

FORENSIC AUDIT REPORT ON CARIFESTA X 2008

BACKGROUND AND PERSPECTIVE

Carifesta X, 2008 was held in Guyana seven years ago, from 22nd to 31st August, 2008, and many of the players who participated in the process of floating the event were not around at the time of the Forensic Audit. This festival was originally scheduled to be held in the Bahamas, but was switched to Guyana because of circumstances beyond the control of the Bahamian Government.

A formal announcement was made at the end of the Heads of Government meeting of the Caribbean Community (Caricom) in Barbados in July 2007 that Guyana was selected to host the 10th Caribbean Festival of the Performing Arts (Carifesta) in August 2008.

The subject Ministry tasked with the responsibility of the execution of Carifesta X was the Ministry of Culture Youth and Sport (MCYS) with the support of the Office of the President, the Ministry of Tourism Industry and Commerce, and a number of Artistic and Technical Professionals. All activities were coordinated and directed by a Carifesta Secretariat, headed by a Chief Executive Officer.

The then Ministry of Culture, Youth and Sport was the Ministry through which all disbursements for the event were made and the then Permanent Secretary, Mr Keith Booker died prior to 2015 while Colonel L.V. Ross, Logistics Director passed away some time in the year 2015 before the commencement of the audit. These two individuals could have provided vital oral representations on matters about which the auditor wished to enquire.

There were also persons who carried out accounting and other clerical functions during the period under review, who were not available for interviews by the auditor because of transfers from the Ministry of Culture, Youth & Sport or for other unavoidable administrative reasons.

audit

This unavailability of personnel seriously constrained information gathering and this phenomenon was compounded by poor documentation and archival practices at the Ministry. While it is known that most of the records requested for audit were more than six years old, all vouchers requested had not reached the end of the seven year retention period as prescribed by Schedule 2 of the Regulations made under the Fiscal Management and Accountability Act 2003, and should have been archived in a manner that facilitated easy retrieval.

Many documents relating to material transactions could not be found as the exercise for the retrieval of such documents, seemed analogous to searching for a needle in a haystack.

Even in areas where provision of information did not necessitate a search for physical documents the response time, when information was requested from Ministry Officials was unacceptably long. Institutional memory was not built up by the Ministry in any formal way and this made information extraction a laborious exercise. For example, there are no files of specimen signatures of key personnel, so once a person severs relationship with the Ministry that is the end of the matter.

No files were opened to log all Carifesta X events and provide a current position of amounts spent and amounts owing to creditors. In other words, there was no reference record to guide anyone.

The absence of a specimen signature file and a comprehensive record on Caifesta X was compounded by the fact that officers seemed not too knowledgeable of certain processing procedures.

INSTRUCTIONS RECEIVED FROM THE MINISTRY OF FINANCE

The salient features of the general instructions given to the Auditor have been summarised as follows:

- (i) Review and examine all financial books and records of Carifesta X 2008 with a view to obtaining relevant clarifications and explanations.
- (ii) Review all contract administration and approval processes in relation to expenditure of funds.
- (iii) Review all material expenditures and contracts made by the Carifesta X committee and obtain all necessary information and explanations as may be required.
- (iv) Examine all areas including budgeting, financing and expenditure (disbursement procedures).
- (v) Examine the entity's Archiving Policy in relation to record keeping.
- (vi) Recommend statutory, legal or organisational changes required to identify and prevent any occurrence of improprieties.

ISSUES ADDRESSED

Carifesta X, 2008 was held in Guyana during the period August 22, 2008 to August 31, 2008, but expenditure for this event commenced around April 2008 and disbursements continued until November 2008.

The issues to be addressed were:

- (a) Whether there was a formal budget for the event and whether such a budget was duly approved.
- (b) Whether there was a proper system for disbursement of funds, including sound procurement procedures in relation to authorisation and approval , custody of assets and payments.

- (c) Whether amounts disbursed were reasonable in relation to the service or goods being procured, and whether such service or materials procured were relevant to the activities of Carifesta X.
- (d) Whether all sums disbursed, particularly bank transfers, were traceable to individuals or agencies who had a legitimate right to such funds because of contractual obligations which the organising Carifesta X committee had to those persons.

SCOPE

This report covers the following:

- (1) Examination of numerous documents. These include:
 - (a) Payment vouchers
 - (b) Purchase requisitions/purchase orders
 - (c) Contract documents
 - (d) Invoices
 - (e) Intergrated Financial Management Accounting System (IFMAS) print-out for Carifesta transactions.
 - (f) Schedule of creditors arising from the Carifesta Event.
 - (g) Answers to questionnaires sent to the Permanent Secretary – Ministry of Culture Youth and Sport
 - (h) Cash Book in which Project Account amounts were entered
- (2) Discussions with:
 - (i) The Permanent Secretary , Ministry of Culture, Youth and Sport – Mr. Alfred King
 - (ii) The Principal Assistant Secretary, Finance – Ministry of Culture, Youth and Sport– Ms R. Lochan

- (iii) The Auditor General – Mr. Deodat Sharma
- (iv) The Deputy Account General – Ms J Chapman
- (v) The CEO of the Carifesta X – Mr Nigel Dharamlall
- (vi) Head of Project Coordination Dept. G.R.A – Mr Fitzroy Corlette
- (vii) Deputy Commissioner Customs – GRA – Mr. Jameel Baksh

FINDINGS

1. DOCUMENTATION

Documents relating to the Carifesta X event were in numerous cases not professionally prepared. For example, there were incorrect folio references for items posted and certain important fields of information on vouchers were absent, thus rendering checks difficult. There were also several cases of inaccurate processing of information. (Schedule I)

2. INCORRECT CLASSIFICATIONS

- (i) Many items of expenditure which were clearly of a current nature were classified as Capital. (Schedule II). Careful examination of this situation revealed that this might have been done because the current estimates for National and Other Events, the line item under which Carifesta X expenditure fell was relatively small, hence there was some effort to put some of the current expenditure under capital to avoid exceeding the current estimate by a great margin. The amount of current expenditure which the auditor was able to ascertain as being incorrectly treated was about \$22M however it should be noted that the amount may be much larger, but the absence of source documents prevented a precise quantification.

The following statement shows a summary of Capital & Current Expendures for Carifesta X, 2008.

Total Expenditure for Carifesta X, 2008 (Excluding Donations)		
Estimates as per Line Items		G\$M
in Consolidated Accounts 2008		
	Capital	305.00
	Current	225.00
Actual Figures		
As per Line Items in Consolidated Accounts 2008		
	Capital	304.80
	Current	323.50
GGMC through NICIL (Current and Capital)		
NICIL		
TOTAL		

Donations and other cash receipts amounted to \$76.5M (Schedule III)

- (ii) Many payment vouchers were not supported by documentation showing vital details relating to the payments in question. (Schedule IV)

3. PROCUREMENT PROCEDURES

Procurement procedures were inconsistently employed by the Ministry. For example, there were contract documents for some relatively small transactions, while such contract documents were absent in the case of many material transactions .(Schedule V)

4. RETRIEVAL OF RECORDS

- (i) The archival of records was very poorly done making it extremely difficult to retrieve items. The archival methods seemed to be constrained chiefly by a lack of space as the pigeonholes used for storing relatively recent documents soon became exhausted, and thereafter records seemed to find their resting place in unmarked cartons and bags.

- (ii) There were several vouchers for material transactions which were not presented for examination. (Schedule VI)

5. IMPORTATION OF STAGE FOR CARIFESTA PERFORMANCES

Some time around February 2008, the Ministry of Culture Youth and Sport entered into an arrangement with the Swansea Industrial Associates (SIA) to identify, procure, construct, install, commission, and operate a modern stage platform, plus roofing system and canopy with the capacity to support extensive ancillary stage lighting and sound system. No formal contract was entered into.

The importation of the stage was facilitated by SIA and the details of the transaction were as follows:

(a) **IMPORTATION FROM TOMCAT STAGING LIGHTING AND SUPPORT SYSTEMS**

A set of stage equipment described on the quotation document from the above named supplier as '1 piece TC-Project Nam Complete BFT W. Wings, complete with truss, canopy, rigging, electrical and engineering was imported in April of 2008 for Carifesta X events.

The quote from the supplier showed the following:

	US\$
Unit Price	\$395,000.00
Freight Estimate	\$17,500.00
	\$412,500.00

The cost in Guyana dollars amounted to G\$84,665,625 and this amount was expended to send payment by telex transfer to the supplier's bank.

(b)

IMPORTATION FROM WENGER CORPORATION, EQUIPMENT FOR ASSEMBLY OF THE ABOVENAMED STAGE

The relevant components were imported from Wenger Corporation of the USA at the cost of US\$162,719 which amounted to G\$33,398,075. The payment to the supplier was made by wire transfer to the supplier's bank.

These two transactions amounted to US\$575,219 and a document signed by the then Secretary to the Cabinet, Dr. Roger Luncheon, disclosed that the then Cabinet had waived Tender Board procedures to facilitate sole sourcing of the items in question. The Cabinet document however, stated a total cost of US\$605,519 while the total transferred to the suppliers amounted to US\$575,219. The Guyana Dollar equivalent was G\$118,063,700.

OBSERVATIONS

- (a) Reportedly, representatives of SIA attended a meeting at the Office of the President in February 2008 where SIA was requested to facilitate the importation of the stage.
- (b) SIA identified the supplier and their representatives travelled to the United States of America at the Guyana Government's expense to transact business with the suppliers and to attend to relevant detail in relation to certain technical specifications. The auditor has ascertained that SIA was not paid for the procurement and commissioning service, but received payment of \$24.7M and \$2.6M respectively for work in relation to the lighting systems and installation/dismantling of the stage respectively. The work in relation to the lighting systems was subjected to a contract while the work in relation to the installation and dismantling of the stage was not. These costs appear quite exorbitant.
- (c) Bank Transfers were made on the basis of quotes from the suppliers, but no invoices were seen for the equipment.
- (d) Customs documents were examined by the Auditor and it was ascertained that the equipment was imported from the named suppliers for the price stated, and that such equipment was cleared by MCYS with no duties paid.

The cost of the equipment is made up as follows:

Importation from TOMCAT

TC – Project NAM BFT W Wings complete with Truss, canopy Rigging, Electrical and Engineering.	US\$395,000
Freight	<u>US\$17,500</u>
	US\$412,500

Importation from WENGER CORPORATION

TOTAL product charge	US\$154,969
Freight/handling charge	<u>US\$7,750</u>
	US\$162,719

US\$575,219At exchange rate of 205.25 = **G\$118,063.700****TRANSACTIONS REQUIRING TENDER BOARD APPROVAL**

There was no Tender Board input for a number of material transactions. (Schedule VII)

WARRANTS

There is an unresolved issue in relation to warrants issued for Carifesta X. These warrants were issued to other Ministries and to various Regions. The regulations required that the recipients of the sums through warrants should file returns showing that they had or had not spent the sums allocated to them.

At the time of writing returns for Warrant Numbers 9/2008 and 16/2008 in the sum of G\$1.8M and G\$250,000 respectively had been received from Region 3, but no returns were forthcoming from the other recipients. The warrants totalled G\$102,000,000. (Schedule VIII)

CREDITORS

A list of creditors examined by the auditor showed an outstanding amount of \$26, 083,211 (Twenty six million, eighty three thousand and two hundred and eleven dollars). (Appendix 1)

The Auditor is able to recommend for payment, an amount of \$9,761,296 (nine million seven hundred and sixty one thousand two hundred and ninety six dollars) (Schedule IX), having ascertained that the services were performed or goods supplied or that the responsible official recommended the payment, or that the amount in question was due under a contract.

CONCLUSION

The accounting aspects of the Carifesta X event were handled very badly and the records relating to this event were not meticulously prepared and systematically archived.

FINANCING

Carifesta X, 2008 was financed from two main sources viz. through amounts drawn on the Consolidated Fund and through a Projects Account which was funded by NICIL. Some G\$76.5M was received from sundry donors and rental of booth.

The faults in the financing arrangements may be summarised as follows:

- (1) There was no formal budget.
- (2) Much of the procurement of goods and services was done on a sole sourcing basis.
- (3) Documentation was generally incomplete and the subsequent archiving of documents did not allow easy retrieval of information.
- (4) NICIL's participation in the financing process was quite awkward. NICIL claimed to have financed Carifesta X to the tune of G\$300M which it claimed was obtained from GGMC (See Appendix II) but NICIL's contribution was really G\$328.177M since it did not include in the disclosed sum of G\$300M, an amount of \$28,177,457 which it advanced to MCYS for an Endowment fund for Culture and the Arts but which MCYS applied to Carifesta X.

Included in the amount of G\$328.177M were amounts totalling G\$65.283M which NICIL claimed to have advanced to various agencies, but receipt by these agencies has not been verified.

The funds received by MCYS from Nicil and donors as financing for Carifesta X were entered in General Cash books held by the Ministry, and though such Cash Books were indexed, identifying these amounts and the matching expenditure was not always a straightforward exercise.

Generally, the handling of the finances for the event that eventually cost nearly one billion Guyana dollars was quite loose.

The Principal Assistant Secretary (Finance) held this position before, during and after Carifesta X, 2008 and, therefore, much of the blame for the accounting chaos that characterised the record keeping for this event has to be placed at the feet of this individual. For example, there is no detailed accounting statement showing the final position for Carifesta X, and a summary statement for this event which was shown to the auditor was totally disregarded since there was no link between this statement and the records of MCYS, and no one took ownership of the statement.

During the course of the Forensic Audit, the PAS (Finance) displayed a lack of knowledge of many matters the auditor enquired into, and her response to requests for information was extremely slow and lethargic. It would be in the interest of the organisation to have this officer replaced as early as possible.

RECOMMENDATIONS

- (1) MCYS officials should be instructed to be more meticulous in dealing with accounting and other matters of the Ministry.
- (2) When accounting for special events/projects such as Carifesta, the following should obtain:
 - (i) The Permanent Secretary should insist that a budget is obtained.

- audit
- (ii) A special memorandum record or log should be opened for the project/event and such record updated daily with cash receipts and expenditure made (capital & current)

 - (iii) This record should be balanced daily with postings made through the IFMAS System

 - (iv) Periodic statements (e.g. weekly, fortnightly or monthly) should be prepared for examination by a senior official.

 - (v) A special record should be made of all contributions, showing the amounts and the dates of the contributions. A reference number e.g. cheque number etc. should be stated next to the contribution. All details of the instruments used to make the contributions must be recorded.

 - (vi) A record should be established of all warrants issued, and the custodians of this record should follow-up the recipients for clearing.

 - (vii) All vouchers, and other records should be properly labelled and systematically archived in accordance with the relevant document retention rules.

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3rd September 2015