

AUDIT OF THE RESOURCES

MANAGED BY GUYANA WATER INCORPORATED

FOR THE YEAR ENDED 31 DECEMBER 2017

OF THE

WATER SUPPLY AND SANITATION INFRASTRUCTURE
IMPROVEMENT PROGRAM

LOAN/GRANT NO. 3242/OC-GY, 3243/BL-GY & GRT/EX-14520-GY

BETWEEN THE CO-OPERATIVE REPUBLIC OF GUYANA,

THE INTER-AMERICAN DEVELOPMENT BANK AND THE

EUROPEAN UNION

FINANCED BY

INTER-AMERICAN DEVELOPMENT BANK AND EUROPEAN UNION

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PROJECT BACKGROUND

Water Supply and Sanitation Infrastructure Program

I. Objective

The general objective of the Program is to improve efficiency, quality and sustainability of the potable water services and improve sanitation infrastructure in Georgetown and other areas along the coast.

The specific objectives are to:

- (i) improve pressure, quality and continuity of the water supply service in Georgetown, Cornelia Ida-De Kinderen; Diamond- Herstelling and Goed Bananen Land –Sheet Anchor-No.19;
- (ii) reduce the level of Non-Revenue Water (NRW) in the Program areas, especially in Georgetown;
- (iii) improve access to adequate sanitation in the program areas; and
- (iv) strengthen GWI performance in its operational and management practices.

II. Description

In order to achieve the Program objective described above, the Program contemplates the following four (4) components:

Component 1: Construction, rehabilitation and expansion of Water Treatment Plants (WTPs)

Based on the analytical work performed under ATN/OC-14086-GY, this Component will finance the final designs and works required to improve the supply system and the water quality in the Program areas, creating additional treatment capacity. Specific activities will include: (i) construction of four ground storage tanks to ensure water supply continuity and better pressure in the distribution network; (ii) construction of three new WTPs to ensure that the water quality standards are met; (iii) rehabilitation of the Shelterbelt and the Sophia WTPs, and (iv) expansion of the Central Ruimveldt WTP.

Component 2: Non-Revenue Water Program

Complementing Component 1, this Component will finance activities to reduce the NRW level in the Program areas. It will include: (i) development of a comprehensive NRW management program to define baseline, and monitor and control physical and commercial losses; (ii) system zoning for better management (including the installation of district meters; when necessary); (iii) meters installation; and (iv) network rehabilitation works. The micro-meters installation will complement the program currently being implemented by Guyana Water Incorporated (GWI) and supported by the Borrower, with the objective of achieving universal metering by 2020.

PROJECT BACKGROUND – CONT'D

II. Description – Cont'd

Component 3: Institutional strengthening of GWI

This Component will address the need to strengthen GWI's capacity to manage the new infrastructure and move towards operational and managerial international standards. This component will include: (i) capacity building activities on asset management and NRW reduction; (ii) activities to establish NRW functions within GWI (including the creation of a NRW Team); (iii) activities to strengthen GWIs water resource management and planning capabilities (including the preparation of a groundwater management plan and development of management tools); (iv) activities to strengthen GWI administrative, financial and commercial management (including support for the implementation of the new tariff structure); and (v) support for the implementation of a monitoring and evaluation system to track the GWI performance in time.

Component 4: Improved access to sanitation

Complementing the efforts made through the Loan 2102/BL-GY, this Component will finance the conversion of obsolete pit latrines into efficient septic tank units. The number of pit latrines to be converted in each Program area will be determined by the application of established selection criteria. This Component will finance: (i) construction and installation of toilets and septic tanks; (ii) dissemination of information on operation and maintenance practices; and (iii) hygiene public awareness activities (e.g., general dissemination of good practices, sensitization workshops on specific gender based practices, etc.).

III. Cost and Financing Structure

The total cost of the Program is estimated in the equivalent of thirty-one million six hundred seventy-six thousand and five hundred Dollars of the United States of America (US\$31,676,500).

IV. Execution Scheme

The Executing Agency will be GWI through the Capital Investment and Planning Department (CIPD), which will be responsible for the administration of the operation, including planning, budgeting and implementing. An executing group, including one Program Manager (PM) and two engineers (from CIPD), a financial/accounting officer, a procurement officer, an environmental and health safety officer and a public-relations officer and the four divisional operations managers of the WSS in each program areas, will be designated by GWI and assigned to the execution of the Program. The financial management will be the responsibility of GWI's Finance Department.

PROJECT BACKGROUND – CONT'D

IV. Execution Scheme – Cont'd

Specific responsibilities of GWI will include: (i) preparation, implementation and coordination of the Annual Operating Plans (AOP); (ii) preparation of budgets, project accounting, and requests to advance project funds; (iii) preparation of the program's Procurement Plan (PP), procurement of goods and services; (iv) preparation of technical and financial reports; (v) monitoring of the progress of program activities, environmental and social safeguards compliance and analysis of variances of actual results against plans; (vi) selection and hiring of the external audit and ensuring that the relevant recommendations are implemented; (vii) facilitation of external evaluations and ensuring that the recommendations are implemented; and (viii) serving as a liaison for the Program with the Bank. Details of these arrangements, as well as of roles and responsibilities within the components, will be elaborated in the Operations Manual (OM)

A Monitoring Committee (MC), comprised by representatives of the IDB and the Guyana European Union Delegation, the Ministry of Communities (formerly Ministry of Housing and Water) and the Ministry of Finance, will interact on a quarterly basis with the Executing Agency to: (i) review the progress reports and advances of the program against the targets set in the AOP; (ii) identify new risks and mitigation measures; and (iii) make recommendations for execution.

Component 4 of the Program will be executed by GWI, in coordination with the Central Housing and Planning Authority. However, any official exchanges with the Bank (e.g., disbursement requests and non-objections requests) as well as all procurement processes will be administered by GWI, the only Executing Agency of this Program.

Construction supervision. Qualified individuals or firms will be hired by GWI using resources from the Financing to carry out the supervision of the construction works, and to transfer knowledge on proper construction practices. GWI will ensure proper monitoring of the construction progress, including the timely application of environmental and social mitigation measures.

Project Completion

The project financing agreement will expire on 10 October, 2019, therefore the executing and disbursement year will also expire on the stated date.

OBJECTIVES OF THE ASSIGNMENT

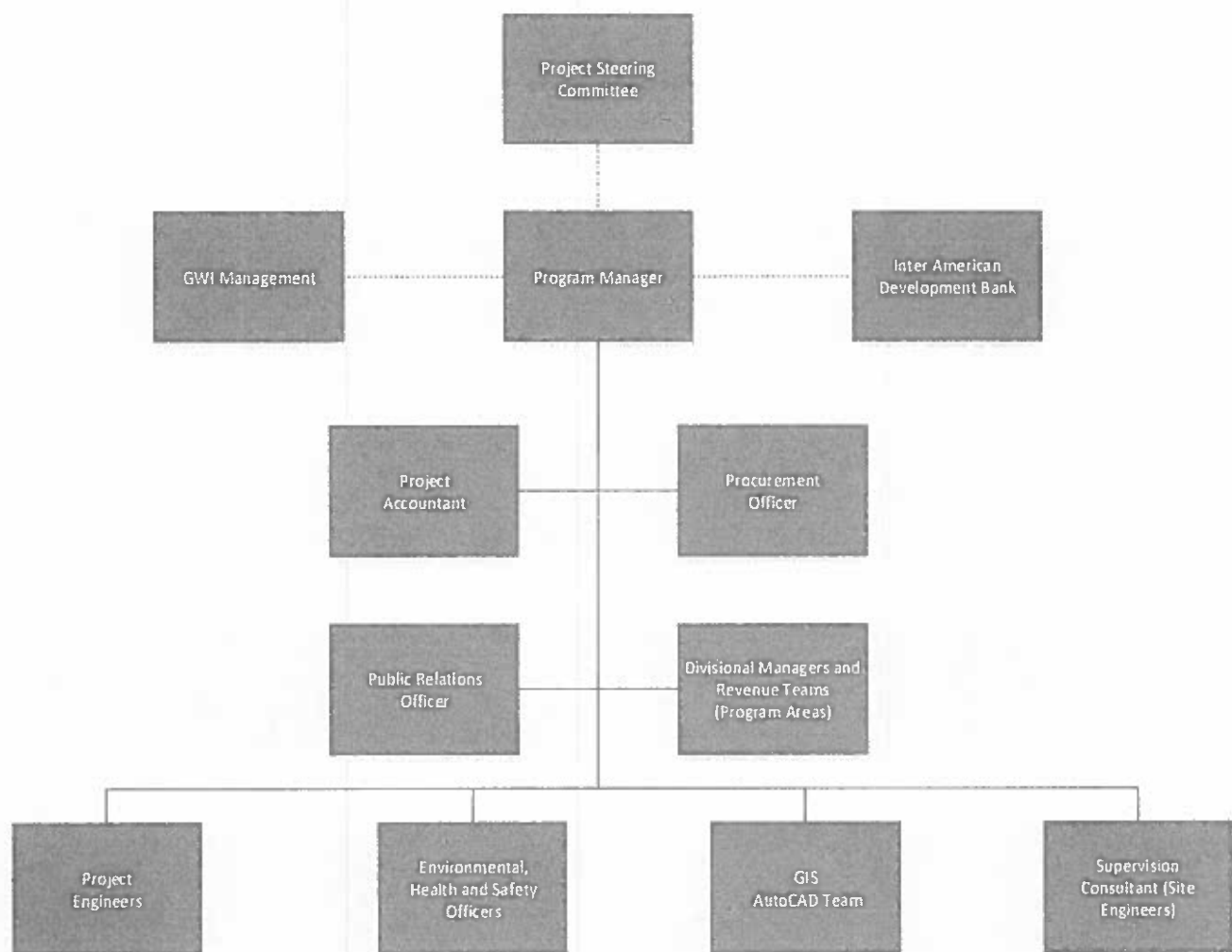
Objectives of the Verification

1. Issue an opinion as to whether the project financial statements present fairly in all material respects, the financial position of the project, the funds received and disbursements made during the year verified in accordance with International Standards on Auditing, issued by the International Federation of Accountants (IFAC) and Inter-American Development Bank's requirements.
2. Issue a report with respect to the adequacy of the internal control system of the implementing institution in regard to the project.

To attain the above objectives:- receipts, credit advices, contracts, bank statements, payment vouchers, suppliers' invoices, suppliers' quotations, transfers of funds letter, computation of emoluments and budgets were verified. Also, checks were carried out to ensure compliance with Inter-American Development Bank's guidelines.

WATER SUPPLY AND SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM

Execution Scheme for the WSSIIP



The Program Executing Unit will follow the strategic directions from GWI's Project Steering Committee during the execution of the program.

The Project's execution role encompasses operation and financial administration, including planning, coordination, supervision and monitoring for all aspects of the program implementation.

INDEPENDENT AUDITOR'S REPORT
(CHARTERED ACCOUNTANTS TSD LAL & CO.)
TO THE INTER-AMERICAN DEVELOPMENT BANK
ON THE FINANCIAL STATEMENTS
OF THE PROJECT – WATER SUPPLY AND SANITATION INFRASTRUCTURE
IMPROVEMENT PROGRAM
LOAN/GRANT NO. 3242/OC-GY, 3243/BL-GY & GRT/EX-14520-GY
BETWEEN THE CO-OPERATIVE REPUBLIC OF GUYANA,
THE INTER-AMERICAN DEVELOPMENT BANK AND THE
EUROPEAN UNION
MANAGED BY GUYANA WATER INCORPORATED
FOR THE YEAR ENDED 31 DECEMBER 2017

Report on the Financial Statements

We have audited the accompanying Financial Statements, which comprise the Statement of Cash received and disbursements, the Statement of Cumulative Investments, and a summary of significant accounting policies and other explanatory information for Water Supply and Sanitation Infrastructure Improvement Program, executed by Guyana Water Incorporated, and financed with funds from the Inter-American Development Bank and European Union Loan Agreement No.3242/OC-GY, 3243/BL-GY & GRT/EX-14520-GY for the year ended 31 December, 2017.

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 Financial Reporting Standards issued by the International Federation of Accountants (IFAC), 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

Our responsibility is to express an opinion on the accompanying statements, based on our audit. We conducted our audit in accordance with International Standards on Auditing, and specific requirements of the Inter-American Development Bank. Those standards require that we 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 the Program's management as well as evaluating the overall financial statement presentation. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.


As described in Note 2, the Statement of Cash received and disbursements and the Statement of Cumulative Investments were prepared using the cash basis of accounting in accordance with the Cash Basis. Cash basis accounting recognizes transactions and acts only when the cash 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 our opinion, the financial statements referred to above present fairly, in all material respects, the cash flow and the cumulative investments for the Water Supply and Sanitation Infrastructure Improvement Program as of and for the year ended 31 December, 2017, in accordance with the basis of accounting described in the paragraph above and the accounting policies described in Note 2.

Report on other and/or regulatory requirements

We did not observe any situations suggesting noncompliance with the financial clauses in Inter-American Development Bank loan/grant no 3242/OC-GY, 3243/BL-GY & GRT/EX-14520-GY during the year reviewed by us.


TSD LAL & CO.
CHARTERED ACCOUNTANTS

Date: April 24, 2018

77 Brickdam,
Stabroek, Georgetown,
Guyana.

GUYANA WATER INCORPORATED
WATER SUPPLY AND SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM
STATEMENT OF CASH RECEIVED AND DISBURSEMENTS
FOR THE PERIOD ENDING 31st DECEMBER, 2017
EXPRESSED IN US DOLLARS

	YEAR ENDED 31st Dec. 2017					YEAR ENDED 31st Dec. 2016					YEAR ENDED 31st Dec. 2015 (Adjusted)					YEAR ENDED 31st Dec. 2014				
	IDB	IDB 31st/BL-GY	EU CRT/EX-1451B-GY	GOC	TOTAL	IDB 31st/BL-GY	EU CRT/EX-1451B-GY	GOC	TOTAL	IDB 31st/BL-GY	IDB 31st/BL-GY	EU CRT/EX-1451B-GY	GOC	TOTAL	IDB 31st/BL-GY	IDB 31st/BL-GY	EU CRT/EX-1451B-GY	GOC	TOTAL	
CASH RECEIVED																				
Beginning Balance	403,856.00	-	403,856.00	-	807,712.00	664,656.43	664,656.43	-	1,329,312.86	1,000,000.00	0.00	1,000,000.00	0.00	2,000,000.00	0.00	0.00	-	-	0.00	
Activity during the period																				
Disbursements (Advances)	4,673,145.17	-	4,673,145.17	-	9,340,290.34	-	-	-	-	0.00	0.00	0.00	0.00	0.00	1,000,000.00	0.00	-	-	2,000,000.00	
Interest Received	-	-	-	-	-	-	-	-	-	0.00	0.00	0.00	0.00	0.00	-	0.00	-	-	-	
Other (Transfer of Funds from GSIF)	-	-	-	-	-	-	-	-	-	4,413.56	0.00	4,413.56	0.00	8,827.12	0.00	0.00	-	-	0.00	
Total Cash Received	5,079,001.17	-	5,079,001.17	-	10,158,002.34	664,656.43	664,656.43	-	1,339,312.86	1,004,413.56	0.00	1,004,413.56	0.00	2,008,827.12	1,000,000.00	0.00	1,000,000.00	0.00	2,000,000.00	
DISBURSEMENTS																				
Beginning Balance	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	0.00	0.00	0.00	-	-	0.00	
ACTIVITY DURING THE PERIOD																				
INVESTMENT CATEGORY																				
1. Construction, rehabilitation and expansion of Water Treatment Plant	2,812,619.31	-	2,812,619.32	-	5,625,239.03	-	-	-	-	605.33	605.33	-	-	1,210.66	0.00	0.00	0.00	-	0.00	
2. New-Revenue Water Program	273,331.09	-	273,331.08	-	546,702.17	114,009.47	114,009.46	-	228,018.93	315,072.47	315,072.47	-	-	630,144.94	0.00	0.00	0.00	-	0.00	
3. Institutional Strengthening of GWT	106,363.68	-	106,363.68	-	212,723.36	13,488.75	13,488.73	-	26,977.50	11,041.16	11,041.16	-	-	22,082.32	0.00	0.00	0.00	-	0.00	
4. Improved access to sanitation	4,146.01	-	4,146.02	-	8,292.03	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5. Administration Monitoring and Auditing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Financial/technical auditing, monitoring and evaluation	76,781.25	-	76,781.24	-	153,562.49	114,568.79	114,568.79	-	229,137.58	0.00	0.00	-	-	0.00	0.00	0.00	-	-	0.00	
Program Administration	32,842.62	-	32,842.62	-	65,685.24	14,297.99	14,297.99	-	28,595.98	13,060.17	13,060.17	-	-	26,120.34	0.00	0.00	0.00	-	0.00	
Administrative fee (2%)	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	0.00	0.00	0.00	-	-	0.00	
Contingencies	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	0.00	0.00	0.00	-	-	0.00	
Total Cash Disbursements	3,306,004.16	-	3,306,004.16	-	6,612,008.33	256,345.00	256,344.99	-	512,729.99	339,779.13	339,779.13	0.00	0.00	679,558.26	0.00	0.00	0.00	-	0.00	
AVAILABLE CASH AS OF PERIOD END	1,772,997.01	-	1,772,997.01	-	3,545,994.02	408,291.43	408,291.44	-	816,582.87	664,656.43	664,656.43	-	-	1,339,312.86	1,000,000.00	-	1,000,000.00	-	2,000,000.00	


 Mr. Nigel Niles
 Executive Director of Corporate Services, GWT


 Dr. Richard Van Veen-Charles
 Managing Director, GWT


 Mr. Paul McDaniel
 Programme Secretary, Ministry of Communities

GUYANA WATER INCORPORATED
 WATER SUPPLY AND SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM
 STATEMENT OF CASH RECEIVED AND DISBURSEMENTS
 FOR THE PERIOD ENDING 31st DECEMBER, 2017

EXPRESSED IN EURO
 RESTATED AT THE RECEIVING RATE OF EXCHANGE

	YEAR ENDED 31st Dec. 2017					YEAR ENDED 31st Dec. 2016					YEAR ENDED 31st Dec. 2015 (Adjusted)					YEAR ENDED 31st Dec. 2014				
	IDB	IDB	EU	GOC	TOTAL	IDB	IDB	EU	GOC	TOTAL	IDB	IDB	EU	GOC	TOTAL	IDB	IDB	EU	GOC	TOTAL
		3143/BL-CY	GRT/EX-14520-CY										GRT/EX-14520-CY					3143/BL-CY	GRT/EX-14520-CY	
CASH RECEIVED																				
Beginning Balance	331,638.24	-	331,638.24	-	663,276.48	542,160.05	-	542,160.05	-	1,084,320.10	821,179.87	0.00	821,179.87	-	1,642,359.74	0.00	0.00	0.00	-	0.00
Activity during the period																				
Disbursements (Advances)	3,953,959.67	-	3,953,959.67	-	7,907,919.34	-	-	-	-	-	0.00	0.00	-	-	0.00	821,179.87	0.00	821,179.87	-	1,642,359.74
Interest Received	-	-	-	-	-	-	-	-	-	-	-	0.00	-	-	0.00	-	-	-	-	-
Other (Transfer of Funds from GSIP)	-	-	-	-	-	-	-	-	-	-	3,642.40	0.00	3,642.40	-	7,284.80	0.00	0.00	0.00	-	0.00
Total Cash Received	4,285,597.91	-	4,285,597.91	-	8,571,195.82	542,160.05	-	542,160.05	-	1,084,320.10	824,822.27	0.00	824,822.27	0.00	1,649,644.54	821,179.87	0.00	821,179.87	0.00	1,642,359.74

DISBURSEMENTS

Beginning Balance

ACTIVITY DURING THE PERIOD

INVESTMENT CATEGORY

1. Construction, rehabilitation and expansion of Water Treatment Plant

2. Non-Revenue Water Program

3. Institutional Strengthening of GWI

4. Improved access to sanitation

5. Administration Monitoring and Auditing

Financial/technical auditing, monitoring and evaluation Program Administration

Administrative fee (2%)

Contingencies

Total Cash Disbursements

AVAILABLE CASH AS OF PERIOD END

	2,777,421.64	-	2,777,421.64	-	5,554,841.28	210,521.81	-	210,521.81	-	421,043.62	279,019.82	0.00	279,019.82	0.00	558,039.64	0.00	0.00	0.00	0.00	0.00
	1,508,176.27	-	1,508,176.27	-	3,016,357.54	331,638.24	-	331,638.24	-	663,276.48	545,802.45	-	545,802.45	-	1,091,604.90	821,179.87	-	821,179.87	-	1,642,359.74


 Mr. Nigel Niles
 Executive Director of Corporate Services, GWI


 Dr. Richard Van West-Charles
 Managing Director, GWI


 Mr. Emil McGarrell
 Permanent Secretary, Ministry of Communities

Exposed in Error


Mr. M. Srinivasan
Executive Director of Corporate Services, GWT

Mr. David McDermott
Permanent Secretary, Ministry of Community

WATER SUPPLY AND SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

1. Description of the Project

The general objective of the Program is to improve efficiency, quality and sustainability of the potable water services and improve sanitation infrastructure in Georgetown and other areas along the coast.

The specific objectives are to: (i) improve pressure, quality and continuity of the water supply service in Georgetown, Cornelia Ida-De Kinderen; Diamond-Herstelling and Goed Bananen Land –Sheet Anchor-No.19; (ii) reduce the level of Non-Revenue Water (NRW) in the Program areas, especially in Georgetown; (iii) improve access to adequate sanitation in the program areas; and (iv) strengthen GWI performance in its operational and management practices.

The project is constituted of four (4) main components:

- Component 1: Construction, rehabilitation and expansion of Water Treatment Plant;
- Component 2: Non-Revenue Water Program
- Component 3: Institutional strengthening of GWI
- Component 4: Improved access to sanitation

The Executing Agency will be GWI through the Capital Investment and Planning Department (CIPD), which will be responsible for the administration of the operation, including planning, budgeting and implementing.

2. Significant accounting policies

Basis of presentation

The Financial Statements have been prepared in accordance with International Accounting Standards, issued by the International Accounting Standards Committee (IASC) and the requirements of the Inter-American Development Bank, specifically the Bank Policy on the Audit of Projects and Entities (Document AF-100) and Guidelines for the Preparation of Financial Statements and Independent Audit Requirements (Document AF-300).

Government of Guyana policies, guidelines, rules and regulations governing the Government accounting systems were applied, as far as possible, to the overall financial operations and management. IADB principles took precedence when managing IADB funds.

**WATER SUPPLY AND SANITATION INFRASTRUCTURE
IMPROVEMENT PROGRAM**

NOTES TO THE FINANCIAL STATEMENTS-CONT'D

3. Available Cash and Bank Balances

(a) The available cash balance as of 31st December 2017, in the Program's bank accounts are as follows:

	US\$
Crown Agents Bank Account #33681117	3,451,821.09
Bank of Guyana Account # 0163700313009	<u>94,172.69</u>
	<u>3,545,993.78</u>

(b) There was no interest earned for the period ended 31st December, 2017, also there was no gain/loss on exchange rate.

4. Advances or Amounts Pending Justification

As of 31st December, 2017 the amount pending justification amounted to US\$1,935,906.81.

US\$967,953.43 will be justified from IDB funds and €822,264.94 from the European Union Non Reimbursable Financing Agreement. These are eligible expenses for the program (detailed on page 18).

5. Advance of Fund

In accordance with loan/grant agreements LO- No. 3242/OC-GY, 3243/BL-GY & GRT/EX-14520-GY the advance of fund methodology is adapted where the Bank disburses resources as an Advance of Fund to the Executing Agency to cover eligible expenditures related to the execution of the Project. The maximum amount of each advance of fund shall be set by the Bank on the liquidity needs of the project. At no time may the maximum amount of an Advance of Fund exceed the amount required to finance such expenditures, during a year of up to six (6) months in accordance with the investment schedule and the cash flow required to meet such purpose and the capacity demonstrated by the Executing Agency. The Bank may increase the maximum amount of an Advance of Fund when immediate cash flow needs that merit such increase arise, upon presentation of a request duly justified and accompanied by a statement of projected expenditures for the execution of the Project during the corresponding Advance of Fund year in effect. At least Seventy Percent (70%) of the total amount of resources disbursed as an Advance of Fund must be justified before the Executing Agency receives another Advance of Fund.

(a) The program received its first advance totaling US\$2,000,000 in December, 2014, US\$1,000,000 from the Inter-American Development Bank and US\$1,000,000 from the European Union's Caribbean Investment Facility (CIF). The Program was able to justify US\$4,712,813.78 in 2017 of the amount advanced (see page 15 for more details).

WATER SUPPLY AND SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM

NOTES TO THE FINANCIAL STATEMENTS-CONT'D

7. Disbursements/justifications requested

There were four disbursement/justification requests made for the year ended 31 December 2017. The Program received disbursement totaling US\$4,675,145 and €3,953,960 in 2017.

8. Fixed assets

Fixed assets as at 31 December 2017 totaled US\$213,505.59 (€177,903.27). This total includes: items bought with IADB and European Union funds for the execution of the project (see IDB fixed assets schedule on page 34 for more details).

9. Contingencies

As at 31st December, 2017 there were no existing conditions, situations, or set of circumstances that involve uncertainty as to a possible gain or loss. The uncertainty revolves when one or more future events occur or fail to occur and falls into three categories as follows:

- Probable, where the future event remains most likely to occur
- Reasonably possible, where the future event occurring is realistic, but neither likely nor remote.
- Remote, where the chance of the future event occurring is slight.

10. Subsequent Events

There were no events arising that provided additional evidence about conditions that existed as at 31st December, 2017 nor provided evidence with respect to conditions that did not exist at 31st December, 2017 but arose subsequent to that date.

11. Other significant matter

There were no other significant matters.

GUYANA WATER INCORPORATED
WATER SUPPLY AND SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM
SUPPLEMENTARY FINANCIAL INFORMATION
RECONCILIATION OF AVAILABLE CASH BALANCE
FOR THE PERIOD ENDED 31st DECEMBER 2017

Balance as per Bank Statement at 31 December 2017
WSSIFP Foreign - Crown Agents Bank
WSSIFP Local - Bank of Guyana (Equivalent)

US\$
3,563,300.21
189,245.97
3,752,546.18

Unrepresented cheques

Date	Cheq No.	Particulars	Dollars	Cents	US\$
23-Dec-17	06-076783	Wireless Connections - Adm placed for PH Lantier Project	66,100.00	206.50	320.10
30-Dec-17	06-076790	Gadua Industries Ltd - Purchase of DNA Materials 4.5 & 8" universal couplings	970,360.00	206.50	4,699.08
11-Dec-17	06-076793	Armed Woods - Management Fees for 1 August to 30 Nov 2017 & Leave Package	1,950,000.00	206.50	9,443.10
19-Dec-17	08-030902	Procter Fraser - VAIJ1 Service connection upgrade & installation of water meters Lot 3 - Adelaide, Good Bananas Land & Reliance Reg 6 Lot 3	936,275.00	206.50	4,514.02
21-Dec-17	08-030903	Serr Computers - 60 Samsung Galaxy Tablets for use in the NRW program	2,530,000.00	206.50	12,348.67
21-Dec-17	08-030904	Messy Technologies (Guyana) Limited - Purchase of 4 laptops for WSSIFP staff members	1,200,000.00	206.50	5,811.14
22-Dec-17	08-010905	Innovative Systems Inc. - 2nd Payment Design & Implementation of Human Resources Management Information System	3,616,900.00	206.50	17,315.25
22-Dec-17	08-030906	Mohamed Ahmed Construction Works - VAIJ2 Service connection upgrade & installation of water meters, Lot 1 Fortlands, Shree Anand & Cumberland	1,936,150.00	206.50	9,472.88
22-Dec-17	08-030907	Procter Fraser - VAIJ2 Service connection upgrade & installation of water meters Lot 3 - Adelaide, Good Bananas Land & Reliance Reg 6 Lot 3	1,424,478.00	206.50	6,898.20
22-Dec-17	08-010908	Prince Baker - VAI 3 - Service Connection upgrade and installation of meters - Lot 4 Bodanika, No. 11, 19, 21, Palmyra, Stenwell, Suamuk, Reg No. 6	1,053,360.00	206.50	5,101.02
22-Dec-17	08-030909	James Vaughan - VAIJ 3 - Service Connection upgrade and installation of meters from Lot 3 Great Diamond Phase 2	818,820.00	206.50	3,965.23
22-Dec-17	08-030910	Procter Fraser - VAI 2 - Service Connection upgrade and installation of meters - Lot 2 Great Diamond Phase 1 EBD Reg No. 4	1,868,476.00	206.50	9,048.31
22-Dec-17	08-030911	JC Contracting Services - VAIJ3 - Service Connection upgrade and installation of meters Lot 1 Arcadia, Modda, Harrelling, etc	1,221,712.00	206.50	5,916.28
31-Dec-17	APP 029	Care & Main Non Revenue Water Equipment - 10 Status Data Loggers with accessories			11,697.50
31-Dec-17	APP 030	Hydroplan Logistics - Gasliftcraft units - Supervision and Monitoring Consultancy required for project execution phase for the Water Supply and Sanitation Infrastructure Improvement Program			77,093.00
31-Dec-17	APP 031	Central Technology - Non Revenue Water Equipment - 15 HYM multi-line enhanced network loggers with accessories			22,688.61
TOTAL					286,552.39

Available Cash Balance
Rounding Difference

286,552.39
3,545,993.79
3,832,546.18

Mr. Nigel Williams
Executive Director
Corporate Services, GWI

Dr. Richard Van Weert-Charles
Managing Director, GWI

Mr. E-mail McGarr
Permanent Secretary, Ministry of Communities

GUYANA WATER INC.
WATER SUPPLY AND SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM
EXPENDITURES MADE WITH RESOURCES OF THE ADVANCE OF FUNDS NOT YET SUBMITTED TO THE BANK AS AT 31ST DECEMBER 2017

Investment Category	Particulars	Date of Payment	Cheque No.	Guyana Dollars	Exchange Rate	Total Amount US Dollars	IDB US\$	EU Euros €
1	Sinohydro Corporation- GUY\$ element - Advance payment on the Design, Supply & Instal water facilities and upgrade of reticulation at Uitvlugt \$104,706,654; Diamond \$132,953,629 & Sheet Anchor \$89,785,328	15-Dec-17	APP 026	327445611	206.50	200,820.03	100,410.02	84,281.84
1	Sinohydro Corporation- GUY\$ element - Advance payment on the Design, Supply & Instal water facilities and upgrade of reticulation at Uitvlugt \$104,706,654; Diamond \$132,953,629 & Sheet Anchor \$89,785,328							
	TOTAL Component 1					1,384,873.00	692,436.50	589,214.99
	Prestige Works -Mobilisation advance - Service Connection upgrade and installation of meters - Arcadia to Grove EBD Reg No. 4					1,585,693.03	792,846.52	673,496.83
2	James Vaughn -Val# 2 Service Connection upgrade and installation of meters from Arcadia to Grove Region 4 Lot 3	27-Nov-17	06-076794	1,047,490.00	206.50	5,072.59	2,536.30	2,128.91
2	Prince Baker - Val 2 - Service Connection upgrade and installation of meters - Fortlands to Susannah Reg No. 6	18-Dec-17	06-076797	492,110.00	206.50	2,383.10	1,191.55	1,013.93
2	Mohamed Ahmad Construction Works -Val#1 Service connection upgrade & installation of water meters Fortlands to Susannah	18-Dec-17	06-076799	725,445.00	206.50	3,513.05	1,756.53	1,494.68
2	JC Contracting Services - Val#2 - Service Connection upgrade and installation of meters from Arcadia to Grove Region 4 Lot 1	18-Dec-17	06-076800	1,494,450.00	206.50	7,237.05	3,618.52	3,079.11
2	Practor Fraser - Val#1 Service connection upgrade & installation of water meters Fortlands to Susannah Reg 6 Lot 3	18-Dec-17	08-030901	791,645.00	206.50	3,833.63	1,916.82	1,631.08
2	Massey Technologies (Guyana) Limited - Purchase of 4 laptops for WSSIP staff members	19-Dec-17	08-030902	936,275.00	206.50	4,534.02	2,267.01	1,929.07
2	Start Computers -60 Samsung Galaxy Tablets for use in the NRW program	21-Dec-17	08-030904	1,200,000.00	206.50	5,811.14	2,905.57	2,472.44
2	Mohamed Ahmad Construction Works - Val#2 Service connection upgrade & installation of water meters Fortlands to Susannah	21-Dec-17	08-030903	2,550,000.00	206.50	12,348.67	6,174.33	5,253.93
2	Practor Fraser -Val#2 Service connection upgrade & installation of water meters Fortlands to Susannah Reg 6 Lot 3	22-Dec-17	08-030906	1,956,150.00	206.50	9,472.88	4,736.44	4,030.38
2	Prince Baker -Val#3 Upgrade of service connection & installation of meters Fortlands to Susannah	22-Dec-17	08-030907	1,424,478.00	206.50	6,898.20	3,449.10	2,934.94
2	James Vaughn -Val#3 Upgrade of service connection & installation of meters Lot 3 Great Diamond Ph. 2	22-Dec-17	08-030908	1,053,360.00	206.50	5,101.02	2,550.51	2,170.30
2	Prestige Works -Val #2 - Service Connection upgrade and installation of meters - Arcadia to Grove EBD Reg No. 4	22-Dec-17	08-030909	818,820.00	206.50	3,965.23	1,982.62	1,687.07
2	Control Technologies Ltd. - final Payment on the supply of Enhanced Network Telemetry Data Loggers	22-Dec-17	08-030910	1,868,476.00	206.50	9,048.31	4,524.15	3,849.74
2	JC Contracting Services - Val#3 Upgrade of service connection & installation of meters Arcadia, Mocha etc.	29-Dec-17	APP 028			34,068.27	17,034.14	14,494.86
2	Core & Main -Non Revenue Water Equipment- 10 Sensus Data Loggers with accessories	31-Dec-17	08-030911	1,221,712.00	206.50	5,916.28	2,958.14	2,517.17
2	Control Technology -Non Revenue Water Equipment -15 HWM multilog enhanced network loggers with accessories	31-Dec-17	APP 029			11,697.50	5,848.75	4,976.88
2	TOTAL Component 2		APP 031			22,688.61	11,344.31	9,653.21
3	Innovative Systems-1st Payment Design & Implementation of Human Resources Management Information System	12-Dec-17	06-076796	5,425,350.00	206.50	26,272.88	13,136.44	11,026.42
3	Innovative Systems Inc. -2nd Payment Design & Implementation of Human Resources Management Information System	22-Dec-17	08-030905	3,616,900.00	206.50	17,515.25	8,757.63	7,452.13
	TOTAL Component 3			9,042,250.00		43,788.13	21,894.07	18,478.55
5.1	Hydroplan Ingenieur-Gesellschaft mbH -2nd Payment, Consulting service for supervision required for the project execution phase for WSSIP	15-Dec-17	APP 027			66,300.00	33,150.00	28,208.33
5.1	Hydroplan Ingenieur -Gesellschaft mbH - Supervision and Mentoring Consultancy required for project execution phase for the Water Supply and Sanitation Infrastructure Improvement Program	31-Dec-17						
	TOTAL Component 5.1		APP 030			77,093.00	38,546.50	32,800.37
5.2	Arabad Yacoub - Management Fees for 1 August to 30 Nov 2017 & Leave Passage	11-Dec-17	06-076795	1,950,000.00	206.50	143,393.00	71,696.50	61,008.70
	TOTAL Component 5.2			1,950,000.00		9,443.10	4,721.55	3,963.16
	TOTAL UNJUSTIFIED EXPENDITURE at 31st December 2017					9,443.10	4,721.55	3,963.16
						1,935,906.81	967,953.43	822,264.94

Mr. Nigel Niles
 Executive Director of Corporate Services, GWI

Dr. Richard Van West-Charles
 Managing Director, GWI

Mr. Emil McGarrell
 Permanent Secretary, Ministry of Communities

GUYANA WATER INCORPORATED
WATER SUPPLY AND SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM
RECONCILIATION OF FINANCIAL STATEMENTS TO LMS-1 AS AT 31 DECEMBER, 2017

NO	INVESTMENT CATEGORY	IDB EXPENDITURE	IDB EXPENDITURE	DIFFERENCE	
		As At 31/12/2017	As At 31/12/2017		
		Fin. Statement	IDB-LMS 1	FINANCIAL VS	
		US\$	US\$	IDB-LMS 1	
1.0	Construction, rehabilitation and expansion of Water Treatment Plant	2,813,224.84	2,020,378.33	792,846.51	Variance represents expenses which have not yet been justified.
2.0	Non-Retrieve Water Program	702,433.01	636,679.40	65,753.61	Variance represents expenses which have not yet been justified \$76,794.79 & Prior year credit adjustment of \$11,041.16
3.0	Infestitional Strengthening of GWI	130,793.60	97,838.37	32,935.23	Variance represents expenses which have not yet been justified \$21,894.07 & Prior year adjustment of \$11,041.16
4.0	Improved access to sanitation	4,146.02	4,146.02	-	
5	Administrative Monitoring and Auditing				
5.1	Financial/technical auditing, monitoring and evaluation	191,350.04	119,653.54	71,696.50	Variance represents expenses which have not yet been justified.
5.2	Program Administration	60,200.78	35,479.22	4,721.56	Variance represents expenses which have not yet been justified.
6.0	Administrative fee (2%)	-	-	-	
8.0	Contingencies	-	-	-	
	TOTAL	3,902,148.29	2,934,184.88	967,953.41	


Mr. Nigel Miles
Executive Director of Corporate Services, GWI


Dr. Richard Van West-Charles
Managing Director, GWI


Mr. Edith McGarrell
Permanent Secretary, Ministry of Communities

GUYANA WATER INCORPORATED
WATER SUPPLY AND SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM
RECONCILIATION OF THE ADVANCE OF FUNDS AND BANK STATEMENT AS AT 31 DECEMBER 2017

Advances and Justifications:

	US\$	US\$
Opening Balance of Advances	244,811.47	
Advances received during the Period	4,675,145.17	
Advances recorded as Justified during the period	<u>(2,179,006.35)</u>	
Balance on the Advances of Funds(LMS) at 31 December 2017		2,740,950.29
Balance as per Bank Statement at 31 December 2017		
WSSIIP Foreign - Crown Agents Bank	3,563,300.21	
WSSIIP Local - Bank of Guyana	<u>189,245.97</u>	
	<u>3,752,546.18</u>	<u>(3,752,546.18)</u>
		<u>(1,011,595.89)</u>

Reconciliation of Difference between LMS & Bank Statements

Transactions Pending Justification	1,935,906.81	
EU Closing Balance of Funds (US\$ Equivalent)	(2,740,950.29)	
Unpresented cheques	(206,552.39)	
Rounding Difference	<u>(0.02)</u>	
	<u>(1,011,595.89)</u>	<u>(1,011,595.89)</u>


Mr. Nigel Niles

Executive Director of Corporate Services, GWI



Dr. Richard Van West-Charles
Managing Director, GWI



Mr. Emil McGarrell
Permanent Secretary, Ministry of Communities

**GYANA WATER INCORPORATED
WATER SUPPLY AND SANITATION IMPROVEMENT PROGRAM
SUPPLEMENTARY FINANCIAL INFORMATION
COMPARISON OF BUDGETED AND ACTUAL PROJECT INVESTMENT COST FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2017**

2017									
Category of Investment	Budget 1 Jan - 31 December 2017			Actual Expenditure 1 Jan - 31 December 2017			Difference (US\$)		Difference %
	IDB & EU	US\$	Total	IDB & EU	US\$	Total	IDB & EU	COG	
Component 1 Construction, rehabilitation and expansion of Water Treatment Plants (WTPs)	1.1 New Water Treatment Plants built	4,800,000.00	-	4,800,000.00	5,625,239.03	-	(825,239.03)	-	(0.17)
	1.2 Water Treatment Plants rehabilitated	1,130,000.00	-	1,130,000.00	-	-	1,130,000.00	-	1.00
	1.3 Storage tank constructed	5,970,000.00	-	5,970,000.00	5,625,239.03	-	304,760.97	-	0.05
Component 2 Non-Retreat Water (NRW) Program									
2.1	One diagnosis and action plan for NRW reduction developed and implemented for each program area	54,372.00	-	54,372.00	-	-	54,372.00	-	1.00
2.2	Action plan for NRW reduction for the program areas implemented	200,000.00	-	200,000.00	178,815.18	-	21,184.82	-	0.11
2.3	Rehabilitation of 4 km of transmission mains to program areas	-	-	-	-	-	-	-	-
2.4	Rehabilitation of 1 km of distribution mains	172,000.00	-	172,000.00	367,886.98	-	(102,886.98)	-	(0.19)
2.5	New customer water meters installed (15,360)	265,000.00	-	265,000.00	546,702.16	-	(102,886.98)	-	(0.19)
		691,372.00	-	691,372.00	546,702.16	-	144,669.84	-	0.21
Component 3 Institutional Strengthening of GWI									
3.1	Operations manuals for the new system and maintenance manuals for the new assets developed	-	-	-	-	-	-	-	-
3.2	GWJ staff trained to operation and maintenance and non-revenue water reduction	10,000.00	-	10,000.00	46,960.29	-	(36,960.29)	-	(1.70)
3.3	Action Plan for Greenwater Management completed	129,985.00	-	129,985.00	52,491.61	-	77,493.39	-	0.60
3.4	IT Systems (Financial, Commercial and Human Resources) integration completed	29,450.00	-	29,450.00	112,335.63	-	(82,885.63)	-	(2.81)
3.5	ISO-9001 Certification Action Plan developed	-	-	-	-	-	-	-	-
3.6	Action Plan to support the implementation of the new tariff structure and data verification implemented	-	-	-	-	-	-	-	-
3.7	Action Plan for Planning and Monitoring System implemented	-	-	-	739.83	-	(739.83)	-	-
		169,435.00	-	169,435.00	212,527.36	-	(43,092.36)	-	(0.25)
Component 4 Improved access to sanitation									
4.1	One thousand pit latrines upgraded to efficient septic tanks	15,000.00	-	15,000.00	8,292.03	-	6,707.97	-	0.45
4.2	At least three workshops held on operation and maintenance of septic tanks	-	-	-	-	-	-	-	-
4.3	Public Awareness campaign on sanitation and hygiene implemented	-	-	-	-	-	-	-	-
		15,000.00	-	15,000.00	8,292.03	-	6,707.97	-	0.45
Component 5 Administration, Monitoring and Auditing									
5.1	Financial, Technical, auditing, monitoring & evaluation	6,000.00	-	6,000.00	153,562.49	-	(147,562.49)	-	(24.97)
5.2	Project Administration	96,000.00	-	96,000.00	65,685.23	-	30,314.77	-	0.68
5.4	Contingencies	103,000.00	-	103,000.00	219,247.72	-	(111,247.72)	-	(1.15)
Total		6,907,807.00	-	6,907,807.00	6,612,008.30	-	295,798.70	-	0.04


Mr. Nigel Roth
Executive Director of Corporate Services, GWT

Dr. Richard Van Wagon-Charles
Managing Director, CWT

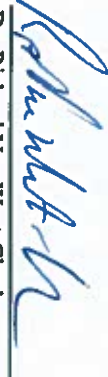
Mr. Eoin MacGarra
Permanent Secretary, Ministry of Commerce

GUYANA WATER INCORPORATED
WATER SUPPLY AND SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM
SUPPLEMENTARY FINANCIAL INFORMATION
RECONCILIATION OF DISBURSEMENT MADE AND CUMULATIVE INVESTMENTS
AS AT 31 DECEMBER 2017

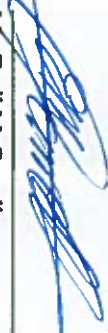
INVESTMENT CATEGORY	DISBURSEMENT MADE		DIRECT PAYMENT		CUMULATIVE INVESTMENTS	
	US\$	Euro €	US\$	Euro €	US\$	Euro €
1.0 Construction, rehabilitation and expansion of Water Treatment Plant	5,626,449.69	4,735,574.62	-	-	5,626,449.69	4,735,574.62
2.0 Non-Revenue Water Program	1,404,866.02	1,158,158.61	-	-	1,404,866.02	1,158,158.61
3.0 Institutional Strengthening of GWI	261,587.19	215,809.30	-	-	261,587.19	215,809.30
4.0 Improved Access to Sanitation	8,292.03	6,809.26	-	-	8,292.03	6,809.26
5.1 Financial/technical auditing, monitoring and evaluation	382,700.07	318,531.58	-	-	382,700.07	318,531.58
5.2 Program Administration	120,401.56	99,043.16	-	-	120,401.56	99,043.16
6.0 Contingencies	-	-	-	-	-	-
8.0 Administrative Fee (2%)	-	-	-	213,500.00	-	213,500.00
TOTAL	7,804,296.56	6,533,926.53	-	213,500.00	7,804,296.56	6,747,426.53



Mr. Nigel Niles
Executive Director of Corporate Services, GWI



Dr. Richard Van West-Charles
Managing Director, GWI



Mr. Emil McGarrell
Permanent Secretary, Ministry of Communities

INDEPENDENT AUDITOR'S REPORT
(CHARTERED ACCOUNTANTS TSD LAL & CO.)
TO THE INTER-AMERICAN DEVELOPMENT BANK
ON THE INTERNAL CONTROL SYSTEM OF THE PROJECT
WATER SUPPLY AND SANITATION INFRASTRUCTURE IMPROVEMENT
PROGRAM
LOAN/GRANT NO. 3242/OC-GY, 3243/BL-GY & GRT/EX-14520-GY
BETWEEN THE CO-OPERATIVE REPUBLIC OF GUYANA,
THE INTER-AMERICAN DEVELOPMENT BANK AND THE
EUROPEAN UNION
MANAGED BY GUYANA WATER INCORPORATED
FOR THE YEAR ENDED 31 DECEMBER 2017

We have audited the Statement of Cash Received and Disbursements for the year ended 31 December, 2017 and the Statement of Cumulative Investments as of 31 December, 2017 for the Water Supply and Sanitation Infrastructure Improvement Program, executed by Guyana Water Incorporated, and financed with funds from the Inter-American Development Bank and European Union Loan Agreement No.3242/OC-GY, 3243/BL-GY & GRT/EX-14520-GY, executed by Guyana Water Incorporated, and have issued our report thereon dated April 24, 2018.


This report complements our opinion on the referenced financial statements.

The Management of Guyana Water Incorporated and Water Supply and Sanitation Infrastructure Improvement Program is responsible for establishing and maintaining a system of internal control sufficient to mitigate the risks 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 authorization 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 years 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 procedures may deteriorate.

In planning and performing our audit of the program's financial statements for the year ended 31 December, 2017, we obtained an understanding of the system of internal control, and we 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, we do not express such an opinion.

We did not find matters that are described in this report, involving the system of internal control and its operation that we consider to be reportable conditions under International Standards of Auditing. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the system of internal control that, in our judgment, could adversely affect the ability of the Water Supply and Sanitation Infrastructure Improvement Program to record, process, summarize, and report financial data consistent with assertions of management in the Statement of Cash Received and Disbursements 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 relative 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 performance of their assigned functions.


TSD LAL & CO.
CHARTERED ACCOUNTANTS

Date: April 24, 2018

77 Brickdam,
Stabroek, Georgetown,
Guyana.

SUMMARY OF MAIN VERIFICATION PROCEDURES

1.
 - (a) Listing of Statement of expenses/payments relating to IDB and European Union was selected and balances were verified.
 - (b) Goods and Services – expenses were verified with contracts, payment vouchers, suppliers' invoices, suppliers' quotations and bank statements.
 - (c) Project Employees - expenses were verified with contracts of employment, payment vouchers and bank statements.

Expenses were checked to ensure that they were properly authorized, approved, and spent for the purposes in the Loan Contract Agreement.

The disbursements and procurement guidelines were examined to ensure that the procedures were complied with.

2. Evaluating the internal control structure

- (a) The organization chart relating to the project was obtained and checked to ensure that the required staffing was in place.
- (b) Checks were made to ensure that expenditures were authorized, approved and recorded correctly and timely.
- (c) Checks were made to ensure that the procedures governing the managing of the project's bank account were complied with.
- (d) Checks were made to determine whether there was adequate segregation of duties.

2. Evaluating the internal control structure – Cont'd

Checking figures included in the financial statements mainly G\$ bank account and the Statement of Expenses.

- (a) Categorizations of expenses were checked to ensure that they were correctly allocated.
- (b) Transactions in the project's bank account and the Statement of Expenses were verified with supporting documents:
 - (ii) Cash received was verified with IDB's Transaction History Listing.
 - (iii) The partners then reviewed the working papers.
- (c) Inspect selected works carried out with project resources.

3. Evaluating compliance with terms of applicable agreements.

The Loan Contract Agreement, IDB's Guidelines and the Terms of Reference were obtained and discussions held with the Procurement Specialist and the Finance Comptroller to determine compliance with appropriate articles/conditions. The explanations received were corroborated.



Guyana Water Inc.

Head Office: Lot 1, Vlissengen Road and Church Street, Bel Air Georgetown, Guyana.
Tel: 225-0471/6, Fax: 225-0478, E-mail: pro@gwi.gy

The Water Guardian

24th April, 2018:

TSD LAL & CO.
77 Brickdam
Stabroek
Georgetown

Dear Sirs,

MANAGEMENT WRITTEN REPRESENTATION

IADB Project Number: 3242/OC-GY, 3243/BL-GY & GRT/EX-14520-GY WATER SUPPLY AND SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM

This representation letter is provided in connection with the audit of the financial statements of IADB Project Number: 3242/OC-GY, 3243/BL-GY & GRT/EX-14520-GY for the year ended 31 December, 2017 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards.

We confirm that, to the best of our knowledge and belief, we have made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 11, 2017 for the preparation of the financial statements in accordance with International Financial Reporting Standards; in particular the financial statements are fairly presented (or give a true and fair view) in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. (ISA 540)
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards. (ISA 550).
- All events subsequent to the date of the financial statements and for which International Financial Reporting Standards require adjustment or disclosure has been adjusted or disclosed. (ISA 560)
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. There were no uncorrected misstatements.

27.

Customer Relations & Commercial Services Office: Vlissengen Road & Church Street, Bel Air Park, Georgetown.
Tel: 225-5516-7 & 227-8701 Website: www.gwiguyana.com | VAT-Tax Identification Number (TIN): 010074568

Information Provided

- We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. (ISA 240)
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements (ISA 240).
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others. (ISA 250)
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements. (ISA 250)
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. (ISA 550) when preparing financial statements. (ISA 250)



Mr. Nigel Niles
Executive Director of Corporate Services, GWI



Dr. Richard VanWest-Charles
Managing Director, GWI



Mr. Emil McGarrell
Permanent Secretary, Ministry of Communities



Guyana Water Inc.

Head Office: Lot 1, Vlissengen Road and Church Street, Bel Air Georgetown, Guyana.
Tel: 225-0471/6, Fax: 225-0478, E-mail: pro@gwi.gy

The Water Guardian

24th April, 2018

DECLARATION STATEMENT

We declare that the Bank funds were used for purposes specified in the signed agreement.

We declare that the internal control systems were in place, and implemented to mitigate the risks assessed in the execution of the operations for the year under review, and that they were effective, to the extent that reliance can be placed on the audited financial statements.

Mr. Nigel Niles
Executive Director of Corporate Services, GWI

Dr. Richard VanWest-Charles
Managing Director, GWI

Mr. Emil McGarrell
Permanent Secretary, Ministry of Communities

Our Ref: RL/RN/FB/503

Date: April 24, 2018

Dr. Richard VanWest-Charles
Chief Executive Officer
Guyana Water Authority Inc
Vlissengen Road and Church Street
GEORGETOWN

Dear Sir,

**RE: AUDIT OF THE PROJECT WATER SUPPLY AND SANITATION
INFRASTRUCTURE IMPROVEMENT PROGRAM LOAN/GRANT NO.
3242/OC-GY, 3243/BL-GY & GRT/EX-14520-GY BETWEEN THE CO-
OPERATIVE REPUBLIC OF GUYANA, THE INTER-AMERICAN
DEVELOPMENT BANK AND THE EUROPEAN UNION MANAGED BY
GUYANA WATER INCORPORATED FOR THE YEAR ENDED 31 DECEMBER
2017.**

The following observations arising from the above-mentioned verification of the financial statements for the year ended 31 December 2017 are forwarded for your comments.

Scope and Methodology

The purpose of the assignment was to:

- (a) Evaluate the internal control system to determine its adequacy.
- (b) Examine the project's financial statements to ensure they are fairly presented in all material respects.
- (c) Examine whether the Executing Agency complied with the financial and accounting related contractual clauses, the operations regulation and/or inter-institutional agreements.
- (d) Review a sample of the statement of expenses to ensure the expenses were adequately supported as specified in the agreement.

Scope and Methodology – Cont'd

- (e) Inspect works financed with project resources to verify that they are being executed in accordance with the approved plans and specifications.
- (f) Review the procedures to record, control and maintain goods acquired with project funds.
- (g) Examine the revolving fund including the bank account reconciliation to determine whether balance at the end of the year represents the availability of the funds at that date and that transactions were as specified by the bank.
- (h) Evaluate and report on: -
 - the misuse or misappropriation of funds (intentional or not intentional)

Work done

- (a) We assessed the system of internal controls to determine the extent of reliance to place on them and thus determine the extent of our audit checks.
- (b) The procurement process was examined and contracts were scrutinized to determine whether they were in accordance with the Loan Contract Agreement and the IDB's guideline.
- (c) Selected assets held by the Project Executing Agency were physically verified.
- (d) Statements of expenditure and bank statements were examined to ensure that they were properly prepared and expenditure adequately supported.
- (e) The Loan Contract was reviewed to ensure compliance with the terms.

Our audit was carried out in accordance with International Standards on Auditing and Inter- American Development Bank's Guidelines.

Matter previously reported

Comment

- 1.1 The project server was a victim of a ransom ware attack in January 2017. As a result project data which were not kept on employee's desktop and/or flash drives were lost.

Criteria

- 1.1 Backups should be kept for all information held electronically and should be stored off site.

Cause

- 1.1 Ransom ware attack.

Effect

- 1.1 Information lost could affect the Executing Agency's ability to carry out its operations effectively.

Recommendation

- 1.1 Management should ensure that appropriate safeguards are in place to prevent the reoccurrence of such or similar incidents. Moreover appropriate and effective information recovery procedures should be in place.

Management's comment

- 1.1 Subsequent to the ransom ware attack GWI implemented a File Server System/Central Repository where all of our data is stored with access granted to authorize users only. All of this data is backup daily on data storage media and stored at our offsite secured storage. Backup logs are maintained.

Additionally, we have upgraded our Cyber Security System which includes Firewalls, Email Spam filtering, state of the art end point protection systems and a host of other measures and system.

Further, during 2018, GWI intends to implement a Disaster recovery site complete with replication as a second contingency plan for faster recovery time.

Matters now reporting

Comments

- 1.1 There was no separation of coding in Oracle between the program's inventory and Guyana Water Authority (GWI).
- 1.2 Fixed assets were not coded separately from GWI assets.
- 1.3 A total of eleven (11) tablets from the sixty (60) purchased was lost but were not taken up in the asset register.

Criteria

- 1.1 The program's inventory should be separated from Guyana Water Authority's inventory in the system.
- 1.2 The program's assets should be separated from Guyana Water Authority's assets in the system.
- 1.3 The program's assets should be properly monitored and controlled.

Causes

- 1.1 to 1.3 This is an internal control oversight.

Effects

- 1.1 Inventory acquired for the program maybe misplaced among GWI's inventory.
- 1.2 Assets acquired for the program maybe misplaced among GWI's assets.
- 1.3 Fixed asset balance maybe misstated.

Recommendations

- 1.1 Management should ensure that all inventory relating to the program are separated from GWI's inventory in the Oracle system.
- 1.2 Management should ensure all program assets are separately identifiable from GWI's assets.
- 1.3 Management should properly account for the lost items of fixed assets.

Management's comments

- 1.1 Inventory items for the Project are set up in Oracle as "reserved inventory"; this reservation ensures that movement is only made under authorization of the Program's management. Additionally, the Program's inventory is physically separated from GWI's inventory.
- 1.2 The entities responsible for the financing of GWI's assets are identified in its Financial Statements and in its accounting system.

It is difficult for us to envisage how the assets purchased with the Program's resource could be "misplaced among GWI's assets".

GWl's Fixed Assets policy and Financial Regulations are intended to safeguard all assets of the entity; a Fixed Assets Department exists to ensure compliance with these regulations and policies.

Further, under this Program, assets exposed to the public are visibly identified as being acquired with financing from our development partners – the European Union and the IDB.


- 1.3 We note the loss of 11 Tablets. These assets remain listed in the Asset Register as the company is awaiting a report from the Guyana Police Force prior to making a formal decision on this matter.

WATER SUPPLY & SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM
SUPPLEMENTARY FINANCIAL INFORMATION
DBS FIXED ASSET SCHEDULE
AS AT 31st DECEMBER 2017

Appendix 1

PAYMENT DATE	PAYMENT REFERENCE	SUPPLIER	PARTICULARS	PURCHASE PRICE G\$	FX RATE	PURCHASE PRICE US\$	PURCHASE PRICE €	Location
13-Jul-15	06-076715	Metro Office And Computer Supplies	2 Filing Cabinets	141,000.00	206.50	682.81	560.71	1 at IPID Office- Stone Avenue & Daduwa Street, Campbellville & 1 in Projects Accounting Unit at Shelter Bell
2-Nov-15	06-076726	Guyana Water Inc.	2 Chairs	79,172.00	206.50	383.40	314.84	IPID Office- Stone Avenue & Daduwa Street, Campbellville
21-Mar-16	06-076739	Laportan Guyana Trading	2 Visitors Waiting Chairs	13,340.00	206.50	64.60	53.05	IPID Office- Stone Avenue & Daduwa Street, Campbellville
21-Mar-16	06-076740	Star Computer Inc.	1 HP LaserJet Pro M127FN All-in-one (Printer)	44,900.00	206.50	217.43	178.55	IPID Office- Stone Avenue & Daduwa Street, Campbellville
17-Mar-17	APR 017	Aquavivo, LLC	Groundwater modeling Software			52,491.61	43,105.05	Design of Infrastructure Office- Shelter Bell, Vissersgen Road Bel Air
2-Oct-17	APR 021	Massy Industries Ltd	1 Double cab Pick Up Truck PVV 9916	8,050,000.00	206.50	38,983.05	32,012.10	IPID Office- Stone Avenue & Daduwa Street, Campbellville
21-Dec-17	08-030903	Star Computers	60 Samsung Galaxy Tablets for use in the NRW program	2,550,000.00	206.50	12,348.67	10,507.85	Non Revenue Water Coordinator - Shelter Bell, Vissersgen Road Bel Air
21-Dec-17	08-030904	Massy Technologies (Guyana) Limited	4 laptops for WSSUP staff members	1,200,000.00	206.50	5,811.14	4,944.87	IPID Office- Stone Avenue & Daduwa Street, Campbellville
16 Nov & 29 Dec 2018	APR 028	Central Technologies Ltd.	60 Multiling GPRS LX2 Telemetry Loggers & accompanying power supply units & cables and remote installation of same			68,136.77	56,966.08	GWI Stores - La Bonne Intention, East Coast Demerara
31-Dec-17	APR 029	Core & Main	10 Senas Data Loggers with 2 Senas CDL (WRN 4) Software; 2 Data Logger Cables & 1 Pin plug			11,697.50	9,953.75	Goods in Transit
31-Dec-17	APR 031	Control Technology	15 HVM4 multiling enhanced network loggers with accompanying battery packs & cables			22,688.61	19,306.42	Goods in Transit
TOTAL ASSETS ACQUIRED AS AT 31 DECEMBER 2017						213,595.59	177,903.37	


Mr. Nigel Niles
Executive Director of Corporate Services, GWI


Dr. Richard Van West-Charter
Managing Director, GWI


Mr. Emil McGarrell
Permanent Secretary, Ministry of Communities