



# Guyana Water Inc.

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28<sup>th</sup> April, 2016

Ms. Sophie Makonnen  
The Representative  
Inter-American Development Bank  
High Street  
Kingston  
Georgetown

Dear Ms. Makonnen,

With reference to the audit of the Financial Statements of the WATER SUPPLY AND SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM, Loan Agreement No. 3242/OC-GY, 3243/BL-GY & GRT/EX-14520-GY for the period ending 31<sup>st</sup> December, 2015 we confirm that we have complied with the clauses of the Loan contract as outlined in the General Conditions.

We confirm that we have designed and implemented the project system of internal control in conformity with the guidelines provided in our National Standards that are consistent with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) standard. We also confirm this control system was effective for the operations executed in the period.

We confirm that the mitigation actions arising from application of the guidelines for risk management in Bank projects were implemented in keeping with the timelines and outcome dates agreed with the IDB.

Yours sincerely,

Dr. Richard Van West-Charles  
Chief Executive, Guyana Water Inc.

Mr. Emil McGarrell  
Permanent Secretary, Ministry of Communities



**PERMANENT SECRETARY  
MINISTRY OF COMMUNITIES**

AUDIT OF THE RESOURCES

MANAGED BY GUYANA WATER INCORPORATED

FOR THE YEAR 31 DECEMBER 2015

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- Herstellling 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 Plant**

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 GWI's 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 EA 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**

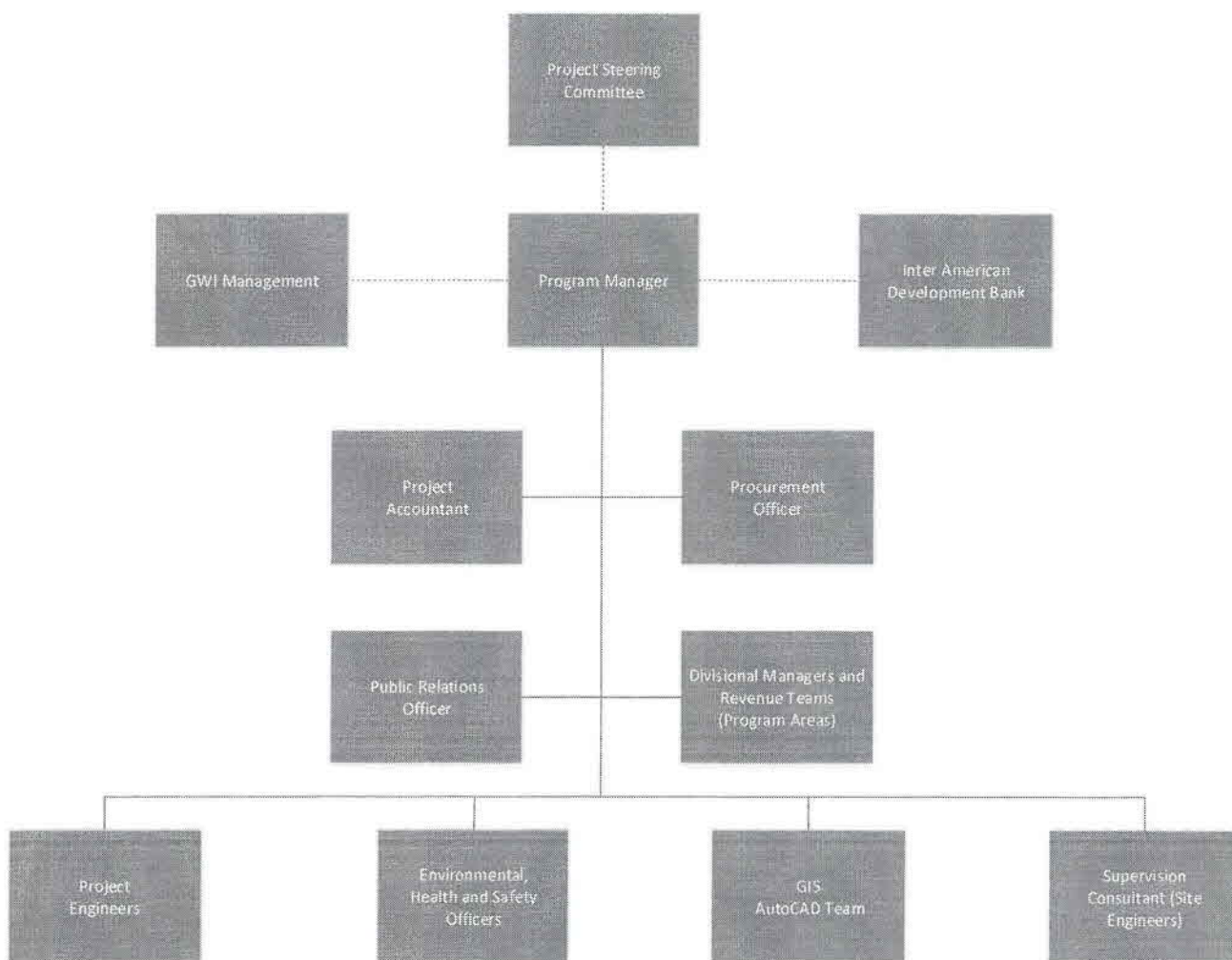
1. Issue an opinion as to whether the project financial statements present fairly in all material respects, the financial position of the project, the funds received and disbursements made during the year verified in accordance with International Standards on Auditing, issued by the International Federation 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, supplier's invoice, supplier's 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 AUDITORS' 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 YEARENDED 31 DECEMBER 2015

**Report on the Financial Statements**

We have audited the accompanying Financial Statements, which comprise the Statement of Cash Flows, 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, 2015.

**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.

## **Auditors' 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 Flows 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, 2015, 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.

*Ts D Lal, W*

TSD LAL & CO.  
CHARTERED ACCOUNTANTS

Date: 28 April, 2016

77 Brickdam,  
Stabroek, Georgetown,  
Guyana.

**GUYANA WATER INCORPORATED**  
**WATER SUPPLY & SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2015**

EXPRESSED IN US DOLLARS

	YEAR ENDED 31 DECEMBER, 2015				PERIOD ENDED 31 DECEMBER, 2014			
	IDB	IDB	EU	TOTAL	IDB	IDB	EU	TOTAL
	3242/OC-GY	3243/BL-GY	GRT/EX-14520-GY		3242/OC-GY	3243/BL-GY	GRT/EX-14520-GY	
<b>CASH RECEIVED</b>								
Cumulative balance as at 01 January	1,000,000.00	-	1,000,000.00	2,000,000.00	-	-	-	-
<i>Activity during the period</i>								
Advance of Funds/ Replenishment	-	-	-	-	1,000,000.00	-	1,000,000.00	2,000,000.00
Reimbursement of Payment	-	-	-	-	-	-	-	-
Interest Received	-	-	-	-	-	-	-	-
Other (transfer of funds from GSIP)	4,435.56	-	4,435.56	8,871.12	-	-	-	-
<b>Total Cash Received as of 31 December</b>	<b>1,004,435.56</b>	<b>-</b>	<b>1,004,435.56</b>	<b>2,008,871.12</b>	<b>1,000,000.00</b>	<b>-</b>	<b>1,000,000.00</b>	<b>2,000,000.00</b>
<b>DISBURSEMENT MADE</b>								
Cumulative balance as at 01 January	-	-	-	-	-	-	-	-
<b>ACTIVITY DURING THE PERIOD</b>								
<b>INVESTMENT CATEGORY</b>								
<b>1. Construction, rehabilitation and expansion of Water Treatment Plant</b>	605.33	-	605.33	1,210.66	-	-	-	-
<b>2. Non-Revenue Water Program</b>	326,113.63	-	326,113.63	652,227.26	-	-	-	-
<b>3. Institutional Strengthening of GWI</b>	4,435.56	-	4,435.56	8,871.12	-	-	-	-
<b>4. Improved access to sanitation</b>								
<b>Administration Monitoring and Auditing</b>								
Financial/technical auditing, monitoring and evaluation	-	-	-	-	-	-	-	-
Program Administration	13,060.17	-	13,060.17	26,120.34	-	-	-	-
Administrative fee (2%)	-	-	-	-	-	-	-	-
Contingencies	-	-	-	-	-	-	-	-
<b>Total Cash Disbursement as of 31 December</b>	<b>344,214.69</b>	<b>-</b>	<b>344,214.69</b>	<b>688,429.38</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>AVAILABLE CASH BALANCE</b>	<b>660,220.87</b>	<b>-</b>	<b>660,220.87</b>	<b>1,320,441.74</b>	<b>1,000,000.00</b>	<b>-</b>	<b>1,000,000.00</b>	<b>2,000,000.00</b>

  
 Dr. Richard VanWest-Charles,  
 Chief Executive Officer, GWI

**GUYANA WATER INC.**

  
 Mr. Emil McGarrell  
 Permanent Secretary, Ministry of Communities

**MINISTRY OF COMMUNITIES**  
**PERMANENT SECRETARY**



**GUYANA WATER INCORPORATED**  
**WATER SUPPLY & SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2015**

EXPRESSED IN EURO

	YEAR ENDED 31 DECEMBER, 2015				PERIOD ENDED 31 DECEMBER, 2014			
	IDB	IDB	EU	TOTAL	IDB	IDB	EU	TOTAL
	3242/OC-GY	3243/BL-GY	GRT/EX-14520-GY		3242/OC-GY	3243/BL-GY	GRT/EX-14520-GY	
<b>CASH RECEIVED</b>								
Cumulative balance as at 01 January	821,179.87	-	821,179.87	1,642,359.74	-	-	-	-
<i>Activity during the period</i>								
Advance of Funds/ Replenishment	-	-	-	-	821,179.87	-	821,179.87	1,642,359.74
Reimbursement of Payment	-	-	-	-	-	-	-	-
Interest Received	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total Cash Received as of 31 December</b>	<b>821,179.87</b>	<b>-</b>	<b>821,179.87</b>	<b>1,642,359.74</b>	<b>821,179.87</b>	<b>-</b>	<b>821,179.87</b>	<b>1,642,359.74</b>
<b>DISBURSEMENT MADE</b>								
Cumulative balance as at 01 January	-	-	-	-	-	-	-	-
<b>ACTIVITY DURING THE PERIOD</b>								
<b>INVESTMENT CATEGORY</b>								
<b>1. Construction, rehabilitation and expansion of Water Treatment Plant</b>	557.39	-	557.39	1,114.78	-	-	-	-
<b>2. Non-Revenue Water Program</b>	300,288.69	-	300,288.69	600,577.38	-	-	-	-
<b>3. Institutional Strengthening of GWI</b>	3,964.57	-	3,964.57	7,929.14	-	-	-	-
<b>4. Improved access to sanitation</b>	-	-	-	-	-	-	-	-
<b>Administration Monitoring and Auditing</b>								
Financial/technical auditing, monitoring and evaluation	-	-	-	-	-	-	-	-
Program Administration	12,025.93	-	12,025.93	24,051.86	-	-	-	-
Administrative fee (2%)	-	-	-	-	-	-	-	-
Contingencies	-	-	-	-	-	-	-	-
<b>Total Cash Disbursement as of 31 December</b>	<b>316,836.58</b>	<b>-</b>	<b>316,836.58</b>	<b>633,673.16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>AVAILABLE CASH BALANCE</b>	<b>504,343.29</b>	<b>-</b>	<b>504,343.29</b>	<b>1,008,686.58</b>	<b>821,179.87</b>	<b>-</b>	<b>821,179.87</b>	<b>1,642,359.74</b>



Dr. Richard VanWest-Charles,  
Chief Executive Officer, GWI

**GUYANA WATER INC.**




Mr. Emil McGarrell  
Permanent Secretary, Ministry of Communities

**PERMANENT SECRETARY**  
**MINISTRY OF COMMUNITIES**

**GUYANA WATER INCORPORATED**  
**WATER SUPPLY AND SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM**  
**STATEMENT OF CUMULATIVE INVESTMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2015**

Expressed in US dollars

INVESTMENT CATEGORY	Investments during the period ended 31 December, 2015				Cumulative investments as at 31 December 2015			
	IDB	IDB	EU	TOTAL	IDB	IDB	EU	TOTAL
	3242/OC-GY	3243/BL-GY	GRT/EX-14520-GY		3242/OC-GY	3243/BL-GY	GRT/EX-14520-GY	
1. Construction, rehabilitation and expansion of Water Treatment Plant	605.33	-	605.33	1,210.66	605.33	-	605.33	1,210.66
2. Non-Revenue Water Program	326,113.63	-	326,113.63	652,227.26	326,113.63	-	326,113.63	652,227.26
3. Institutional Strengthening of GWI	4,435.56	-	4,435.56	8,871.12	4,435.56	-	4,435.56	8,871.12
4. Improved access to sanitation	-	-	-	-	-	-	-	-
Administration Monitoring and Auditing				-				-
Financial/technical auditing, monitoring and evaluation	-	-	-	-	-	-	-	-
Program Administration	13,060.17	-	13,060.17	26,120.34	13,060.17	-	13,060.17	26,120.34
Administrative fee (2%)	-	-	-	-	-	-	-	-
Contingencies	-	-	-	-	-	-	-	-
TOTALS	344,214.69	-	344,214.69	688,429.38	344,214.69	-	344,214.69	688,429.38

  
 Dr. Richard Van West-Charles,  
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**GUYANA WATER INC.**

  
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**GUYANA WATER INCORPORATED**  
**WATER SUPPLY AND SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM**  
**STATEMENT OF CUMULATIVE INVESTMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2015**

Expressed in Euros

INVESTMENT CATEGORY	Investments during the period ended 31 December, 2015				Cumulative investments as at 31 December 2015			
	IDB	IDB	EU	TOTAL	IDB	IDB	EU	TOTAL
	3242/OC-GY	3243/BL-GY	GRT/EX-14520-GY		3242/OC-GY	3243/BL-GY	GRT/EX-14520-GY	
1. Construction, rehabilitation and expansion of Water Treatment Plant	557.39	-	557.39	1,114.78	557.39	-	557.39	1,114.78
2. Non-Revenue Water Program	300,288.69	-	300,288.69	600,577.38	300,288.69	-	300,288.69	600,577.38
3. Institutional Strengthening of GWI	3,964.57	-	3,964.57	7,929.14	3,964.57	-	3,964.57	7,929.14
4. Improved access to sanitation	-	-	-	-	-	-	-	-
Administration Monitoring and Auditing								
Financial/technical auditing, monitoring and evaluation	-	-	-	-	-	-	-	-
Program Administration	12,025.93	-	12,025.93	24,051.86	12,025.93	-	12,025.93	24,051.86
Administrative fee (2%)	-	-	213,500.00	213,500.00	-	-	213,500.00	213,500.00
Contingencies	-	-	-	-	-	-	-	-
TOTALS	316,836.58	-	530,336.58	847,173.16	316,836.58	-	530,336.58	847,173.16

  
**Dr. Richard VanWest-Charles,**  
 Chief Executive Officer, GWI

**GUYANA WATER INC.**

  
**Mr. Emil McGarrell**  
 Permanent Secretary, Ministry of Communities

**PERMANENT SECRETARY**  
**MINISTRY OF COMMUNITIES**



# **WATER SUPPLY AND SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM**

## **NOTES TO THE FINANCIAL STATEMENT**

### **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-Herstellend 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 STATEMENT-CONT'D**

### **2. Significant accounting policies-Cont'd**

#### **Cash Basis of Accounting**

The financial statements have been prepared using the cash basis of accounting, recognising revenue when the cash is received and recognising expenses when the cash has been disbursed. This accounting policy differs from the IPSAS under which transactions should be recorded when they occur and not when they are paid. However, the IPSAS have been applied to circumstances such as those discussed in chapter "Cash Basis IPSAS: Financial Reporting under the Cash Basis of Accounting."

#### **Currency/ Bank Accounts**

The Project's accounting records were in both United States dollars and Guyanese dollars and are held in two accounts: Both with the Bank of Guyana (in a Guyana dollars account and in a Bank of America US\$ account). There was no local counterpart contribution for the year ended 31 December 2015.

In order to calculate the equivalent in U.S. dollars, the cash received in local currency in a specific commercial bank account, is converted at the rate of exchange in effect at the time of receipt of these funds or at the rate of exchange at a time close to the transaction date, such as, the effective rate on the last day of the preceding month or the monthly average.

The exchange rate gain or loss that results from a difference of the exchange rate when the funds are received versus when they are converted to local currency to make payments for eligible expenses is accounted for as an exchange rate differential charged to the Bank financing.

# WATER SUPPLY AND SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM

## NOTES TO THE FINANCIAL STATEMENT-CONT'D

**3. Available Cash and Bank Balances**

(a) The available cash balance as of 31<sup>st</sup> December 2015, in the Program's bank accounts are as follows:

		US\$
Bank of America	a/c # 1901-7-60062	1,304,816.20
Bank of Guyana	a/c # 0163700313009	<u>17,291.41</u>
		<u>1,322,107.61</u>

(b) There was no interest earned for the year ended 31 December, 2015, also there was no gain/loss on exchange rate.

**4. Advances or Amounts Pending Justification**

At 31<sup>st</sup> December 2015, the amount pending justification to the IDB amounted to US\$24,755.69. 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 (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\$629,900.50 in 2015 of the amount advanced (see page 15 for more details).



**WATER SUPPLY AND SANITATION INFRASTRUCTURE  
IMPROVEMENT PROGRAM  
NOTES TO THE FINANCIAL STATEMENT-CONT'D**

**5. Advance of Fund-Cont'd**

(b) Justifications processed by IDB during the year:

		Expressed in US Dollars			
Request#	Date	IDB 3242/OC-GY	IDB 3243/BL-GY	EU GRT-14519	Total
2	4-Dec-2015	314,950.25	-	314,950.25	629,900.50
<b>Total</b>		<b>314,950.25</b>	<b>-</b>	<b>314,950.25</b>	<b>629,900.50</b>

**6. Procurement of Goods and Services**

The Procurement of goods, works and related services were done in accordance with the provisions set forth in Document GN-2349-9 ("Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank"), dated March 2011 and approved by the Bank on 19<sup>th</sup> April, 2011 (hereinafter referred to as the "Procurement Policies"), and covered the following provisions:

- (a) International Competitive Bidding: Except as otherwise provided in the financing agreements 3242/OC-GY, 3243/BL-GY & GRT/EX-14520-GY, goods, works and related services shall be procured pursuant to the provisions set forth in Section II of the Procurement Policies.
- (b) Other Procurement Procedures: The following procurement methods may be used for the procurement of goods, works and related services as long as the Bank determines that these methods meet the requirements established in the provisions set forth in Section III of the Procurement Policies:
  - (i) National Competitive Bidding; for goods and services (as distinct from consulting services), which estimated cost per contract is less than one hundred thousand dollars (US\$100,000) and for works which estimated cost per contract is less than one million dollars (US\$1,000,000), pursuant to the provisions set forth in paragraphs 3.3 and 3.4 of the Procurement Policies and the provisions below and provided that such procurement method is not in contradiction with the basic guarantees or the Procurement Policies that every procurement must meet.
  - (ii) Shopping; for goods estimated to cost the equivalent or less than twenty-five thousand dollars (US\$25,000) per contract, in accordance with the provisions set forth in paragraph 3.5 of the Procurement Policies.

# **WATER SUPPLY AND SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM**

## **NOTES TO THE FINANCIAL STATEMENT-CONT'D**

### **7. Disbursements/justifications requested**

There was one disbursement/justification requested made for the year ended 31 December 2015, see note 5(b) for details.

### **8. Fixed assets**

Fixed assets as at 31 December 2015 totalled US\$ 1,066.21 (G\$ 220,172). This total includes: items bought with IADB and European Union funds for the execution of the project (see appendix 1 on page 35 for more details).

### **9. Contingencies**

As at 31<sup>st</sup> December, 2015 there were no existing conditions, situation, or set of circumstances that involves 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 31<sup>st</sup> December, 2015 nor provided evidence with respect to conditions that did not exist at 31<sup>st</sup> December, 2015 but arose subsequent to that date.

### **11. Status of adjustments resulting from the independent auditors' nonstandard opinions the prior year or year.**

There were no adjustment/s affecting the current year and/or are reflected in the financial statements for the prior year (restatement) used in this report for purposes of comparison.

### **12. Other significant matter**

On March 4, 2015 the IDB granted a waiver of the audited financial statement for the period 10 October 2014 to 31 December 2014 to the program.

**GUYANA WATER INCORPORATED**  
**WATER SUPPLY & SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM**  
**RECONCILIATION OF THE ADVANCE OF FUNDS AND BANK STATEMENTS AS AT 31 DECEMBER, 2015**

Advances and justifications:	US\$	US\$
Opening balance of advances	1,000,000.00	
Advances received during the period	-	
Less: Advances recorded during the period (justified) as per LMS	(314,950.26)	
<b>Balance of the Advance of Funds (LMS) as at 31/12/2015</b>		<b>685,049.74</b>

<b>Balance as per Bank Statements as at 31/12/2015:</b>		
- WSSIIP Foreign <i>Bank of America</i>	1,304,816.20	
- WSSIIP Local <i>Bank of Guyana</i>	17,291.41	<b>1,322,107.61</b>
		<b>(637,057.87)</b>

**Difference between LMS and Bank Statements**

**Reconciliation of difference between LMS and Bank Statements:**

<b>Add:</b>	Transactions pending justification by IDB	49,657.74	
<b>Less:</b>	EU closing balance of advance of funds (US\$ equivalent)	(685,049.74)	
	Unpresented cheques	(1,665.86)	
	Rounding difference	(0.01)	
<b>Difference between LMS and Bank Statements</b>			<b>(637,057.87)</b>

  
**Dr. Richard VanWest - Charles**  
**Chief Executive Officer, GWI**

**GUYANA WATER INC.**

  
**Mr. Emil McGarrell**  
**Permanent Secretary, Ministry of Communities**  
**PERMANENT SECRETARY**  
**MINISTRY OF COMMUNITIES**



**GUYANA WATER INCORPORATED**  
**WATER SUPPLY & SANITATION IMPROVEMENT PROGRAM**  
**SUPPLEMENTARY FINANCIAL INFORMATION**  
**COMPARISON OF BUDGETED AND ACTUAL PROJECT INVESTMENT COST**  
**FOR THE PERIOD 31 DECEMBER, 2015**

		2015			
		Budget US\$	Actual Expenditure US\$	Difference US\$	Difference
		IDB & EU	IDB & EU	IDB & EU	%
<b>Component 1</b>	<b>Construction, rehabilitation and expansion of Water Treatment Plants</b>				
1.1	Water Treatment Plants built	1,845,000.00	1,210.65	1,843,789.35	0.07%
1.2	Water Treatment Plants rehabilitated	280,000.00	-	280,000.00	0.00%
1.3	Storage tank constructed	256,000.00	-	256,000.00	0.00%
		<b>2,381,000.00</b>	<b>1,210.65</b>	<b>2,379,789.35</b>	<b>0.05%</b>
<b>Component 2</b>	<b>Non-Revenue Water Program</b>				
2.1	Diagnosis and Action Plan for the reduction of NRW in the program areas developed	36,000.00	-	36,000.00	0.00%
2.2	Action plan for the reduction of NRW in the program areas implemented	-	-	-	-
2.3	Transmission mains rehabilitated	-	-	-	-
2.4	Distribution Mains rehabilitated	-	-	-	-
2.5	New customer water meter installed	601,800.00	630,144.93	(28,344.93)	-4.71%
		<b>637,800.00</b>	<b>630,144.93</b>	<b>7,655.07</b>	<b>1.20%</b>
<b>Component 3</b>	<b>Institutional Strengthening of GWI</b>				
3.1	Operations manuals for the new system and maintenance manuals for the new assets developed	-	-	-	0.00%
3.2	GWI staff trained in operation and maintenance and non-revenue water reduction	12,500.00	-	12,500.00	100.00%
3.3	Action Plan for Groundwater Management completed	-	-	-	0.00%
3.4	IT Systems (Financial, Commercial and Human Resources) integration completed	72,000.00	8,871.14	72,000.00	12.32%
3.5	ISO:9001 Certification Action Plan developed	10,000.00	-	10,000.00	0.00%
3.6	Action Plan to support the implementation of the new tariff structure and data verification implemented	18,000.00	22,082.32	(4,082.32)	122.68%
3.7	Action Plan for Planning and Monitoring System implemented	10,000.00	-	10,000.00	100.00%
		<b>122,500.00</b>	<b>30,953.46</b>	<b>100,417.68</b>	<b>25.27%</b>
<b>Component 4</b>	<b>Improved access to sanitation</b>				
4.1	Construction of toilets, septic tanks	-	-	-	0.00%
4.2	Operations and Maintenance practice	-	-	-	0.00%
4.3	Hygiene public aware	-	-	-	0.00%
		<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>
<b>Component 5</b>	<b>Administration, Monitoring and Auditing</b>				
5.1	Works Supervision/Mentoring	150,000.00	-	150,000.00	100.00%
5.2	Audit, Monitoring and Evaluation	15,750.00	-	15,750.00	100.00%
5.3	Project Administration	87,450.00	26,120.34	61,329.66	29.87%
5.4	Contingencies	-	-	-	0.00%
		<b>253,200.00</b>	<b>26,120.34</b>	<b>227,079.66</b>	<b>10.32%</b>
	<b>Total</b>	<b>3,394,500.00</b>	<b>688,429.38</b>	<b>2,714,941.76</b>	<b>20.28%</b>



**Dr. Richard VanWest - Charles**  
**Chief Executive Officer, GWI**



**Mr. Emil McGarrell**  
**Permanent Secretary, Ministry of Communities**

**GUYANA WATER INC.**

**PERMANENT SECRETARY**  
**MINISTRY OF COMMUNITIES**

GUYANA WATER INCORPORATED  
WATER SUPPLY & SANITATION INFRASTRUCTURE IMPROVEMENT PROGRAM  
SUPPLEMENTARY FINANCIAL INFORMATION  
RECONCILIATION OF DISBURSEMENT MADE AND CUMULATIVE INVESTMENTS  
AS AT 31 DECEMBER, 2015

INVESTMENT CATEGORY	DISBURSEMENT MADE		DIRECT PAYMENT		CUMULATIVE INVESTMENTS	
	US\$	Euro €	US\$	Euro €	US\$	Euro €
1.0 Construction, rehabilitation and expansion of Water Treatment Plant	1,210.66	1,114.78	-	-	1,210.66	1,114.78
2.0 Non-Revenue Water Program	652,227.26	600,577.38	-	-	652,227.26	600,577.38
3.0 Institutional Strengthening of GWI	8,871.12	7,929.14	-	-	8,871.12	7,929.14
4.0 Improved Access to Sanitation	-	-	-	-	-	-
5.1 Financial/technical auditing, monitoring and evaluation	-	-	-	-	-	-
5.2 Program Administration	26,120.34	24,051.86	-	-	26,120.34	24,051.86
6.0 Contingencies	-	-	-	-	-	-
8.0 Administrative Fee (2%)	-	-	-	213,500.00	-	213,500.00
						-
<b>TOTAL</b>	<b>688,429.38</b>	<b>633,673.16</b>	<b>-</b>	<b>213,500.00</b>	<b>688,429.38</b>	<b>847,173.16</b>



**Dr. Richard VanWest - Charles**  
Chief Executive Officer, GWI

GUYANA WATER INC.



**Mr. Emil McGarrell**  
Permanent Secretary, Ministry of Communities

PERMANENT SECRETARY  
MINISTRY OF COMMUNITIES

INDEPENDENT AUDITORS' 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 31 DECEMBER 2015

We have audited the Statement of Cash Flows for the year ended 31 December, 2015 and the Statement of Cumulative Investments as of 31 December, 2015 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 28 April, 2016.

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, 2015, 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 Flows 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 their assigned functions

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TSD LAL & CO.  
CHARTERED ACCOUNTANTS

Date: 28 April, 2016

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.
  - (a) 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.

Corporate Complex, Vlissengen Road and Church Street, Bel Air Park,  
Georgetown, Guyana. Tel: 225-0471/6; Fax: 225-0478; E-mail: [pro@gwi.gy](mailto:pro@gwi.gy)

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28<sup>th</sup> April, 2016

TSD LAL & CO.  
77 Brickdam  
Stabroek  
Georgetown

## MANAGEMENT WRITTEN REPRESENTATION

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

Dear Sirs,

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, 2015 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 8, 2016 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.

## 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)



**Dr. Richard VanWest - Charles**  
**Chief Executive, GWI**

GUYANA WATER INC.



**Mr. Emil McGarrell**  
**Permanent Secretary, Ministry of Communities**

**PERMANENT SECRETARY**  
**MINISTRY OF COMMUNITIES**



# Guyana Water Inc.

Corporate Complex, Vlissengen Road and Church Street, Bel Air Park,  
Georgetown, Guyana. Tel: 225-0471/6; Fax: 225-0478; E-mail: [pro@gwi.gy](mailto:pro@gwi.gy)

## DECLARATION STATEMENT

28<sup>th</sup> April, 2016

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.

**Dr. Richard VanWest - Charles**  
Chief Executive, GWI



**Mr. Emil McGarrell**  
Permanent Secretary, Ministry of Communities

**PERMANENT SECRETARY**  
**MINISTRY OF COMMUNITIES**



Our Ref: RL/SR/fb/513

28<sup>th</sup> April, 2016

Dr. Richard VanWest-Charles  
Chief Executive Officer  
Guyana Water Inc.  
Vlissengen Road  
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 2015.**

The following observations arising from the above-mentioned verification of the financial statements for the year ended 31 December 2015 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 Guideline.

## **Matters now reporting – cont'd**

### **Criteria – cont'd**

#### **Cause**

- 1.1 This is an internal control oversight which was corrected.
- 1.2 The Guyana Water Inc. is the executing agency on behalf of the Government of Guyana as per the Loan Contract. Therefore, processing of project disbursements are normal accounting procedure in the Project Accounting Unit. Payments are properly certified before disbursements.
- 1.3 This was an oversight.
- 1.4 The first extension was required due to the delay in the provision of the waiver of the duty, VAT and Tax letter from GRA. The goods arrived October 23rd 2015 but the duty free letter was only received in 1st week in December 2015.  
The second extension was due to the short delivery of fittings for 65 of the 15360 meter boxes. The supplier explained that the goods were in transit through Ningbo port in China where they suspect that two boxes of fittings were misplaced during the repacking of the cargo. The fittings have since been supplied.

#### **Effect**

- 1.1 Classification of expenses by categories may be misstated.
- 1.2 Goods and services acquired may not be for the program.
- 1.3 Agreements/contracts may be signed with parties having conflicts of interest.
- 1.4 The program's efficiency and effectiveness of operations may be affected by delays in delivery of goods and services.

#### **Recommendation**

- 1.1 All source document (payment vouchers) should be correctly coded to ensure accuracy in classification of expenses.
- 1.2 Management should ensure that all supporting documents (invoices and receipts) are in the name of the program.
- 1.3 Agreements/contracts should only be signed when eligibility certificate have been properly completed.
- 1.4 Management should ensure that the procurement process is efficient and effective, with penalties identified and enforced if contractual parties fail to honor their obligations. Also, the contractor should be requested to provide an explanation for failure to honour the obligations under the contract.



## **Matters now reporting – cont'd**

### **Recommendation – cont'd**

#### **Management's comment**

- 1.1 Corrective actions have been taken. All vouchers are now properly coded. It must be noted that there segregation of duties in the payment process including posting of entries to the general ledger, bank accounts and are reconciled on a monthly basis.
- 1.2 The Guyana Water Inc. has a separate Project Accounting Unit that manages all program finances on behalf of the Government of Guyana. All disbursements are made from bank accounts that have been properly authorized. Receipts and disbursements are properly authorized and bank accounts are reconciled.
- 1.3 This has been noted and will be corrected.
- 1.4 Water meters and boxes were purchased from contractors with a deliver period deadline of fourteen (14) weeks. The delivery of the water meters from [REDACTED] was on schedule. The water meters boxes were delivered within the extended contract period on December 16<sup>th</sup> 2015. However some of the fittings were short shipped hence addendum were issued to extend the contract duration. The addenda are available for reference. There was no penalty applied since there was no loss to the Company due to the delay since the other service connection materials required for the installation of the meters are still in the procurement process.

# Appendix 1 – Fixed assets

DATE	PAYEE	PARTICULARS	PAYMENTS G\$	US\$
13-Jul-15	[REDACTED]	Filing Cabinets (2)	141,000	682.81
2-Nov-15	[REDACTED]	Chairs (2)	79,172	383.40
			<b>220,172</b>	<b>1,066.21</b>