained in which all transactions relating to PL-480 funds should be recorded.

Separate Accounts should be maintained in the ledger for Current and Capital expenditure. Advances received from the N.B.I.C. PL-480 Main Account will be entered as credits and payments made as debits in the ledger accounts.

The usual Votes Ledger format may be used for this purpose.

Executing Agencies which will be carrying out more than one project at the same time, whether current or capital, should further analyze the ledger to show expenditure incurred under each project.

It will mean therefore, that some Executing Agencies will be required to keep both a control account as well as Subsidiary accounts in the ledger as necessary.

Payment procedures within Executing Agencies

A payment voucher is to be prepared for every payment utilizing PL-480 funds. The voucher should have attached to it all required sub-vouchers and certificates. These vouchers should be coded with the appropriate codes, i.e. current or capital and should also carry an identification number to identify the respective projects. All payment vouchers should be examined in the usual manner and forwarded to the payments section for payments to be effected.

i) Cash Payment

Advances may be issued from the ordinary imprests of the Executing Agencies for cash purchases. However, care must be taken to ensure that a liability is recorded in the relevant PL-480 ledger account before the advance is issued.

It should also be ensured that requirement of the imprest for PL-480 transactions is entered as a payment in the PL-480 ledger and effected against the PL-480 bank account. This may entail requesting a large imprest from the Accountant General's Department in some cases.

ii) Register of codes assigned to Projects.

A register should be maintained in which all projects are recorded and assigned a unique sequential numbering. This number will be a part of the code used on payment vouchers.

In the Receipts and Payments section a separate Payment Numbering Book is used to assign a Cash Book number to each voucher. Cheques are then drawn on the N.B.I.C. PL-480 bank account and issued to payees. At the end of the day the usual balancing of vouchers paid against the cheque stubs is done and the entries made in the Cash Book.

Note: *It must be ensured that all payments made utilizing PL-480 funds are for projects financed by PL-480 funds, that they are approved by the competent, relevant officers within the executing agencies and that the transactions are proper, authentic and complete.*

Custody of Records and documents

All records and documents must be in the custody of an officer not below the level of Assistant Accountant or equivalent and must be securely kept in a cabinet of which the key-holder is the person placed with the responsibility for those records and documents.

Financial Monitoring for the Mission

The vulnerability assessment and recent negative reports on the uses of PL-480 funds in Guyana, have revealed some weaknesses in internal control in some government agencies. The operation of the tracking system proposed by the GOG should be closely monitored through regular verification checks and financial reviews by the Controller's Office.

If, as a result of verification, reports are found to be inaccurate or without basis, the mission should take action to ensure compliance. This may entail contracting technical assistance to correct deficiencies, or the mission assuming a greater responsibility in managing the special account until the deficiencies are corrected.

a) Role of the Controller's Office

A financial analyst from RDO/C Controller's Office should be assigned to provide financial monitoring for this program. His role will be to ensure adequate audit coverage, perform quarterly financial reviews, ensure that capability assessments are carried out on all agencies involved in the handling of PL-480 funds, provide technical advice as and when required to the local A.I.D. PL-480 monitoring staff and host government monitoring staff, monitor the operation of all accounting systems, and provide the mission with regular reports as to the financial and general status of the PL-480 Program.

b) Role of the RDO/C PL-480 Monitoring Unit

The role of the Program Specialist currently employed at the RDO/C PL-480 monitoring office in Guyana should be increased to include regular verification checks on disbursements and expenditure of local currency, and perform capability assessments of smaller implementing agencies as required, under the general guidance and direction of the Controller's Office. In addition, the program specialist will continuously monitor the systems in place at the various implementing agencies to ensure minimum exposure, track all deposits to and withdrawals from the separate accounts and provide RDO/C with monthly statements and reconciliations in order that the Controller Office can properly maintain the memorandum accounts and records required for this program.

Reports on Specific Sector Support

The agreement specifies the format and frequency of reports to be made to A.I.D. Under this type of program, the Ministry of Finance through DIEC, will be responsible for verifying that documentation

exists demonstrating that the local currency indeed was transferred from the special account to a ministry's separate account or budget line item. The reports should reflect both budget allocation and expenditure of funds for the recipient organizations.

SUPPORT TO PRIVATE SECTOR AND OTHER NGO'S

In addition to the above, funds in the agreement have been programmed for support to the private sector organizations, including indigenous non-governmental organizations (NGO's). If local currencies are programmed for discrete projects or activities outside of the GOG's budget, the degree of mission involvement in monitoring these activities will depend on the capability of the MOF which is responsible for the special account. There are minimum standards which must be met by the GOG and, if not, then by the mission, with regard to monitoring these local currency programs. The precept behind these requirements is that one agency within the host government (MOF/DIEC) will be responsible for disbursing funds to the recipient organization, accounting for the funds, verifying reports, and arranging for audits of the recipient organization. RDO/C should, however, retain the right to receive reports, monitor and approve activities, adequate to ensure that RDO/C with timely access, can take an independent look at supporting documentation to verify that the agreement on uses of local currency has not been violated.

Reports on Private Sector Support

When local currency is programmed for specific activities outside of the budget, mission must ensure that formal reporting mechanisms exist or will be instituted from the recipient organizations to the MOF/DIEC and from the MOF to the mission. Mission should ensure that the reporting requirements are contained in all agreements between the MOF and the private sector organizations, including the indigenous NGO's, and contain specific remedial actions to be taken in cases of reporting non-compliance.

It is critical that the GOG at all times verify reports. If the GOG fails to approve verification of reports, then the mission should develop alternative approaches for report verification such as more frequent audits. As a general rule, Mission will not be required to verify reports. However, if it is found that the MOF has weak financial management controls, then the mission should plan not only to verify the reports from the MOF to the mission, but also to arrange for the verification of a sample of recipient organization's reports. If the MOF is found to have adequate financial management controls, then report verification can be performed at a minimum level. Normally, report verification will require a mission inspection of the MOF/DIEC accounting records pertaining to the special account activities, including a reconciliation of reports from recipient organizations on uses of

local currency. In determining the number of recipient organizations to receive special account funds, the mission and the GOG should consider the ability of the MOF to monitor these resources.

Audit of the Program and Special Account Audits

The agreement has specified that there will be yearly audits of the program to be conducted by the Office of the Auditor General or an independent CPA firm under the supervision of the Regional Inspector General. To ensure appropriate audit coverage, the mission has decided to program local currency to cover the cost of independent audits. Yearly audits of the receipt and sales of commodity shipments and the local currency separate accounts will be conducted by the Office of Auditor General of Guyana. The Auditor General has already demonstrated his ability to conduct the above audits through his performance in auditing the special accounts at GAIBANK for the PL-480 Title I Program.

In addition, the Auditor General has expressed a strong interest in conducting the required audits of the entities receiving PL-480 funds. He is, however, required to audit and submit his report on the Appropriation Account of each ministry within 180 days of the close of the fiscal year. The Appropriation Account reflects the actual remittances from the Ministry of Finance to the recipient ministry or region and the actual expenditures incurred by them during the fiscal year.

Reports from the office of the Auditor General will be of tremendous value to the Mission and the RDO/C monitoring process. However, a recent assessment of this office by RDO/C revealed that although the agency's audit report and work papers appeared to be of a reasonable standard, the agency was weak in the areas of follow-up, evaluation of internal controls and timeliness.

Local currency and other development assistance must be made available for technical assistance, training, equipment and staffing requirements to enhance the audit capabilities of this office before it can be qualified by the USAID Regional Inspector General.

In the circumstances, local currency will be set aside to hire a local CPA firm to carry out the yearly audits required under the program.

Audits of NGOs

Mission in coordination with GOG must ensure that local currency recipient private sector organizations, including NGOs, are audited on an annual basis. If capable of doing so the MOF should arrange for these financial audits utilizing local currency. If not capable of doing so, then the mission must take a more active role to arrange these audits.

GENERAL ASSESSMENT OF THE ACCOUNTABILITY ENVIRONMENT IN GUYANA

BACKGROUND

Since 1986, PL-480 Title I Agreements with Guyana have generated approximately GUY\$2,090 million in local currency proceeds. The local currency generated for FY1986 and FY1987 of approximately GUY\$90.0 million was projectized. This portion was monitored by the now defunct Central Executing Unit.

A review of the projectized phase of the program was carried out by the Financial Analysis Division during the period December 9 to 16, 1988. During that time six (6) Executing Agencies were examined to determine whether their systems of internal control were adequate to give RDO/C reasonable assurance of accountability. The agencies selected for review and which were already receiving funds under the PL-480 program are as follows:

Central Executing Unit (CEU)
 Ministry of Agriculture PL-480 UNIT (MOA PL-480 UNIT)
 National Agricultural Research Institute (NARI)
 Institute of Applied Science and Technology (IAST)
 Institute of Small Enterprise Development (ISED)
 Consultative Association of Guyanese Industries

The MOA PL-480 Unit was a small project monitoring unit set up by the Ministry of Agriculture with an accounting system separate from the MOA. It comprised of a project coordinator, an accountant/office manager, a record clerk, a typist and an accounts clerk. This unit received direct disbursements under the PL-480 Program which did not pass through the MOA. This unit which controlled the majority of the PL-480 funds, and another research unit namely the National Agricultural Research Institute (NARI), showed a number of serious accounting discrepancies and internal control weaknesses. Disbursements to these two (2) agencies were immediately stopped. The four (4) remaining agencies met the minimum internal control requirements.

RDO/C subsequently switched to a sectoral mode of programming for all local currency generations from FY88 to support the following sectors:

- (1) The Public Sector Investment Program (PSIP) which comprised of the following sections:
 - (a) Drainage and Irrigation
 - (b) Sea and River Defenses
 - (c) Regional Development Sector
 - (d) Rural Transport
- (2) The Private Sector (IPED), and
- (3) The Social Impact Amelioration Program (SIMAP)

Under this new mode of programming, RDO/C identified four (4) executing agencies to monitor and report on the sectors outlined above:

- (1) The Ministry of Agriculture was identified as the Executing Agency responsible for the Drainage and Irrigation, Sea and River Defenses, and the general agricultural program;
- (2) The State Planning Secretariat was identified as the Executing Agency responsible for the Regional Development Sector;
- (3) The Ministry of Communications and Works was identified as the Executing Agency responsible for the Rural Transport Sector;
- (4) The Ministry of Culture and Social Development (SIMAP Unit) was identified as the Executing Agency responsible to the SIMAP sector.

Previous Capability Assessments

RDO/C financial analysis division conducted a limited review of those agencies identified above to determine whether they possessed the technical, administrative and financial management capability to ensure proper control of PL-480 funds. We concluded that the agencies with the exception of SIMAP maintained systems which offered reasonable assurance that PL-480 funds would be used for purposes for which they were programmed.

The following were findings from the assessments of the agencies as aforementioned:

1. The system of internal control at the Ministry of Agriculture appeared to be effective. Procurement procedures, voucher examination procedures, documentation filing and financial reporting appeared generally adequate. There were reasonably sound budgeting and cash flow forecasting systems in place, and the Finance Department appeared to be well managed.
2. The State Planning Secretariat, although not involved in the day-to-day financial management of the funds being expended by the various regions, controlled the flow of funds to these regions. The secretariat appeared to have systems in place to effectively monitor the progress of all projects being implemented in the regions. The Regional Democratic Councils are responsible for all the accounting carried out in their respective regions. Their financial systems and accounting procedures are based on those applicable to the central government. Financial and project progress reports are prepared from their records and submitted to the State Planning Secretariat, which, after being satisfied with the accuracy and correctness of these reports, would then proceed to authorize the release of the funds required for the following month. Since we did not perform capability assessments on the Regional Systems, we were unable to make a determination as to their capability.

3. The Financial Systems and Accounting procedures for the Ministry of Communication and Works are also based on those used throughout the entire Guyana Public Sector. While there was no procedure manual specifically designed for this Ministry, the system is established and widely used, and staff appeared to be familiar with it. The Financial Administration and Audit Act governs the procedures and outlines various controls which are incorporated into the system. The Accountant General also issues circulars as required to sustain a high level of accountability. The systems in place appeared adequate enough to give us reasonable assurance that program objectives would be met.
4. The Social Impact Amelioration Program (SIMAP) is a unit within the Ministry of Culture and Social Development. The benefits derived under this program were administered in conjunction with the Ministries of Health and Labor. The Ministry of Labor administers pensions and Public Assistance, and the Ministry of Health administers benefits for Pregnant and Lactating Mothers, as well as Malnourished Children five years and under. Disbursement of benefits to the above-mentioned groups was to be done through the General Post Office which, in turn, distributed funds to the Regional Post Offices.

At the time of the review reconciliation of disbursements between the Regional Post Offices and the Ministry of Health (MOB) were not completed as required, and that the MOH did not have a complete financial reporting system. There were no adequate procedures for checking that the signatures of the recipients were genuine or that supplements reached the intended recipients. In view of this, a condition precedent was included in the Memorandum of Understanding which provided for the setting up of a system of reconciliation as aforementioned.

To rectify the above weaknesses the FA Division made the following recommendations:

1. RDO/C should evaluate the reporting system of SIMAP before any funds were disbursed under the MOU;
2. SIMAP should submit to A.I.D. a final copy of its procedures for reconciling the total disbursements of the Regional Post Offices to the total disbursements of the Ministry of Health and the Ministry of Labor;
3. A CPA firm should be contracted to assist SIMAP with the setting up of the systems as aforementioned, and the costs relating thereto should be paid out of the PL-480 funds.

These recommendations were implemented and enhanced the capability of the SIMAP Unit.

GOVERNMENT ACCOUNTING SYSTEM

Basically, the financial system and accounting procedures for all ministries and other government agencies in Guyana are those applicable to Central Government Accounting. This system is controlled and regulated by the following:

- i) The Constitution of Guyana
- ii) Financial Administration and Audit Act - Chapter 73:01 Laws of Guyana
- iii) Financial Regulations
- iv) Circular Instructions issued from time to time by the Ministry of Finance including the Accountant General.
- v) Tender Board Regulations and Procedures
- vi) Stores Regulations

Funds are available for the identified sectors based on the budget approved by Parliament. The Minister of Finance is vested with the authority to release the money appropriated by signing the General Appropriation Warrant, authorizing the Accountant General to make withdrawals from the Consolidated Fund to offset the approved expenditure. The ministries then submit requests of Withdrawals and Remittances to the Accountant General who after examining the requests, approve and remit the sum requested to the agency. The remitted sum is banked in the ministry's main bank account. (Bank accounts are approved by the Secretary to the Treasury in concurrence with the Accountant General).

The Central Accounting Unit within a particular ministry is responsible for ensuring that all payment documents, all ledger accounts, records and source documents pertaining to every transaction are maintained in accordance with the pertinent financial rules and regulations. Monthly financial statements are prepared and submitted to the Ministry of Finance.

The procedures for the procurement of Stores and Services are set out in the Financial and Stores Regulations. These regulations make provision for the adjudication and award of contracts for services or for the purchase of stores by one of the following:

- (a) Permanent Secretary or Head of Department not under ministerial control.
- (b) Departmental Tender Board
- (c) Regional Tender Board
- (d) Central Tender Board

ACCOUNTANT GENERAL'S DEPARTMENT

The Accountant General's Department is responsible for preparing the financial statement and related transactions of the Government of Guyana as required by the Financial Administration and Audit Act.

The functions of this department are crucial for planning and management of the macro-economic, financial, and fiscal sub-sectors

in the society, and the provision of appropriate accounting statistics on a timely basis so that proper policies, plans and programs can be designed and executed.

The accounting and financial sub-sector, like all the other management and economic sectors in Guyana, experienced a precipitous loss of efficiency and effectiveness over the last decade due to a severe shortage of properly qualified administrative and professional staff. The shortage is so acute that in some cases managers are forced to fill in for non-managerial and non-supervisory personnel to keep the department operational. Low productivity in the department can also be attributed to the lack of basic office supplies, equipment, computer facilities and abilities, and communication facilities such as telefax, telephone equipment, etc.

Discussions with the Accountant General also revealed that his department is experiencing grave problems with regard to the flow of data from the ministry's data processing center. This situation has occurred because there is an acute shortage of experienced, qualified staff to process the incoming data. As a result, the financial and other management reports produced by the Accountant General's department are seriously in arrears. These reports provide the basis for monitoring and operating the budget.

The Host Country Supreme Audit Institution (SAI) Office of the Auditor General

In March 1991, the office of the Regional Inspector General determined that it will rely more on governmental audits performed by Supreme Audit Institution of the recipient country. To this end, it was decided that the Supreme Audit Institutions in the Eastern Caribbean and Guyana should be assessed to determine whether they meet the prescribed standards and, if not, what steps are necessary to improve their performance. The office of the Auditor General of Guyana was assessed by the Controller Office financial analyst division on August 8, 1992.

The assessment revealed that although the Auditor General's audit reports and work papers appeared to be of a reasonable standard the office was weak in the following areas:

1. There was no adequate follow-up on prior findings and recommendations;
2. Information provided was not timely, in some instances the backlog of audits pending dated as far back as 1981. In the circumstances it would not be able to handle any additional audits;
3. The Auditor General does not, as a general rule, evaluate internal control during the audit process as required by GAGAS standards;

4. Out of a total staff complement of 227, 91 positions were vacant.

It has been proposed in the new Title III Agreement that local currency be programmed for enhancing the capability of this department.

PREVIOUS EXPERIENCE WITH THE PL480 TITLE 1 PROGRAM

Since RDO/C took over the PL-480 Title I Program from the U.S. Embassy, Georgetown, in January 1988, RDO/C conducted capability assessments of all those host country agencies involved in the implementation and monitoring of the sectoral programs. Although most of these systems appeared to be adequate, the focus on accountability did not appear to be a major issue within the host country. The mission continued to be heavily involved in the program, eventually resulting in the establishment of a RDO/C monitoring office in Georgetown:

Experience has shown that in order to minimize exposure, RDO/C must be prepared to provide more manpower to ensure that any future programs are monitored more closely.

Audit of the PL-480 Program Title 1

The PL-480 Title I special accounts at GIABANK are audited on an annual basis by the Auditor General and reports are generally presented on a timely basis. The reports revealed that all deposits and withdrawals from the accounts at GAIBANK have been reconciled and that the accounts are in order.

A full audit of the Title I Program was contracted on November 27, 1991 with a local Guyanese CPA firm using PL-480 Title 1 funds. However, due to numerous problems encountered during the audit and at the date of the assessment, the report had not yet been presented. The CPA auditors reported that there was tremendous difficulty in obtaining accounting records which were not being made available to them by the previous administration.

Overview of draft audit report received in March, 1993

The draft audit report states that the audit was performed in accordance with generally accepted auditing standards and the Government of Guyana auditing standards. The scope of work did not require the auditors to extend verification to the end use of local currency funds generated under the program. Accordingly, the audit included those tests of the accounting records which were deemed necessary to determine whether:

- (a) The commodities under the PL 480 Title I Program were being properly accounted for and the local currency funds generated from the sales of the commodities were being deposited, used and accounted for in accordance with applicable Title I sales agreements and other program documents;

- (b) The internal control structures of the entities responsible for overall management of the program were adequate to manage the program's operations; and
- (c) The entities responsible for overall management of the program complied with agreement terms, memoranda of understanding, and applicable laws and regulations.

Although the scope of the audit did not cover verification of end use of local currency funds, the auditors carried out an examination of the books and accounting records of the CEU which was the agency responsible for managing the projection phase of the program for FY 87. The audit report disclosed a number of discrepancies as follows:

1. utilization of funds for non-program activities.
2. lack of monitoring of travelling advances.
3. the absence of accounting policies and procedures to govern the unit.
4. non-completion of accounting duties on a timely basis.

According to the report the DIEC, the agency responsible for managing the program, did not submit the Funds/Commodity Accountability Statements for FY 1988, FY 1989, FY 1990 and FY 1991 until January 13, 1993, despite repeated requests for over 12 months. In addition, the auditors were not permitted to examine the internal control systems and financial documentation of those ministries involved in the utilization of PL 480 funds prior to October 1992. However, after the appointment of the new government, the auditors were able to gain the required access to the records which permitted them to proceed with the audit. Having overcome this obstacle, the auditors were faced with further limitations as described in the following paragraphs:

- (a) Despite repeated efforts, the auditors were unable to visit Regions 1 and 9 due to poor communication infrastructure in Guyana;
- (b) The auditors were unable to conclude their review evaluation and testing of the internal control structures of several agencies within the program due to the absence of accounting records and information.

The report contained 108 recommendations and findings, the majority of which were significant. The report noted grave weaknesses in the internal control systems of the various monitoring agencies and significant instances of non-compliance with the provisions of the Agreements and Memoranda of Understanding which could have a material effect on program goals and incurred costs.

With regard to the Fund/Commodity Accountability Statement, the auditors opined that the statement as of December 31, 1991 presents fairly, in all material respects, the local currency funds received and disbursed to the implementing agencies during the period August 7, 1986 to December 31, 1991 and the cash balances of the program

at December 31, 1991, in accordance with the cash basis of accounting and the agreement terms, Memoranda of Understanding and applicable laws and regulations.

NEW FY93 PL480 TITLE III PROGRAM

The new Title III Program is expected to generate local currency equivalent to US\$5.9 million. All PL-480 local currency generated will be controlled by the Guyana Ministry of Finance. This ministry will be responsible for the maintenance of all bank accounts and all disbursements of PL-480 funds to the implementing agencies responsible for the sectors being supported under the program. In addition, the Ministry of Finance will be the implementing agency for the Regional Sector. A capability assessment of the Ministry of Finance conducted in May, 1991 concluded that at that time the financial systems in place were adequate to give reasonable assurance of accountability.

CONCLUSION

Accountability environment

The economic situation in Guyana during the 80's and the policy of nationalization of the major productive sectors resulted in a mass exodus of Guyanese nationals including trained financial management and accounting personnel. Although the old framework and procedures remained, government was not able to attract and retain suitably qualified personnel to maintain the accounting systems. As a result, the various systems in place may have been open to abuse, waste and fraud.

Since the general elections in October 1992, accountability has become a priority factor of the Government of Guyana. The new government has embarked upon a program of restructuring its system of financial management as well as a strategy for enhancing its systems of internal control throughout all government agencies.

Vulnerability of The Government Accounting System

Despite the presence of adequately documented financial rules, regulations and accounting procedures, as well as the priority emphasis on accountability, the revival of the private sector has presented the Government of Guyana with a major manpower problem. Wages and benefits in the private sector have attracted many of the higher trained and experienced personnel away from the public sector.

In view of the above, any program to enhance financial capability and improve internal controls through training and other technical assistance will not be successful without a massive injection of manpower to implement the procedures and police the internal controls.

The current weakness in internal controls throughout the public

service makes the systems susceptible to waste, fraud and abuse. As a consequence, additional financial controls will be required for any programs being implemented by the Government of Guyana.

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