



Audit Office of Guyana

P.O. Box 1002, 63 High Street, Kingston, Georgetown, Guyana

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96/IADB: 73/1/2016

29 April 2016

Ms. Paula Louis-Grant
Financial Management Specialist
Inter-American Development Bank
47 High Street
Kingston.

Dear Ms. Louis-Grant,


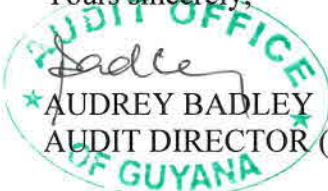
AUDIT OF THE FINANCIAL STATEMENTS FOR THE
EAST BANK DEMERARA FOUR LANE EXTENSION PROJECT
LOAN AGREEMENT LO No 2454/BL-GY
FOR THE YEAR ENDED 31 DECEMBER 2015

I forward herewith one (1) copy of the audited financial statements of the above-mentioned Project for the year ended 31 December 2015, together with the Report of the Auditor General and management letter thereon.

Should you need any clarification or explanation, please do not hesitate to let me know.

With kind regards.

Yours sincerely,


★ AUDREY BADLEY ★
AUDIT DIRECTOR (ag)


**AUDITED FINANCIAL STATEMENTS FOR THE
EAST BANK DEMERARA FOUR LANE
EXTENSION PROJECT
LOAN AGREEMENT
LO № 2454/BL-GY**

**FOR THE YEAR ENDED
31 DECEMBER 2015**

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

**AUDITED FINANCIAL STATEMENTS FOR THE
EAST BANK DEMERARA FOUR LANE EXTENSION PROJECT
LOAN AGREEMENT LO № 2454/BL-GY
FOR THE YEAR ENDED 31 DECEMBER 2015**

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AG: 25/2016-1

29 April 2016

REPORT OF THE AUDITOR GENERAL ON THE
STATEMENT OF CASH FLOW AND
THE STATEMENT OF CUMULATIVE INVESTMENTS
FOR THE EAST BANK DEMERARA FOUR LANE EXTENSION PROJECT
LOAN AGREEMENT LO № 2454/BL-GY
FOR THE YEAR ENDED 31 DECEMBER 2015

I have audited the accompanying Financial Statements, which comprise the Statement of Cash Flow, the Statement of Cumulative Investments and a summary of significant accounting policies and other explanatory information for the East Bank Demerara Four Lane Extension Project, executed by the Ministry of Public Infrastructure and financed with funds from the Inter-American Development Bank Loan Agreement LO № 2454/BL-GY, and local counterpart funds from the Government of Guyana for the year ended 31 December 2015. The audit was conducted in accordance with the Audit Act 2004.

Management's responsibility for the financial statements

The Project's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS), and for such internal control as management determines is necessary for the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the accompanying statements, based on my audit. I conducted my audit in accordance with International Standards on Auditing issued by the International Federation of Accountants (IFAC), those of the International Organisation for Supreme Audit Institutions (INTOSAI) and specific requirements of the Inter-American Development Bank (IDB). Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes performing procedures to obtain evidence supporting the amounts and disclosures in the financial statements.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes assessing the accounting principles used and significant estimates made by Project management as well as evaluating the overall financial statement presentation. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

As described in Note 2, the Statement of Cash Flow and the Statement of Cumulative Investments were prepared using the cash basis of accounting in accordance with the Cash Basis IPSAS: (International Public Sector Accounting Standards) Financial Reporting under the Cash Basis of Accounting. Cash basis accounting recognises transactions and acts only when the cash (and/or cash equivalent) is received or disbursed by the entity, and not when they give rise to, accrue or originate rights or obligations although there was no cash movement.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the Cash Flow and the Cumulative Investments for the East Bank Demerara Four Lane Extension Project, for the year ended 31 December 2015, in accordance with the basis of accounting described in the paragraph above and the accounting policies described in Note 2.



AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA

Ministry of Public Infrastructure
East Bank Demerara Four Lane Extension
IDB Loan #: LO-2454/BL-GY Between the Cooperative Republic of Guyana
and Inter-American Development Bank
Statement of Cash Flow
For the year ended 31 December 2015

Expressed in US Dollars

	Year Ended 31 December 2015			Year Ended 31 December 2014		
	IDB	GOG	Total	IDB	GOG	Total
Cash Received						
Cumulative balance as at beginning of period	10,980,352.89	430,710.22	11,411,063.11	8,193,875.13	188,606.00	8,382,481.13
Activity during the period						
<u>Advance of Fund Disbursement</u>						
Disbursement No.				2,789,003.00		2,789,003.00
						0.00
Revolving Fund Disbursements/Replenishments				0.00		0.00
Interest received net of charges	-689.60		-689.60	-2,524.03		-2,524.03
Exchange loss for the period	-232.99		-232.99	-1.21		-1.21
Counterpart Resources					242,104.22	242,104.22
Total cash received as of December 31 2015	10,979,430.30	430,710	11,410,140.52	10,980,352.89	430,710.22	11,411,063.11
Disbursements Made						
Cumulative balance as at beginning of period	7,855,997.45	430,710.22	8,286,707.67	2,549,026.30	188,606.00	2,737,632.30
Activity during the period						
<u>Expense Justification Request No.</u>						
Disbursement No. 34	155,972.00		155,972.00	478,735.60		478,735.60
Disbursement No. 35	646,026.16		646,026.16	751,377.25		751,377.25
Disbursement No.				592,063.06		592,063.06
Disbursement No.				619,969.21		619,969.21
Disbursement No.				693,329.20		693,329.20
Disbursement No.				1,928,261.79		1,928,261.79
Pending Expense Disbursement Request No. 36	513,660.18		513,660.18			
Disbursement No.			0.00	243,235.04		243,235.04
Other (Disbursement not yet Requested)	109,979.99		109,979.99		242,104.22	242,104.22
Total Cash Disbursements as of 31 December 2015	9,281,635.78	430,710.22	9,712,346.00	7,855,997.45	430,710.22	8,286,707.67
Available Cash Balance as of 31 December 2015	1,697,794.52	-	1,697,794.52	3,124,355.44	-	3,124,355.44

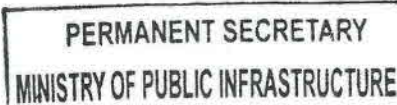
The accompanying notes are an integral part of the financial statements

	US\$	
Bank of America	1,679,122.36	3,083,750.29
B.O.G	18,665.80	49,898.79
	<u>1,697,788.16</u>	<u>3,133,649.08</u>
See Semi Annual Reconciliation	6.36	

G. Vaughn
Co-ordinator
Works Services Group



B. Balram
Permanent Secretary
Ministry of Public Infrastructure



Ministry of Public Infrastructure
East Bank Demerara Four Lane Extension
IDB Loan #: LO-2454/BL-GY Between the Cooperative Republic of Guyana
and Inter-American Development Bank
Statement of Cumulative Investments

Expressed in US dollars

INVESTMENT COMPONENTS		Cumulative to 31 December 2014			Current Period 2015			Cumulative as at 31 December 2015		
		IDB	GOG	Total	IDB	GOG	Total	IDB	GOG	Total
01.00.00	Extension of East Bank Demerara Four Lane Road Section	12,530,225	0	12,530,225	1,050,089	-	1,050,089	13,580,314	-	13,580,314
02.00.00	Implementation Support	2,326,196	0	2,326,196	353,849	-	353,849	2,680,045	-	2,680,045
03.00.00	Routine Maintenance Management System and Road Safety Works	264	430,711.00	430,975	-	-	-	264	430,711	430,975
04.00.00	Design Studies	0	0	0	-	-	-	-	-	-
05.00.00	Audit, Monitoring and Evaluations	16,046	0	16,046	21,700	-	21,700	37,746	-	37,746
06.00.00	Contingencies	0	0	0	-	-	-	-	-	-
Total		14,872,730	430,711	15,303,441	1,425,638	0	1,425,638	16,298,368	430,711	16,729,079

G. Vaughn
Co-ordinator
Works Services Group



B. Balram
Permanent Secretary
Ministry of Public Infrastructure

PERMANENT SECRETARY
MINISTRY OF PUBLIC INFRASTRUCTURE

Ministry of Public Infrastructure

East Bank Demerara Four Lane Extension

IDB Loan #: LO-2454/BL-GY Between the Cooperative Republic of Guyana
and Inter-American Development Bank

Notes to the Cash Flow and the Cumulative Investments Statement

1 Description of Program

The Government of Guyana entered into Loan Contract LO – 2454-BL/GY with the Inter-American Development Bank for a loan of US \$22,000,000 (twenty two million United States dollars) to support the East Bank Demerara Four Lane Extension.

The Program entails the Extension of East Bank Demerara Four Lane Road Section, Supervision of the Civil Works, Routine Maintenance Management System and related Road Safety Works and Design Studies for the expansion of the EBDR south of Diamond/Grove.

2 Significant Accounting Principles

Basis of Presentation

The Statement of Cash Flow has been prepared using the cash basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS). Cash basis accounting recognises transactions and acts only when the cash is received or disbursed, and not when they give rise to, accrue or originate rights or obligations although there was no cash movement.

Reporting Currency

The Program's accounting records are maintained in US dollars, in accordance with the IDB's requirements. In order to calculate the equivalent US dollars for cash paid in local currency, a rate of exchange prevailing at the date of the transaction from the central bank is used.

3 Available Cash Balance

The available cash balance as of 31 December 2015 in the Program's bank accounts which included earned interest income and bank charges was:

		2015- Amt. US\$
Bank Account	Bank of America Account - 3628 1297	1,679,122.36
Bank Account	Bank of Guyana Account - 0162700440010	18,665.80
Total		1,697,788.16

During the fiscal year 2015, bank charges equated to US\$577.75.

4 Advances Pending Justification

At 31 December 2015 the amount pending justification to the IDB amounted to US\$ 623,640.17 as outlined below:

Date of Payment	Name of Supplier or Contractor	Amount & Currency of Payment (US\$)
9-Oct-15	██████████	312,122.86
15-Oct-15	██████████	201,537.32
8-Dec-15	██████████	109,979.99
		623,640.17

5 Advances and Justification

Advance of Funds

For the period there were no (0) Advance of funds.

6 Advance of Fund

(Reconciliation and Declaration of LMS and actual balance)

IDB - LMS	2,325,270.90
Amount paid not yet submitted	<u>-623,640.17</u>
	<u>1,701,630.73</u>

Citibank Account - 3628 1297	18,665.80
Bank of Guyana Account - 0162700440010	1,679,122.36
Bank charges	3,660.91
Exchange Loss	234.20
Unpresented cheque	
2013 expenditure justified 2014	<u>-52.55</u>
	<u>1,701,630.72</u>

7 Local Counterpart funds

The Government of Guyana has committed to contribute a sum of US\$ 2,000,000.00. As at 31 December 2015, the Government of Guyana has contributed a sum of US\$430,711.

8 Prior Periods Adjustments

There were no prior period adjustments.

9 Procurement of Goods and Services

All procurement of goods and services were done in accordance with the IDB and National Procurement and Tender Administration Board's rules and regulations that govern procurement.

10 Investment Categories

31 December 2015

Amt. US\$

Extension of East Bank Demerara Four Lane Road Section	1,050,089
Implementation Support	353,849
Routine Maintenance & Management System and Road Safety Works	-
Audit, Monitoring and Evaluation	21,700
Total	<u>1,425,638</u>

11 Disbursements Made

To date there were three (3) disbursements:

Justification of Advance of Funds

No.	Request No.	Date Justified	Amount Requested	Amount Disbursed	Amount Recorded
1	34		399,207.04	399,207.04	165,272.00
2	35		646,026.16	646,026.16	646,026.16
3	36		513,660.18		513,660.18
4			109,979.99		109,979.99
			<u>1,668,873.37</u>	<u>1,045,233.20</u>	<u>1,434,938.33</u>

Ministry of Public Infrastructure

East Bank Demerara Four Lane Extension

IDB Loan #: LO-2454/BL-GY Between the Cooperative Republic of Guyana

and Inter-American Development Bank

Reconciliation of Statement of Cash Flow

and Statement of Cumulative Investments as at 31 December 2015

Expressed in US Dollars

Particulars	Inter-American Development	Government of Guyana	Total
Disbursement as per Statement of Cumulative Investments	1,425,638	-	1,425,638
Disbursement as per Statement of Cash Flow	1,425,638	-	1,425,638
Difference	0	0.00	0.00

G. Vaughn
Co-ordinator

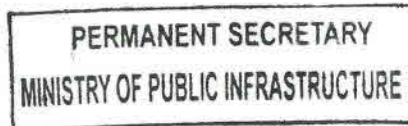
Works Services Group



B. Balram

Permanent Secretary

Ministry of Public Infrastructure

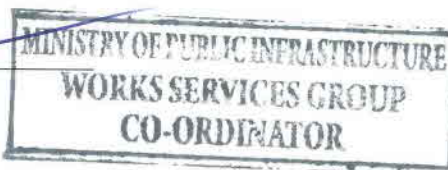


Ministry of Public Infrastructure
East Bank Demerara Four Lane Extension
IDB Loan #: LO-2454/BL-GY Between the Cooperative Republic of Guyana
and the Inter - American Development Bank
Reconciliation of Statement of Cumulative Investments to IDB LMS 1 Executive Financial Summary
For the Year Ended 31 December 2015

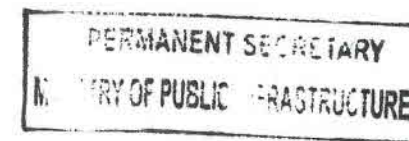
Expressed in US dollars

Name		Expenditure Statement of Cumulative Investments	Expenditure IDB LMS Statement	Difference Financial vs IDB LMS	Unjustified	Exchange Difference	Remarks
Investment Component							
01.00.00	Extension of East Bank Demerara Four Lane Road Section	13,580,313.99	12,956,673.74	623,640.25	623,640.17		Expenditure made with resources of the Advance of Funds not yet justified by Bank
02.00.00	Implementation Support	2,680,044.78	2,680,045.22	-0.44			
03.00.00	Routine Maintenance Management System and Road Safety Works	264.00	264.41	-0.41			
04.00.00	Design Studies	0.00		0.00			
05.00.00	Audit, Monitoring and Evaluations	37,745.64	37,745.73	-0.09			
06.00.00	Contingencies			0.00			
	Interest						
	Commitment Fees						
Total		16,298,368.41	15,674,729.10	623,639.31	623,640.17		

G. Vaughn
Co-ordinator
Works Services Group



B. Balram
Permanent Secretary
Ministry of Public Infrastructure



RECONCILIATION OF BANK RESOURCES

NAME OF EXECUTING AGENCY:

Work Services Group

Loan Contract or Technical Cooperation Agreement number:

2454/BL-GY

Request number:

Date:

31 December, 2015

I AVAILABLE BALANCE OF THE REVOLVING FUND OR ADVANCES (2)	1,697,788.16
--	---------------------

Detail	Amount	Exchange Rate	Amount in Project Currency
Available balance in the project currency account as of: 31 Dec-2015 Bank: Bank of America Account No.:3628 - 1297	1,679,122.36		1,679,122.36
Available balance in the local currency account as of: 31-Dec-2015 Bank: Bank of Guyana Account No.: 0162700440010	3,854,488.00	206.50	18,665.80

II EXPENSES OR PAYMENTS PENDING JUSTIFICATION /3	623,640.17
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Expenses or payments pending justification in this request	513,660.18
Expenses or payments pending justification and not included in this request as per the project accounting records	109,979.99

III TOTAL OF REVOLVING FUND OR ADVANCES PENDING JUSTIFICATION (I+II)	2,321,428.33
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IV BALANCE OF THE REVOLVING FUND OR ADVANCES AS PER IDB ACCOUNTING (LMS 1 REPORT)	2,325,270.90
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Percentage justified

22%

a/b

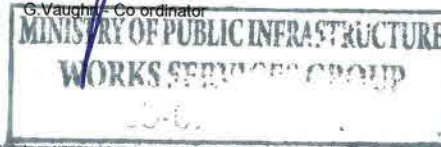
V DIFFERENCES (IV-III) /4	3,842.57
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VI IDENTIFICATION OF DIFFERENCES /4	
--	--

Detail	Amount	Exchange Rate	Total Amount in Project Currency
Exchange differences			
Other differences			

We hereby certify that: a) the expenses specified in number II were made for the purposes set forth in the Contract/Agreement; and b) the documentation supporting the expenses made with resources from the Revolving Fund or Advances and pending justification is available for IDB inspection.

G. Vaughn - Co-ordinator



Notes:

- 1) Is the current account exclusively used for the Revolving Fund or Advances? YES
- 2) Attach a copy of bank account statements for the accounts in which the resources from the Revolving Fund or Advances are deposited, their corresponding reconciliations, and the available balance of the Local Counterpart, if using the same current account as the Revolving Fund or Advances.
- 3) Attach a list of expenses or payments made with resources from the Revolving Fund or Advances and pending justification.
- 4) In the event of a difference, attach a reconciliation and the relevant explanation.

East Bank Demerara Four Lane Extension
IDB Loan #: LO-2454/BL-GY
Reconciliation of Difference as per Semi- Annual Report
For Year Ended 31 December 2015

Difference	3,842.57
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LESS:	<u>Net Interest</u>		
	Interest Earned		
	Bank Charges	(3,660.91)	-3,660.91
			<u>181.66</u>

	<u>G\$</u>	<u>Rate</u>	<u>US\$</u>
Opening Balance as at 1 Jan 2015	8,365,608	206.50	40,511.42
<u>Funds Received</u>	0		0
Opening Balance + Funds Received	<u>8,365,608</u>		<u>40,511.42</u>

Payments from Local Equivalent Account for Period Jan 1 - Dec 31 2015

Date	Particulars	G\$	Rate	USD
13-Feb-15	██████ey	3,230,820	208.44	15,500.00
17-Jun-15	██████y	1,280,300	206.50	6,200.00
	Closing Balance as at Dec 31 2015	3,854,488	206.50	18,665.80
	Closing Balance + Payments	<u>8,365,608</u>		<u>40,365.80</u>

Exchange loss due to valuation of currency	-181.65
Unreconciled Difference	<u>-181.65</u>

Ministry of Public Infrastructure
East Bank Demerara Four Lane Extension
IDB Loan #: LO-2454/BL-GY Between the Cooperative Republic of Guyana
and Inter-American Development Bank
Disbursements as at 31 December 2015

Advance of Funds

There was no advance of funds.

Justification of Advance of Funds

No.	Request No.	Date Justified	Amount Requested	Amount Disbursed	Amount Recorded
1	34		399,207.04	399,207.04	165,272.00
2	35		646,026.16	646,026.16	646,026.16
3	36		513,660.18		513,660.18
4					109,979.99
			1,558,893.38	1,045,233.20	1,434,938.33

Ministry of Public Infrastructure
East Bank Demerara Four Lane Extension
IDB Loan #: LO-2454/BL-GY
Statement of Available Balance for the year ended 31 December 2015

	INVESTMENT CATEGORY	BUDGET			CUMULATIVE AS AT 31 DEC. 2014			JAN - DEC. 2015			CUMULATIVE AS AT 31 DECEMBER 2015			AVAILABLE BALANCE		
		IDB	GOG	TOTAL	IDB	GOG	TOTAL	IDB	GOG	TOTAL	IDB	GOG	TOTAL	IDB	GOG	TOTAL
01.00.00	Extension of East Bank Demerara Four Lane Road Section	16,500,000	1,000,000	17,500,000	12,530,225		12,530,225	1,050,089		1,050,089	13,580,314	0	13,580,314	2,919,686	1,000,000	3,919,686
02.00.00	Implementation Support	2,750,000		2,750,000	2,326,196		2,326,196	353,849		353,849	2,680,045	0	2,680,045	69,955		69,955
03.00.00	Routine Maintenance Management System and Road Safety Works	500,000	1,000,000	1,500,000	264	430,711	430,975				264	430,711	430,975	499,736	569,289	1,069,025
04.00.00	Design Studies	0		0			0				0	0	0	0		0
05.00.00	Audit, Monitoring and Evaluations	250,000		250,000	16,046		16,046	21,700		21,700	37,746	0	37,746	212,254		212,254
06.00.00	Contingencies	0	0	0	0	0	0				0	0	0	0	0	0
	Interest				0		0				0	0	0			
	Commitment Fees				0		0				0	0	0			
	Total	20,000,000	2,000,000	22,000,000	14,872,730	430,711	15,303,441	1,425,638	0	1,425,638	16,298,368	430,711	16,729,079	3,701,632	1,569,289	5,270,921
	Percent	91%	9%	100%	74%	22%	70%				81%	22%	76%	19%	78%	24%

G. Vaughn
Co-ordinator
Works Services Group



PERMANENT SECRETARY
MINISTRY OF PUBLIC INFRASTRUCTURE

B. Balram
Permanent Secretary
Ministry of Public Infrastructure

SECRET
PUBLIC INFRASTRUCTURE

Ministry of Public Infrastructure
East Bank Demerara Four Lane Extension
IDB Loan #: LO-2454/BL-GY Between the Cooperative Republic of Guyana
and Inter-American Development Bank
Budgeted Investment against Actual Investment as at 31 December 2015

INVESTMENT COMPONENTS		Current Budget			Expenditure for the period			Balance on Budget		
		IDB	GOG	Total	IDB	GOG	Total	IDB	GOG	Total
01.00.00	Extension of East Bank Demerara Four Lane Road Section	2,774,119			1,050,089			1,724,030	-	1,724,030
02.00.00	Implementation Support	440,167			353,849			86,318	-	86,318
03.00.00	Routine Maintenance Management System and Road Safety Works	238,095			-	-		238,095	-	238,095
04.00.00	Design Studies				-			-	-	-
05.00.00	Audit, Monitoring and Evaluations	-			21,700			(21,700)	-	(21,700)
06.00.00	Contingencies				-			-	-	-
	Interest									-
	Commitment Fees							-		-
Total		3,452,381	-	-	1,425,638	-	-	2,026,743	-	2,026,743

G. Vaughn
Co-ordinator
Works Services Group

MINISTRY OF PUBLIC INFRASTRUCTURE
WORKS SERVICES GROUP
CO-ORDINATOR

B. Balram
Permanent Secretary
Ministry of Public Infrastructure

PERMANENT SECRETARY
MINISTRY OF PUBLIC INFRASTRUCTURE

Ministry of Public Infrastructure
LO-2454/BL-GY- East Bank Demerara Four Lane

Interest Earned and Bank Charges for the period 1 December 2013 to 31 December 2015

Interest Earned	2011	2012	2013	2014	2015	Total
Months						
JANUARY						
FEBRUARY						
MARCH						
APRIL						
MAY						
JUNE						
JULY						
AUGUST						
SEPTEMBER						
OCTOBER						
NOVEMBER						
DECEMBER						
TOTAL	0.00	0.00	0.00	0.00		0.00

Bank Charges	2011	2012	2013	2014	2015	Total
Months						
JANUARY				237.50	114.30	351.80
FEBRUARY				262.53	7.33	269.86
MARCH				218.50	29.45	247.95
APRIL				219.00	27.72	246.72
MAY				224.00	47.96	271.96
JUNE				224.00	50.66	274.66
JULY				214.50	20.96	235.46
AUGUST				219.50	70.84	290.34
SEPTEMBER				219.50	60.85	280.35
OCTOBER				219.00	67.93	286.93
NOVEMBER				229.00	79.75	308.75
DECEMBER			447.28	37.00	111.85	596.13
TOTAL	0.00	0.00	447.28	2,524.03	689.60	3,660.91

Interest	0.00	0.00	0.00	0.00	0.00	0.00
Bank charges	0.00	0.00	447.28	2,524.03	689.60	3,660.91
Net Interest	0.00	0.00	-447.28	-2,524.03	-689.60	-3,660.91

Ministry of Public Infrastructure

LO-2454/BL-GY- East Bank Demerara Four Lane

Exchange rate gains/losses

Period	Opening Balance + Funds Received	Closing Balance + Payments	Exchange Gain/loss
Oct - Dec 2013	Adjustment		52.55
Jan - Jun 2014	50,000.00	49,998.79	-1.21
Jul - Dec 2014	50,548.77	50,548.77	0.00
28-Dec-14	Adjustment		-87.37
Jan - Dec 2015	40,511.42	40,365.80	-145.62

Total	-181.65
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Adjustment: Losses on payment to WO Verwey for Mid- term Evaluation Report on 28 Dec 2014

	GYD	ROE	USD
IDB	1,920,450.00	206.5	9,300.00
BOG	1,938,492.00	208.44	9,300.00
Loss on Payment	- 18,042.00	206.5	- 87.37

Amount paid as at 12-Nov-2013 Justified in 2014

Date	Particulars	G\$	Rate	USD	Amount Justified	Exchange Gain/loss
31-Oct-13	Republic Bank Guyana Ltd.	2,699,964.00	209.00	12,918.49	12,892.17	26.32
12-Nov-13	Republic Bank Guyana Ltd.	16,530,835.00	209.75	78,812.09	78,785.86	26.23
						52.55

Ministry of Public Infrastructure
East Bank Demerara Four Lane Extension
IDB Loan #: LO-2454/BL-GY Between the Cooperative Republic of Guyana
and Inter-American Development Bank
Expenditure Made with resources of the Advance of Funds not yet submitted to the bank
For the year ended 31 December 2015

Expressed in US dollars

Investment Category No.	Description	Supplier or Contractor Name	Country of Origin	Date of Payment	Amount & Currency of Payment (US\$)	Amount & Currency of Payment (G\$)	Exchange Rate	Amount US\$
01.00.00	East Bank Demerara Four Lane Ext. - Lot 3		Guyana	8-Dec-15	109,979.99			109,979.99
								109,979.99

01.00.00

109,979.99

109,979.99



Audit Office of Guyana

P.O. Box 1002, 63 High Street, Kingston, Georgetown, Guyana

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AG: 25/2016-2

29 April 2016

REPORT OF THE AUDITOR GENERAL
ON THE SYSTEM OF INTERNAL CONTROL FOR THE
EAST BANK DEMERARA FOUR LANE EXTENSION PROJECT
LOAN AGREEMENT LO № 2454/BL-GY
FOR THE YEAR ENDED 31 DECEMBER 2015

I have audited the accompanying Statement of Cash Flow for the year ended 31 December 2015 and the Statement of Cumulative Investments as of 31 December 2015 for the East Bank Demerara Four Lane Extension Project financed by the Inter-American Development Bank under Loan Agreement № 2454/BL-GY, and by local contributions from the Government of Guyana, executed by the Ministry of Public Infrastructure and have issued my report thereon dated 29 April 2016. The audit was conducted in accordance with the Audit Act 2004.

The Management of the East Bank Demerara Four Lane Extension Project is responsible for establishing and maintaining a system of internal control sufficient to mitigate the risk of financial information misstatements and safeguard the assets of the project, including construction works and other procured goods. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of system of internal control policies and procedures. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that assets are protected against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorisation and in accordance with the terms of the contract, and transactions are recorded properly to permit the preparation of fair and true financial statements. Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedure may deteriorate.

In planning and performing my audit of the Project's financial statements for year ended 31 December 2015, I obtained an understanding of the system of internal control and I assessed control risk in order to determine the auditing procedures for the purpose of expressing an opinion on the Project's financial statements and not to express an opinion on the effectiveness of the system of internal control. Accordingly, I do not express such an opinion.

I noted certain matters that are described in my management letter referenced № 152/IADB: 73/1/2016 dated 29 April 2016, involving the system of internal control and its operation that I consider to be reportable conditions under International Standards of Auditing. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the system of internal control that in my judgment, could adversely affect the ability of the East Bank Demerara Four Lane Extension Project to record, process, summarize, and report financial data consistent with assertions of management in the statement of Cash Flow and the Statement of Cumulative Investments.

A material weakness is a reportable condition in which the design or operation of one or more of the specific elements of the system of internal control does not reduce to a relatively low level the risk that significant errors or irregularities in amounts that would be material in relation to the program's financial statements may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions.



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152/IADB: 73/1/2016

29 April 2016

Mr. Balraj Balram
Permanent Secretary
Ministry of Public Infrastructure
Wight's Lane
Kingston.

Dear Mr. Balram,

AUDITED FINANCIAL STATEMENTS FOR THE
EAST BANK DEMERARA FOUR LANE EXTENSION PROJECT
LOAN AGREEMENT LO № 2454/BL-GY
FOR THE YEAR ENDED 31 DECEMBER 2015

The financial statements for the East Bank Demerara Four Lane Extension Project for the year ended 31 December 2015 have been audited and accordingly, the Auditor General has reported thereon. The audit was conducted in accordance with International Standards on Auditing, issued by the International Federation of Accountants (IFAC), the International Organisation of Supreme Audit Institutions (INTOSAI) and specific requirements of the Inter-American Development Bank (IDB).

2. The audit planning and execution took into account the internal control structure which was utilised in the preparation of the financial statements in order to determine the auditing procedures and to assess whether it formed a reliable basis for expressing an opinion. This consideration was however, not directed at providing assurance of the internal accounting control structure. Nonetheless, no matters involving the internal accounting control structure and its operations were considered to be material weaknesses in accordance with the standards referred to above.

3. This final report is comprised of two sections. Section I highlights the findings and recommendations relating to the existing systems and procedures noted in the current year. Section II on the other hand shows a prior year's recommendation which was not implemented by the Project.

Section I

Finding

4. On 8 December 2010, the Government of Guyana (GoG) and the Inter-American Development Bank (IDB) signed an agreement whereby the parties agreed to provide amounts of US\$2M and US\$20M respectively, to support the activities under the Project. The main objective of the Project is to enhance urban and suburban mobility and safety, through lowered transport costs and accident rates by expanding the East Bank Demerara Road (EBDR) south of Providence from two lanes to four lanes and improving road safety of the EBDR north of Providence. The period of final disbursement of the resources was scheduled to expire five years from the effective date of the agreement. The activities under the Project continued beyond the final date of disbursement and there was no evidence that approval was granted to extend the activities beyond this date, that is, beyond 7 December 2015. Therefore, the amount of US\$110,092 expended during the period 8 December 2015 to 31 December 2015 is deemed as unauthorised expenditure.

Effect

Amounts were expended without the requisite approval.

Management's Response

The agreement under review was extended to 8 December 2017 by the Inter-American Development Bank (IDB). The no objection was issued to the Ministry of Finance and we are awaiting a copy.

Recommendation

The Audit Office recommends that management of the Project provide for audit examination, a copy of the IDB's no objection to extend the activities of the Project to 8 December 2017.

Finding

5. According to the financial statements of the Project, as at 31 December 2015, the Project expended the sum of US\$16.298M and US\$430,711 from the IDB's financing and GoG's contribution respectively, under the following investment categories:

Investment Categories	Amount Budgeted IDB US\$	Amount Budgeted GoG US\$	Amount Expended IDB US\$	Amount Expended GoG US\$	% Expended IDB US\$	% Expended GoG US\$
Extension of East Bank Demerara Four Lane Road	16,500,000	1,000,000	13,580,314	0	82.30	0
Implementation Support	1,000,000		2,680,045	0	268	0
Routine Maintenance Management System	500,000	1,000,000	264	430,711	0.05	43.07
Design Studies	1,000,000	0	0	0	0	0
Audit Monitoring and Evaluation	250,000	0	37,746	0	15.10	0
Contingencies	750,000	0	0	0	0	
Total	20,000,000	2,000,000	16,298,368	430,711	81.49	21.54

Finding

6. As noted above, although the sum of US\$1M was allocated for design studies, no expenditure was incurred over the life of the Project. This amount should have been expended to fund design studies for the expansion of the EBDR south of Diamond/Grove.

Management's Response

IDB subsequently provided a Technical Cooperation (TC) ATC/OC-13098-GY for Design Studies and as such amounts were not expended under LO 2454/BL-GY.

Finding

7. In keeping with the Annual Operations Plan for the year 2015, the Project planned to expend the sum of US\$5.911M from the proceeds of the IDB's financing and US\$1.811M from the GoG's contribution. An examination of the Estimates of Expenditure on the other hand revealed that only the sum of US\$3.452M was allocated from the IDB's financing for (a) construction of four-lane highway from Providence to Diamond and (b) provision for supervision and road safety. This resulted in a difference of US\$4.270M between the planned expenditure according to the Annual Operations Plan and the amount approved in the Estimates of Expenditure.

Management's Response

The 2015 Budget Estimates differ from the Annual Operations Plan as a result of the final amount allocated to the Ministry.

Finding

8. An examination of the records of the Project revealed that the amount of US\$3.452M was allocated under the following investment categories. According to the financial statements, only sums totalling US\$1.426M or 41.31% of the allocated amount were expended as follows:

Investment Categories	Amount Budgeted IDB US\$	Amount Expended IDB US\$	Variance IDB US\$
Extension of East Bank Demerara Four Lane Road	2,774,119	1,050,089	1,724,030
Implementation Support	440,167	353,849	86,318
Routine Maintenance Management System	238,095	0	238,095
Audit Monitoring and Evaluation	0	21,700	(21,700)
Total	3,452,381	1,425,638	2,026,743

Finding

9. The Project did not achieve its anticipated level of expenditure activity for the period under review. As can be noted from the table above, no expenditure was incurred under the investment category of Routine Maintenance Management System, although the sum of US\$238,095 was budgeted to be expended. On the other hand, no amounts were provided for under the investment category of Audit Monitoring and Evaluation and the Project expended the sum of US\$21,700. A revised budget was not produced for audit examination.

Effect

The anticipated level of expenditure was not achieved during the period of review. Further, budgetary approval was not sought to accommodate the expenditure under the investment category of Audit Monitoring and Evaluation.

Management's Response

The amount of US\$21,700 was expended for Mid-term Evaluation in keeping with the approved budget category.

Recommendation

The Audit Office recommends that management of the Project take the necessary steps to achieve the anticipated level of activity and to provide the revised budget for audit examination.

Finding

10. Three contracts in the sum of US\$17.250M were awarded on 3 October 2011 for the expansion of the East Bank Demerara Four Lane Road Project. The works under each contract commenced on 1 November 2011 and were scheduled to be completed on 30 April 2013, that is, eighteen months after the commencement date. The works remained incomplete at this date and extensions of time were granted by the IDB to enable the completion of the outstanding works. There was one approved variation of US\$1.791M in 2015, which increased the total contract sum to US\$19.041M. The table below provides details of the payments under each contract along with the new completion dates.

Description	New Completion Date	Contract Sum US\$	Amount Paid as at 31.12.2014 US\$	Amount Paid in 2015 US\$	Amount Paid as at 31.12.2015 US\$
Lot 1 – Providence to Covent Garden	28 December 2014	8,003,265	5,062,517	137,697	5,200,214
Lot 2 – Vreed – En – Ruste to Prospect	4 June 2015	5,802,640	5,205,643	49,632	5,255,275
Lot 3 – Diamond	24 August 2015	5,235,348	2,249,981	862,760	3,112,741
Total		19,041,243	12,518,141	1,050,089	13,568,230

Finding

11. As noted from the table above, works under Lot 1 from Providence to Covent Garden were scheduled to be completed on 28 December 2014. At this date and after three approved extensions of time, the works were still in progress and the contractor was paid the sum of US\$5.063M or 63% of the contract sum for works completed.

Finding

12. Physical verification conducted on 16 March 2015 revealed that the works were still in progress and there was no evidence that a further extension of time was granted to the contractor to complete the outstanding works. During the period under review, the contractor was paid the sum of US\$137,697 bringing the total payments under the contract to US\$5.200M for works completed. Physical verification conducted on 30 March 2016 revealed the following:

- (a) the contract was terminated on 23 November 2015 under the General Conditions of Contract, Clause 15.5 – Contracting Agency's Entitlement to Termination for Convenience. This clause clearly states that "the Contracting Agency shall not terminate the Contract under this Sub-Clause in order to execute the works himself or to arrange for the works to be executed by another contractor or to avoid a termination of the Contract by the Contractor under Clause 16.2 (Termination by Contractor)". However, the reasons for terminating the contract under this Clause could not be ascertained at the time of reporting;
- (b) in breach of Clause 15.5, the incomplete works were subsequently awarded by the Ministry to the two contractors who executed the works under Lots 2 and 3; and

(c) the performance bond expired on 1 May 2015 and was never renewed up until the date of termination. This resulted in a breach of Clause 4.2 which speaks to Performance Security.

Effect

Amounts were expended without the requisite approval.

Management's Response

Payment was made in anticipation of signed addendum 4. However, after much deliberation it was decided to terminate after an amicable settlement between the Project and the contractor.

Recommendation

The Audit Office recommends that management of the Project put systems in place to have all works approved before payments are effected to the contractors.

Finding

13. In relation to the works under Lot 2 – Vreed-En-Ruste to Prospect, the works were rescheduled for completion on 4 June 2015. The works remained incomplete at this date and there was no evidence that approval was granted to extend the life of the contract. As noted in the table above, as at 31 December 2015, the contractor received the sum of US\$5.255M or 90.57% of the contract sum. Physical verification conducted on 30 March 2016 revealed that the works were deemed practically completed on 4 May 2015. Construction of both the eastern and western carriageways was complete, along with the pedestrian bridges, road lighting, markings, kerb, eastern and reinforced concrete drains. Based on the valuation and assessment of the completed works, the payments made to the contractor were fair and reasonable. At the time of reporting in April 2016, the works are in the defects notification period, which will expire in May 2017. However, a copy of the performance bond valid until May 2017 was not presented for audit examination.

Finding

14. As noted from the table above, works under Lot 3 Diamond were scheduled to be completed on 24 August 2015 and at the end of 2014, the contractor was paid sums totalling US\$2.250 for works completed. During the period under review, the sum of US\$862,760 was paid bringing the total payments under the contract to US\$3.113M or 59.46% of the contract sum. Physical verification conducted on 30 March 2016 revealed that the works were deemed practically completed on 24 August 2015. It was observed that construction works with respect to both the eastern and western carriageways were complete along with the construction of two 12 span post tensioned reinforced concrete bridge structures, installation of road lighting, markings, traffic signs and curbs. Based on the valuation and assessment of the works completed, the payments made to the contractor for completed works were fair and reasonable. At the time of reporting in April 2016, the works are in the defects notification period which will expire on 31 August 2017 and a copy of the performance bond, valid until this date, was presented for audit examination.

Finding

15. A contract in the sum of US\$1.193M was awarded in September 2013 for supervision services in relation to the East Bank Demerara Four Lane Extension Project. There were four approved addenda which increased the contract sum to US\$2.930M and the completion date was extended to 31 October 2015. As at 31 December 2014, amounts totalling US\$2.326M were paid to the contractor. A further amount of US\$353,849 was paid in 2015 which increased payments under the contract to US\$2.680M. At the time of reporting in April 2016, the works were still in progress and evidence was seen of the IDB's no objection to addendum № 5 to contract. This addendum revised the contract sum to US\$3.313M and extended the contract completion date to 30 October 2016.

Finding

16. A contract was awarded in the sum of US\$31,000 on 10 November 2014 to the most feasible evaluated bidder for a Mid Term Evaluation of the East Bank Demerara Four Lane Extension Project. All activities under the contract were scheduled to be completed on 7 February 2015. As at 31 December 2014, an amount of US\$9,300 was paid to the contractor and the amount was properly brought to account in the records of the Project. The consultant submitted a mid-term evaluation report on 30 January 2015 and an amount of US\$21,700 was paid, which increased payments under the contract to US\$31,000.

Finding

17. According to the Statement of Cumulative Investments as at 31 December 2014, the GoG paid sums totalling US\$570,275 as Interest and Commitment Fees on the loan. During the period under review, amounts totalling US\$351,613 were paid, which increased the total payments to US\$921,888. However, this amount was not reflected on the financial statements since the IDB in a letter dated 29 July 2015 stated that the amount cannot be recognised as counterpart contribution because the loan agreement does not reflect a budget for this category of expenditure.

Effect

The amount expended according to the financial statements was understated by US\$921,888.

Management's Response

This amount was not reflected on the financial statements since the IDB in a letter dated 29 July 2015 stated that the amount cannot be recognised as counterpart contribution because the loan agreement does not reflect a budget for this category of expenditure.

Section II

Finding

18. The Project was still to recover overpayments totalling G\$5.954M which remained outstanding in relation to overpayments which occurred on measured works. Noteworthy were the facts that the personnel and/or Consultants nominated by the Project were integrally involved in the examination of the projects and the related findings discussed and agreed upon with Project personnel. Nevertheless, there was a failure to recover the amounts overpaid. The table below shows the projects which suffered the overpayments.

Description	Contract Sum \$'000	Amount Paid \$'000	Measured Works \$'000	Amount Overpaid \$'000
Road marking & spike reflectors Linden Soesdyke Highway	5,224	5,052	2,458	2,594
Installation of One Off RMMS - Lot 4 - West Coast Berbice	7,835	7,835	5,675	2,160
Installation of One Off RMMS – Lot 5 - West Coast Berbice	2,115	2,115	915	1,200
Total	15,174	15,002	9,048	5,954

Effect

Amounts overpaid were not recovered in a timely manner.

Management's Response

The Engineer has reported that subsequent to the initial query, the works equivalent to the payment made were completed and verified by the Audit Engineer. Hence, no overpayment is to be recovered.

Finding

19. Notwithstanding management's response to the finding, no evidence was provided to validate that works equivalent to the payments made were subsequently completed by the contractors and the dates when the works were completed. In the absence of the evidence, the accuracy of management's statements could not be determined.

Recommendation

The Audit Office recommends that management of the Project provide a detailed report on the works completed by the contractors.

General

20. The Audit Office wishes to express its gratitude for the co-operation given to its officers during the course of the audit. In keeping with the Audit Office's policy, a reply is expected on receipt of this management letter.

With best regards.

Yours sincerely,


AUDREY BADLEY
AUDIT DIRECTOR (ag.)

A circular official stamp of the Audit Office of Guyana is visible behind the signature. The text in the stamp includes "AUDIT OFFICE" at the top and "OF GUYANA" at the bottom, with a small star on the left side.