**CHEDDI JAGAN INTERNATIONAL AIRPORT CORPORATION**

**FORENSIC AUDIT REPORT**

**EXECUTIVE SUMMARY:**

A forensic audit and review of the Operations of the **CheddiJagan International Airport Corporation(CJIAC)** for the period January 1, 2012 to May 31, 2015 commenced on 22 June 2015. Listed below are the main findings of the Forensic Audit.

1. **Contract for Chief Executive Officer (CEO) not in compliance with the CJIAC Order No 20 of 2001.**

* CJIAC’sBoard was not involved in the renewal of contract of the Chief Executive Officer (CEO) which expired on 30 September 2014.
* Office of the President gave no objection on 21 April 2005 to the renewal of the contract of the CEO for a further period of three (3) years with effect from 1st October 2014 based on a request dated 10 April 2015 by the Minister of Public Works.
* Agreement for the CEO signed between the **Permanent Secretary acting on behalf of the Ministry of Public Works** and the **Chief Executive Officerof the CJIAC.**
* New Agreement for CEO changed his reporting mechanism from the CJIAC’sBoard to the Permanent Secretary of Ministry of Works(now renamed Ministry of Public Infrastructure).

1. **Manager, Commercial and Administration employment not justified.**

* Dishonest at the interview
* Had no previous managerial skills
* No background check was done prior to appointment
* Poor performer at previous employment
* Failed to inform CJIAC that previous employment was still in force and accepted the new employment**.**

1. **Several key positions of the CJIAC remained vacant for an average of six(6) years.**

* Deputy Chief Executive Officer’s position remained vacant since April 30, 2005
* Operations Manager position not filled since November 17, 2008
* Engineering & Maintenance Department Manager position remained vacant since September 5, 2009.
* Head of Security Department position remained vacant since the formation in 2009.
* Senior Accountant position not filled since September, 2010
* Senior Personnel Officer position not filled since July, 2005.
* Accounts Supervisor position remained vacant since January, 2015.
* Internal Audit Department not in the Organization Structure.

1. **Several contracts were not in compliance with the Procurement Act 2003.**

* Two (2) contracts awarded by Cabinet in 2009 and 2010 respectively for a period of one (1) year still in force in 2015.
* Several extension of contracts for original sums without going back to tender.
* Construction contracts were split and awarded as labour contracts while materials were supplied by the CJIAC.
* No bills of quantities and engineer estimated available for small contracts.
* Purchasing of materials done in piece meal manner.
* Several Petty contracts were engaged for maintenance service.

1. **Granting of the lease for Exec Jet Club Hangar at CJIACwas not recommended by the Board**

* Application for lease was not discussed at Board level
* Proposal for lease was submitted directly to the Minister of Public Works
* File maintained for Exec Jet Club file contained limited information.
* Letters pertaining to the request for lease written by an Accounts Clerk attached to the Finance Department of CJIAC on behalf of Exec Jet Club not valid.

1. **Conflict of Interest – Accounts staff of CJIACwas power of attorney for Exec Jet Club and Kaylees Gas Station.**

* Accounts Clerk of CJIAC Finance Department was power of attorney for Exec Jet Club.
* Management aware Accounts Clerk was doing part time work for Kaylees Gas Station.
* Lease for hangar was signed between **the Manager, Commercial and Administration representing CJIAC**and the **Accounts Clerk representing Exec Jet Club on 15th October 2012.**
* The CJIACwas used an address for Exec Jet Club.
* Accounts Clerk promotedto Accounts Supervisor in 2014.
* Accounts Supervisor was recommended by the Minister of Public Works to be fired for Conflict of Interest after it became public knowledge that he was power of attorney for Exec Jet Club in November 2014.
* Accounts Supervisor resigned with effect from January 2015.
* Accountant and Personnel Officer not aware Accounts Clerk was power of attorney for Exec Jet Club and Kaylees Gas Station.

1. **Poor accounting procedure resulted in loss of cash for $617, 537 in November 2014.**

* Interviews by management were a waste of man power.
* Matter was reported to the police.
* Internal Audit Department of the Ministry of Public Work did an investigation for the loss of cash.

1. **Inadequate accounting system resulted in an alleged fraud by a Contractor in September 2012.**

* Poor decision by Management not to blacklist Contractor.
* No evidence that this matter was taken to the Board or reported to the Auditor General Office.
* Matter was reported by Bank of Guyana to Finance Secretary and the Accountant General (ag).
* Bank of Guyana felt the matter was not properly dealt with.

1. **Use of Ministry of Public Works receipt books to receive some aspect of CJIAC revenue to be transferred to the Consolidated Fund resulted in the accounting system not fully computerised.**

* $6.9M invested to upgrade Accounting System
* Authority to substantiate the transfer of proceeds of some aspect of revenues funds to the Ministry of Public Works which is subsequently deposited in the Consolidated fund not in keeping with the CJIACOrder of 20 of 2001.

1. **Electricity charges $879,448,637 for 2010 to 2014 not reflected on Financial Statements.**

* Electricity charges incurred by the Corporation not shown on the Financial Statements.
* Administration cost understated.
* Electricity Charges is paid by the Ministry of Finance
* Authority for this arrangement not verified.

1. **Audit of Financial Statements**

* Draft audit report for 2013 not yet finalized by the Audit Office of Guyana.
* Draft report for 2014 not yet submitted by the Audit Office of Guyana.

**12. Airport Expansion Project.**

* Negotiation for this award was done by the Ministry of Public works**.**
* Capital works under CJIAC**.**

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**1.00BACKGROUND**

1.01TheCJIAC (CJIAC) was incorporated on **17th August 2001 under the Public Corporations Act 1988 (No.21 of 1988).**

1.02The main functions of the Corporation as mandated by the Act are asfollows:

* to develop and manage the business of the Airport including the development, maintenance or improvement of its facilities in a cost effective manner so as to ensure the availability of efficient, secure and safe aviation services to the public at all times as well as to ensure commercial viability;
* to administer, control and manage the airport and any other property vested in it;
* to provide and maintain such services and facilities as are in its opinion necessary or desirable for the efficient operation of the Airport or as the Minister may require and with the consent of the Minister, the Corporation may provide any navigation service;
* provide rescue and firefighting equipment and services at the Airport;
* to provide technical advice or assistance, including training facilities for any person as respects any matterin which the Corporation has skill or experience;
* todetermine the charges for the use of any facility of service provided by the Corporation.

1.03The Corporation Mission Statement is **‘To provide an Airport that is safe, efficient, financially viable and user friendly while providing a quality service that meets and exceeds all required international standards**.’

1.04 The Corporation vision is ‘**to be the leading airport within the Region through Operational Efficiency and the provision of quality customer care**.’

1.05 **Management of the Operations of the Corporation**

The CJIACOrder No 20 of 2001 in Section3 (2) made provision for the establishment of a **Board of Directors**to manage the operations of the CJIAC.The CJIACOrder states that the Board of Directors shall consist of:

1. The Chairman who shall be appointed by the Concerned Minister;
2. A representative nominated by the Minister responsible for Finance;
3. A representative nominated by the concerned Minister; and
4. Two members chosen by a panel of five (5) persons to be submitted by the respective interest groups to represent the private sector business and Industrial and Tourism undertakings and non- governmental Organizations.
5. The Chief Executive Officershall be an ex officio member of the Board.

1.06 **Appointment and the role of the Chief Executive Officer**

(i) **The Chief Executive Officer**is appointed by the Board for a period of three (3) years or such shorter period as may be determined by the Board.

(ii)**The Chief Executive Officer**is subject to the general direction and control of the Board and has the responsibility for implementing the decisions of the Board and the efficient discharge of the functions of the Corporation.

(iii) **The Chief Executive Officer**shall be responsible–

1. For Directing –

* The overall planning, implementation and Internal Evaluation of the projects, programmes and activities of the Corporation;
* The financial activities of the Corporation including fund raising and the co-ordination of the flow and use of the funds by the Corporation;

1. For proposing policies, regulations, procedures and budgets of the Corporation for the consideration and approval of the Board;
2. For implementing the projects and programmes to be financed by the Corporation except where specifically prohibited by the Board;
3. For the discipline of the Officers and employees of the Corporation and for their efficient functioning; and
4. For keeping the Board informed on a timely and regular basis of all activities of the Corporation.
   1. Capital **of the Corporation Act No.29 of 1991-**
5. Theauthorized capital of the Corporation shall be two hundred million dollars (G$200,000,000) divided into 200,000 ordinary shares @ $1,000 each.
6. The Corporation may from time to time with the approval of the Minister vary the amount of the authorized capital of the Corporation.
7. The Government may subscribe for the said 200,000 ordinary shares or such other amount as the Minister may from time to time determine at par.
8. Currently ‘T**he Cooperative Republic of Guyana’ is the only share holder**.

**2.00METHODOLOGY**

**2.01** TheObjective of this audit is to review the operations of the **CheddiJagan International Airport Corporation (CJIAC)** as required by the Corporation Act, CJIACOrder and Regulations, policies and procedures which it is governed by.

To carry out this audit in order to arrive at reasonable recommendations and conclusions, the Auditor had to obtain a thorough understanding of the procedures and the workflows in keeping with CJIAC mandate**.**

Multiple sources of information were used to support the findings and recommendations.  These included meaningful discussion with the Chief Executive Officer, the Deputy Operations Manager, the Senior Aerodrome Officer, the Accountant, the Personnel Officer, the Electrical Engineer (Senior), the Senior Foreman and the support staff of CJIAC, staff of the of Guyana Civil Aviation Authority and Directors on the CJIAC Board.

There were telephone communications with the Chairman of the Board and verbal communication with two (2) Directors of the Board (from the Ministry of Public Works and the Ministry of Finance). These took place after the expiration date of theCJIACBoard on June 30, 2015.

**2.02**Regulatory and other documents reviewed were:

* The Public Corporations Act 1988
* CheddiJagan International Airport Act- Chapter 52:01,
* CJIAC Order (No. 20 of 2001)
* The Civil Aviation Act 2000 (No.10 of 2000)
* Organization Chart and Job Description of staff of CJIAC
* Administrative Manual and Standard Operational Procedures
* Minutes of Board Meetings
* Audited Financial Statements for 2010 to 2012.
* Auditor General Reports for 2011, 2012 and draft report for 2013
* Financial Statements and Trial Balances January 2012 to May 2015.
* Financial records
* Budgets for 2012 to 2015.
* Personal Files of Senior Managers and other selective staff.
* Business Plan (requested after the draft report was issued.)

During the course of the audit the auditor was not advised that the Corporation has a Business Plan (2002-2006) which was prepared by Leading Edge Aviation Planning Professionals, 1Woodleys Yard West Street, Aldbourne,Wiltshire, United Kingdom in October 2001 and approved by the Ministry of Public Works.

Based on management’s response to the draft report where the Business Plan was mentioned, the document was subsequently requested prior to the finalization of the report.

**3.00SCOPE OF THE FORENSIC AUDIT**

The Audit includes such procedures as necessary to:

1. Determine the entity’s adherence to and fulfillment of principles of corporate governance in all aspects including its interpretation of its mission, adherence to legal or statutory and policy instruments and good practices;
2. Assess and test systems and detect any instances of corporate malfeasance and inefficiency for remedial and/or judicial interventions and systems realignment;
3. Determine the authenticity and validity of significant commercial and financial transactions entered into by the entity with related parties, suppliers and customers and measure the extent of potential prejudice this entity may have suffered through such dealings, if any;
4. Carry out a comprehensive financial systems audit which should look at all systems, decisions and practices which have underpinned the entity’s finances, test and assess financial discipline at all levels;
5. Recommend statutory, legal or organizational changes required to identify and prevent any recurrences of improprieties.
6. Conduct a human resources audit which should include key issues like manpower policy and needs determination, selection and recruitment regarding philosophy, grading and departmentalization, payroll system and management, performance culture and whole policy on advancement and promotions, labour issues, skills development and development. Examine current incentives, their access and distribution and the impact they have on skills attraction and retention on staff motivation, performance and commitment.
7. Determine the planning culture of the entity
8. Determine the entity’s manpower and skills development policies to equip its key functional areas with strategic competencies needed for migration to digital era and beyond
9. Recommend a business model, development and innovativeness which should help a restructuring exercise by gauging the entity’s capacity to align itself with and keep adjusting to the larger macro- environment through periodic strategies interventions
10. Gauge the entity’s readiness to do business in an environment characterized by open competition locally, regionally and globally and the removal of statutory sources of revenue including subsidies.

**4.00HUMAN RESOURCES AUDIT**

Statistics showed that the Corporation has evolved over the last six (6) years with the annual expenditures growing from G$311,776,450 to $724,463,412.Similarly the staffing structure has grown from 89 to 179 in the past six (6) years.

A management board comprising a Chairman and directors holds responsibility for the overall management of the Corporation. The Chairman who heads the Board is appointed by the Minister responsible for Air Transport.

The Chief Executive Officer who is responsible for the day to day operations of the Corporation is appointed by the Board of Directors and is assisted by five (5) senior Managers who have responsibility for Human Resources, Finance, Commercial, Operations, Aerodrome, Security and the Engineering and Mechanical Departments.

**5.00 FINDINGS:**

**5.01 Board of Directors/Organization Chart/Structure and Governance**

Prior to the expiration of the CJIACBoard of Directors on **30 June, 2015**, the members of the Board were as follows:

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| --- | --- |
| Mr. Ramesh Dookhoo | Chairman |
| Dr. Vindhya Persaud | Board Member |
| Mr. Berkley Wickham | Board Member |
| Mr. FazalWahab | Board Member |
| Mr. BalrajBalram | Board Member |
| Mr. Michael George | Board Member |
| Mr. Leslie James | Board Member |
| Mr. VladimPersaud | Board Member |
| Mr. Ramesh Ghir | Ex-Officio Member |

A review of the Organization Chart submitted for audit verification showed that the Board of Directors was not included in the chart.No reason was provided for this omission from the Chart. **Refer to Current Organization Chart -Exhibit 1.**

A review of the Business Plan 2002 -2006 showed that the CJIA Corporation Organization Superstructure included the Board of Directors as the head of the CJIA Corporation**.Refer to the Organization Structure extracted from the Business Plan -Exhibit 2.**

Minutes of CJIAC Board Meeting dated **21 October, 2014** indicated under ‘**New Organizational Structure and Recruitment of Staff’** that the new Organization chart was circulated and approved by the Board.

Minutes of CJIAC Board Meeting dated 22January,2015 indicated under ‘**New Organizational Structure and Recruitment of Staff’** that the CEO disclosed that the former Minister has some concerns on the proposed new Organization chart.

Minutes of CJIAC Board Meeting dated 19February,2015 indicated under **Organizational Structure** that the CEO disclosed that the former Chairman of the Board underscored that the Corporation is looking to draft a strategic plan going into the new airport and part of this is to improve the Organizational Structure and create a strong support system for the Executives. He highlighted that it would be difficult for the new airport to be managed under its current structure.

The three (3) Board minutes mentioned above seemed to have conflicting statements. It is not clear whether the current organization structure is the approved or proposed structure. However a comparison between the current structure and the Structure in the Business Plan showed the current structure in place is downgraded.

***Recommendations:***

1. ***It is pertinent that the Management of the CJIACadjusts the current Organization Chartto include the Board of Directors as the head of the Corporation. This will also be in line with the CJIA Corporation Organization Superstructure in the Business Plan.***
2. ***With regards to the Board minutes mentioned above, the Chief Executive Officer to advise the new Board on the status of the current organization structure.***

**CJIAC Board Meetings:**

During the period January 2012 to May 2015, Board meetings were kept twenty times (20) times on an average of approximately six (6) times per year.

***Recommendations****:*

1. ***The new Board when it comes into effect is recommended to improve on these numbers for effective managing of the CJIAC.***
2. ***It is advisable that the person responsible for documenting the minutes ensure that the minutes are circulated for corrections prior to the next meeting being held.***
3. ***The Minutes to be approved and signed off by the Chairman of the Board.***

**5.02Renewal Contract for Chief Executive Officernot in compliance with the CJIACOrder No 20 of 2001.**

**The CJIACOrder No 20 of 2001, Clause 6 (1) states ‘There shall be a Chief Executive Officer appointed by the Board for a period of three (3) years or such shorter period as may be determined by the Board.**

The Chief Executive Officer’s contract which was extended by the Board of Directors for a further three (3) years effective October 1, 2011 expired on September 30, 2014.

An examination of the renewed contract for the Chief Executive Officerfor a period of three (3) years with effect from October 1, 2014 highlighted the following:

* Prior to the expiration of the Chief Executive Officer’s contract on September 30, 2014, there was no discussion of renewal of the contract at Board meetings.This was confirmed by the former Chairman of the CJIAC Board.
* The Chief Executive Officer continued to function in his substantive position without a contract for approximately seven (7) months.
* The Contract for the Chief Executive Officer was not renewed by the CJIAC Board. Instead the former Minister of Public Works requested renewal of the Contract for the Chief Executive Officer from the Office of the President.
* Head, Presidential Secretariat, Office of the President via letter dated 23 April 2015 advised that the Office of the President has no objection to the renewal of the Contract of service with respect to Mr. Ramesh Ghir as Chief Executive Officer, CheddiJagan International Airport Corporation for a further period of three (3) years with effect from 1st October, 2014.
* The letter from the Office of the President did not bear the Official letter head and did not carry the Official stamp as is the practice for all documents originating from that Office. **Refer to Exhibit 3**.
* A new Agreement backdated to October 1, 2014 for the Chief Executive Officer was signed between the **Permanent Secretary acting on behalf of the Ministry of Public Works** and **the Chief Executive Officer of the CheddiJagan International Airport.**
* The New Agreement for the **Chief Executive Officer** changed his reporting mechanism from the CJIAC’s Board to the Permanent Secretary of Ministry of Works on behalf of the Minister of Public Works (now renamed Ministry of Public Infrastructure). As stated in the contract ‘**The person engaged undertakes that he will diligently and faithfully perform the duties of Chief Executive Officer of the CJIAC for the term of engagement and will act in all respects in accordance with the instructions and directions given to him by the Permanent Secretary of the Ministry of Public Works on behalf of the Minister of Public Works.’**
* The only clause in the contract that links the **Chief Executive Officer** to the Board under the Schedule attached to the Contract is ‘To serve in an ex-officio capacity on the CJIA Corporation Board’.
* New remuneration for the **Chief Executive Officer**was based on his previous salary plus an across the board increase which all staff of CJIACenjoyed. The only other change was the omission of telephone allowance which was included in his previous contract.
* The Permanent Secretary of the Ministry of Public Works was a Director on the CJIACBoard until the expiration of the Board on June 30, 2015.

**Management Response:**

1. Management acknowledges that the **Chief Executive Officer(CEO)** contract was not renewed in a timely manner. This oversight was brought to the attention of the Ministry in March 2015 and corrective action taken.
2. At no time did the **Chief Executive Officer**cease reporting to the Chairman of the Board of Directors; this practice continued until the end of the life of the Board in June 2015.
3. The **Chief Executive Officer** contract is currently being reviewed and will be signed by the appropriate authority**.**

**Auditor’s Comments:**

* **N**o reason was given for this oversight which was detected almost six (6) months after the expiry date.
* Management also failed to explain the reason the oversight was brought to the attention of the Ministry of Public Works (Ministry of Public Infrastructure) and not the CJIACBoard which was still active until June 30, 2015. There was at least one (1) Board Meeting on April 16, 2015 after the oversight of the **Chief Executive Officer**expiration of contract was detected in March 2015 yet this anomaly was not brought to the attention of the Board.
* The signing of the contract between the Ministry of Public Works and the Chief Executive Officer is not considered corrective action since this appointment/renewal of contract is mandated to be done by the CJIACBoard.
* The Personnel Department is expected to keep track of the expiry date of employee contracts while the Finance Department is expected to ensure that a contract is in force before payments are made.The Personnel Officer explained that she had no access to the Chief Executive Officer’s contract while the Accountant referred the Auditor to the Manager, Commercial and Administration for an explanation. The remuneration for the Chief Executive Officer continued after the expiration of the contract.
* During the course of the audit, there was minimal communication between the Auditor and the Manager, Commercial and Administration because of her attitude hence clarifications and explanations were not sought from this Manager. The Chief Executive Officer had instructed the Accountant to liaise with the Auditor.

***Recommendations***

1. ***The Contract for the Chief Executive Officerto be reviewed by the New Board of CJIACwhen it comes into effect*.**
2. ***It is the responsibility of the Chief Executive Officerto ensure that matters of his contract is brought to the attention of the Board and renewed in a timely manner.***
3. ***The Manager, Commercial and Administration who has overall responsibility to supervise the Personnel and Finance Department to ensure that proper systems are in place for management of contracts.***
4. ***The Manager, Commercial and Administration Finance Department to explain why this observation was not made and dealt with in the appropriate manner.***
5. ***Payments should not be made for contracted employees whose contracts have expired. Proper system to be in place.***

**5.03Manager, Commercial and Administrative employment not justified – due diligence not followed.**

The position of the Manager, Commercial and Administration is the second highest position in the Corporation after the Chief Executive Officeras reflected in the current Organization Chart.

The Manager, Commercial and Administration have been employed with the CJIAC with effect from 22 August 2005. Her significant qualification noted in her personal file is the ACCA certification attained in 2005. However her membership could not be verified at the time of the audit. A perusal of her personal file highlighted the following unsatisfactory features:

* Her personnel file did not contain any references from her previous employers.
* The evaluation for her interview states areas of concerns in that she appeared not genuine, had limited Human Resources, Industrial Relations and Commercial Administration knowledge.
* Her positives according to the evaluation of her interview were not sufficient to guarantee employment.
* The panel failed to notice from the applicant’s application that she did not have any significant experience at a Management level.
* The Chief Executive Officer indicated on her application that she was not always truthful.
* The consideration to employ this applicant in such a senior position knowing that she was being dishonest at the interview and without doing a background check is clear indication that her employment was fixed.

During the course of the forensic audit, background information was requested directly from the Chief Executive Officerof the Guyana Sugar Corporation (GUYSUCO) after the Human Resources Manager failed to provide adequate information.This recent development revealed the following:

* The Commercial and Administrative Manager was a poor performer as a Treasury Accountant at GUYSUCO. On two (2) occasions she was given serious warning letters for making significant mistakes which could have been to the detriment of the Corporation. She had a final warning. Copies of correspondence of poor performance received from GUYSUCO. Refer to **Exhibit 4 for details.**
* She resigned from GUYSUCO while she was on vacation leave to take up the appointment of Manager, Commercial and Administration at CJIAC. However she failed to inform CJIAC that her resignation date was effective from **18th October 2005** while she accepted employment with effect from **22nd August 2005**. She was therefore employed with both Corporations simultaneously for a period of approximately two (2) months. This was a clear case of conflict of interest for both Corporations.
* This employee had no significant managerial experience prior to her appointment with CJIAC.
* Her previous highest position held was Treasury Accountant at GUYSUCO for a period appeared to be February 2004 to August 2005 (approximately one (1) year and six (6) months of experience).
* Other significant experience is as an accountant trainee at Guyana Power Light Inc. for one (1) year as recorded on her CurriculumVitae.

**Management Response:**

1. Mrs.Doodnauth-Mangru was last employed by GUYSUCO and functioned in a senior capacity as the Treasury Accountant.
2. The decision to employ Mrs.Doodnauth-Mangru was agreed by an Interview Panel and sanctioned by the Board.
3. Ms.Doodnauth-Mangru advised of the following regarding her employment at Guysuco:

* As a senior staff of Guysuco, she was required to give three (3) months’ notice of resignation. This she did in lieu of annual leave.
* She acknowledged being written to twice on poor performance. The last letter was dated November 22, 2004 on an incident that took place on November 11, 2004. Her last day of work was more than nine (9) months after this incident.
* She maintained that she left GUYSUCO for job security as they were facing financial difficulty.

**Auditor’s Comments**

The Manager, Commercial & Administration prior to her employment at the CJIAC was not experienced for the position. Her only relevant experience was in Finance for less than two (2) years. Refer to **Terms of Reference for this position at Exhibit 5.**

No document was produced for audit evidence that the Board sanctioned the employmentof the Manager, Commercial and Administration. Sending a letter to the former Chairman of the Board it is not evidence that the Board agreed to the employment. Further no acknowledgement of the letter from the Chairman was verified.

Letter dated 7 July 2005 to the former Chairman indicated that arising out of the interviews Ms.DursattyDoodnauth was identified to fill the vacancy. It also mentioned if Ms.Doodnauth accepts our offer she will be required to give one month’s notice to her current employer. This is clear indication that she failed to inform CJIAC that she was required to give three(3) months’ notice as mentioned in the management response.This can be considered an act of dishonesty.

Employees are obligated to his/her employment until the last day of work. To be on vacation leave and accept employment with another organization is a conflict of interest especially when your current employer was not notified.On the other hand if CJIAC knowingly offer employment especially to a senior staff who is still attached to another Organization, then that is considered poor management. The offer of employment letter was signed by the Chief Executive Officer.

The evaluation for her interview states areas of concerns in that she (the applicant) appeared not genuine, had limited Human Resources, Industrial Relations and Commercial Administration knowledge.This is supported by the fact that the Chief Executive Officer indicated on her application during the interview that she was not always truthfulyet she was offered employment**. Refer to Exhibit6.**

The Deputy Manager – Airport Operations who was the Senior Personnel Officer at the time of the interview served as one of the panellists. He explained the reason a background check was not done on the applicant was because the former Chairman of the CJIAC Board influenced the decision to employ the applicant.

At the time of the Audit, copies of certificates of the Manager, Commercial and Administration were not in her personal file but original certificates were produced for audit verification when requested. Her ACCA membership was not verified. It appears that the Manager, Commercial and Administration have since paid up her subscription.

***Recommendations***

1. ***Chief Executive Officerto explain the reason he wrote on the applicant’s CV ‘was not always truthful’ and still agreed to offer her employment in a senior position in the Corporation.***
2. ***Good governance is encouraged for employment of all categories of staff. The evaluation criteria should be according to the terms of reference and not favouritism.***
3. ***Applicants who are found to be dishonest at interviews should be immediately be apprised of their dishonesty and the interviews to be discontinued.***
4. ***Referencesfrom previous employersto be requested prior to employment for all categories of employees.***
5. ***The Manager, Commercial and Administration to explain why she did not inform the management of CJIAC that she was required to give three (3) months’ notice to her present employer at that time of accepting the job offer.***
6. ***Original certificates to be verified by the Human Resources Department and copies to be kept in personal file.***
7. ***The Manager, Commercial and Administration to submitreceipt of last membership subscription.***
8. ***All of the above was not done prior to the employment of the Manager, Commercial and Administration. In this regard if the new Board deems this necessary, her achievements for the past ten (10) years to be reviewed.***
   1. **Several key positions not filled for over an average of six (6) years**
9. The Organization Structure does not have the right balance since there is a gap between the **Chief Executive Officer**(CEO) who heads the Corporation and the next senior position being the **Manager, Commercial and Administration**.**The Manager, Commercial and Administration** have overall responsibility for the Human Resources Department, Finance Department and the Commercial Department. There is lack of controls since this one (1) person is in charge of three (3) departments. **In addition this position also functions as the acting Chief Executive Officer when the Chief Executive Officer is off duty, Secretary of the CJIAC Tender Board Committee and a member on the Evaluation Committee.**

**Management Response**

1. The Business Plan dated October 2001 was approved by the then Ministry of Public Works. There was no new Business or Strategic Plan since.
2. The Business Plan outlines that the Commercial & Administrative Manager will be responsible for the areas of Finance, Human Resource and Commercial.
3. The Human Resources and Commercial Departments are headed by a personnel and commercial officers respectively who are qualified in their respective field. Details of qualifications and experiences of all staff within the Commercial and Administration Department were submitted to the auditor.
4. Management agrees that the organisation has evolved over the years since the establishment of its Aviation Security Division in 2009; in this regard efforts were made to revise the existing structure. On August 21st 2014, a proposed structure was submitted to the Board of Directors. The position of Human Resource Manager was advertised via Chronicle newspapers dated 20th August 2014. Applications were received and these were forwarded to the board for further action. No appointment was made. Management will again raise this issue of the Organisation Structure following the appointment of a new Board of Directors.

**Auditor’s Comments**

During the course of the forensic audit and review, the Auditor was not aware that a Business Plan 2001 - 2006 existed for the CJIAC Operations. Request was made for the Operations Manual of the CJIAC and the Auditor was provided with an Administrative Manual (Human Resources) and Finance Department Standard Operating Procedures (SOPs). These two (2) documents were not adequate to understudy the operations of the Corporation in its entirety.

The Auditor indicated to the Chief Executive Officer intentionsto make recommendations in the Final Report for the CJIAC to have an Operations Manual that covers the activities of every department of its operations and also for the Corporation to have a Procurement Policy to suit their operations.

**The Business Plan was requested after the Auditor observed that reference was made to this document in the responses to the draft report. Had this document been shared with the Auditor, the report would have been structured differently. It is the Auditor’s belief that the Business Plan is a very useful tool for the CJIAC Operations but needs to be upgraded due to the evolvement in the last six (6) years.**

The Business Plan being the first for a new entity was based on a new organization structure. It was the management of the Corporation responsibility to improve/upgrade the Business Plan after the expiry date of 2006.

Management over time changed the organization structure of the Business Plan where most senior positions were downgraded with the exception of the Chief Executive Officer, the Manager, Commercial and Administration and Senior Aerodrome Officer.

***Recommendations***

1. ***The new Board when it comes into effect to review the Business Plan with the aim of upgrading the document by gauging the entity’s capacity to align itself with and keep adjusting to the larger macro- environment through periodic strategies interventions.***
2. ***It is recommended that the Corporation prepares a strategic plan every four to five years.***
3. ***The Organization Structure needs to be reviewed for effective and efficient management of the Airport.***

***4.Management of CJIACfor future engagements with Auditors share as much information as possible since lack of adequate information can result in impartial reporting which may be detrimental to the Corporation’s image in the long run.***

1. ***For the purpose of transparency, management should review the system of the Manager, Commercial and Administration to be involved in evaluation of tenders since the Finance Department is responsible for Procurement. The Accountant also serves as a member on the evaluation committee.***
2. ***Reference is made to Appendix 5- Conflict of Interest which involves Personnel, Finance and Commercial transactions by the Manager, Commercial and Administration Division.***
3. ***Management is encouraged to employ a qualified and experienced Human Resources Manager who can make meaningful contributions for effective and efficient management of the Airport.***

**(2)The Deputy Chief Executive Officerhas not been filled sinceMay 1, 2005.**

The last person to hold the position of **Deputy Chief Executive Officer**is the Chief Executive Officerfor a period of less than two (2) months. Since May 1, 2005 the position has been vacant and no longer exists on the current Organization Chart.

**Management response**

The position of Deputy Chief Executive Officerwas created primarily to identify someone to understudy Mr Leon Romero (expatreChief Executive Officer from Trinidad). Unfortunately, only one (1) month of understudy was afforded to the currentChief Executive Officer. It was never the intention of the Business Plan to have a Deputy Chief Executive Officer on a fulltime basis.

**Auditor’s Comments**

The response by management is partially incorrect.

According to the Business Plan, ‘the planned ultimate organization for the Corporation includes a position for **Deputy Director**. The intent of this position is to assist the **Director and Chief Executive Officer**in all functions and to take specific oversight responsibility for certain critical areas such as Security, Emergency Services Coordination and Airports Safety Compliance including monitoring of ICAO Standards and recommended practices and liaison with the Guyana Civil Aviation Authority regarding airports certifications. With respect to Security and emergency services, the role of the Deputy Director is one of monitoring and coordination as the day to day operation of the CJIACSecurity Service and Emergency Services would be managed by the Manager of Operations, CJIA. **Internal Audit of the CJIA Corporation would also be overseen by the Deputy Director**.’

Initially, the position of **Deputy Director** is regarded as a training or understudy position with the intent that the incumbent would succeed to the position of Chief Executive Officer following the initial period of contracted management by an expatriate. In the Organizational development of the staffing of the Corporation, it is assumed that this position might be filled at any time possibly by upward progression or assignment of dual responsibility by one of the four Corporation Managers.

The Audit views the position of **Deputy Chief Executive Officer**and **Deputy Director** to be the same. Similarly, the **Chief Executive Officer**and **Director** is the same position.

***Recommendation***

1. ***The New Board of Directors when it comes into effect is encouraged to review the structure of the CJIAC.***
2. **The Position forManager –Airport Operations**

This position became vacant on 17 November 2008 and no longer exists on the Organization Chart. The Operations Department is currently managed by a Deputy Manager for the past seven (7) years.

The Deputy Manager – Operations has been appointed in this position on May 22, 2005. He previously held the position of Senior Personnel Officer prior to his appointment. He has to date upgraded his qualifications with a Masters’ in Business Administration in 2012.

On June 14, 2014 a letter with the captioned ‘Unsatisfactory Conduct and Below Par Work Performance’ signed by the former Chairman of the CJIAC Board was sent to the Deputy Manager – Airport Operations based on a board decision to suspend him from duty without pay for a period of one month with effect from 30/6/2014. He was given a final warning.

**Management Response**

Deputy Manager, Airport Operations – initially, the incumbent was appointed as deputy since he was new to that department. It was anticipated that with good performance he would have been promoted to Manager. Unfortunately, the performance was not in keeping with the requirements of the organisation hence an appointment to manager was not made.

**Auditor’s Comments**

Management response is not accurate.

The Deputy Manager –Airport Operations has been appointed in his current position approximately three (3) years and five (5) months prior to the position of the Manager- Operations becoming vacant due to retirement.Seven (7) years later at the time of this Audit, the Deputy Manager is still managing the Airport Operations.

With regards to the letter dated June 14, 2014 from the former Chairman CJIAC Board, the Deputy Manager – Airport Operations is of the view that he was not given a fair hearing. The Former Chairman was contacted via telephone but did not make any adverse comments on the matter. For the past year there was no report of any misconduct.

***Recommendations***

1. ***Management to explain why a new Manager- Airport Operations was not employed since it is mentioned that the performance of the Deputy Manager–Airport Operations were not in keeping with the requirements of the Organization, hence could not be promoted.***
2. ***The new Board of Directors is encouraged to review the performance of the Deputy Manager- Operations since he has been managing the Airport Operations for the past seven (7) years.***
3. **The Aviation Security Department –Chief Security Officer**

The Aviation Security Department was formed in 2013 but no Head of Department was appointed to manage this Department. The Senior Aerodrome Officer is currently managing this department but no letter of appointment was issued since his substantive position has not changed on the staff list.

The Aviation Security Department has a staff complement that represents forty six percent(46%) of employment on the payroll. It is important that a **Security Manager/ Chief Security Officer** with a disciplinary background whether from internal or external of the Corporation be employed to fully manage this department**.**

**Management Response**

The Security Manager (ag) is qualified to head this department since he is a Transportation Security Administration (TSA) trained officer. This is most critical to the Aviation Security Department.

**Auditor’s Comment**

During the course of the audit, no letter of appointment (acting)was issued to the **Senior Aerodrome Officer who** was performing the duties of Security Manager. Also there has been no change in his remuneration.

Security Services initially fell under the Airport Operations Division according to the Business Plan. The Deputy Manager- Airport Operations is also a **Transportation Security Administration (TSA) trained Officer.**

***Recommendations***

1. ***The new CJIAC Board to review acting appointment of the Security Manager.***
2. ***Management should make effort to appoint an Aviation Security Managerwhether from internal or external since it is in excess of two (2) years since the Aviation Security Department was formed. The Security Department is very critical for Airport Operations.***
3. **Manager - Engineering and Maintenance Department (EMD)**

This position of Manager – Engineering and Maintenance Department was last filled on September 5, 2009. This position no longer appears on the current Organization Chart. The position of **Senior Electrical Engineer** has replaced the position of **Manager – Engineering Division** as initially indicated in the Business Plan.The Electrical Engineer was not appointed but has been functioning as the head of department.

At the time of the audit,the Engineering and Maintenance Department staff complement was forty two (42).

**No Management Response was received**.

**Auditor’s Comments**

The Minutes of CJIAC Board Meeting held on **5th December 2014** indicated that for Maintenance Contracts - the Senior Foreman- Maintenancedeals with Petty Contracts and has 18 staff that is mainly involved in maintenance of building and surface structures while the Electrical Engineer has 6 electricians under his watch.

In an interview with both the Electrical Engineer and the Senior Foreman – Maintenance, they were not aware of the shared responsibility since the Electrical Engineer was functioning as the Head of Department.

***Recommendations:***

1. ***Management should make every effort to fill the position of Manager – Engineering and Maintenance Department.***
2. ***A review of the current staff of the EMD is necessary to determine the skills that exists within the department and if all staff are fully utilized.***

**(6)Position of Senior Accountant – Replaced by Accountant**

The position of Senior Accountant position not filled since September 2010. Currently the Accounts Section is supervised by an Accountant who is a Level 2 ACCA Student.

**Management Response**

The Accounts Department is supervised by an Accountant who was appointed in October 2011. The previous Senior Accountant resigned in September 2010. The Accountant is qualified for the job she performs has over ten (10) years of experience in the field. Performance appraisals for the individual have also been satisfactory to date.

**Auditor’s Comments**

The audit found that the position of **Senior Accountant** was advertised internally in October 2010shortly after it became vacant. The Accountant who held the position of **Accounts Supervisor** at the time of the vacancy applied for the position. However, the Interview panel did not find the applicant suitable for the position of **Senior Accountant**. Subsequently the position of **Accountant**(a new position) was advertised internally in 2011 and she was found suitable for the position and was appointed in October 2011.

It appears the position of **Senior Accountant** has been downgraded to the position of Accountant and has responsible to supervise the Finance Department and not managed.

***Recommendations***

1. ***There must be consistency of the positions according to the Organization Structure***
2. ***Positions must not be created or downgraded to suit the qualifications of applicants.***
3. **Position of Senior Personnel Officer and Accounts Supervisor**

The position of Senior Personnel Officer not filled since July 2005. The Personnel Department is supervised by a Personnel Officer (who is a third year Management Student at the University of Guyana) and managed by the Manager, Commercial and Administration.

Accounts Supervisor position remained vacant since January 2015. An Accounts Clerk is performing the duties of Accounts Supervisor.

**No management response.**

***Recommendations***

1. ***The new CJIACBoard to review the Organization Structure.***
2. ***Efforts to fill vacant positions that are necessary to be in place for good governance.***
3. **Position of Procurement Officer was never employed with the Corporation.**

The duties of procurement are coordinated by the Finance Department. Purchasing is done by drivers who functions as expeditors.

**Management Response**

The organisation structure does not cater for a procurement officer. An accounts clerk carries out the function of procurement. The drivers and porters merely assist in uplifting items and delivering quotation from suppliers, since they frequent Georgetown on a daily basis.

**Auditor’s Comments**

A Corporation with a magnitude of activities as the CJIAC needs a procurement officer.There is a difference between a procurement officer anda purchasing clerk.

A Procurement Officer processes purchasing transactions for equipment, materials, supplies, capital goods, and services. Details of job description are shown below:

* Process purchase requisitions / orders within purchasing authority
* Invite, assess, and award/recommend supplier tenders, bids, quotations, and proposals
* Establish and negotiate contract terms and conditions, and maintain supplier relationships
* Prepare and maintain purchasing records, reports and price lists
* Work with internal and external stakeholders to determine procurement needs, quality, and delivery requirements
* Assist in the development of specifications for equipment, materials, and services to be purchased
* Administer contract performance, including delivery, receipt, warranty, damages and insurance
* Comply with and maintain knowledge of applicable rules, legislation, regulations, standards, and best practices; among others.

Purchasing is the process of how goods and services are ordered. Purchasing can usually be described as the transactional function of procurement for goods or services.

***Recommendations***

1. ***Management is encouraged to include the position of a Procurement Officer in the Organization Structure.This will strengthen the Corporation in the Procurement Area.***
2. ***The Procurement Officer to be in charge of all procurement from tendering to completion of the contract works and supply of goods and services.***
3. ***Focus to be on contract management to ensure that value for money is obtained for all contracts.***

**(9)CJIACdoes not have an Internal Audit Department**

There is no Internal Audit Department at the CJIAC. With the magnitude of activities taking place at the Corporation this is considered a huge lapse in the management system. It was observed that the Ministry of Public Works Internal Audit Department carried out an investigation audit (only audit) in November 2014. This is not considered good practice since the Ministry is a separate entity from the CJIAC. In addition the Permanent Secretary of the Ministry is a Director on the CJIAC Board.

Section 49 of The Public Corporation’s Act states that ‘A Corporation may and when so directed by the Minister Concerned shall in consultation with the Auditor General or the concerned Officer of any Corporation established under Section 54(1) as may be specified by the Minister make arrangements for a regular system of Internal Audit which shall be in addition to the Audit and examination of accounts herein before provided in this part’.

The position of Internal Auditor was discussed at the CJIACBoard. However, the Permanent Secretary had advised the Board that the Ministry of Public Works Internal Audit Department will assist in this regard.

**Management response:**

The establishment of an internal audit department was discussed at the Board and Ministerial levels. It was agreed that the Ministry of Public Infrastructure, formerly known as Ministry of Public Works, will implement an internal audit committee whose scope will entail all of the agencies falling under the Ministry. This committee was established and CJIACwas audited by the internal auditors in 2014. Additionally, CJIAC Accounts Department carries out a number of independent audits and management is confident that system of internal controls is effective. Nevertheless this issue will be addressed with the new Board of Directors.

**Auditor’s Comments**

The Audit Committee is separate from the Internal Audit Department and serves its own purpose. The Audit Committee does not carry out audits. The Internal Audit Department of the Works Services Group of the Ministry is assigned to carry out audits for thatDepartment and are part of that management team.

The CJIACand the Ministry of Public Work are two (2) separate entities and need to have their own Internal Audit Department. Internal Auditors form part of the Management team and provide a number of important services to an organization. These include detecting and preventing fraud, testing internal control, and monitoring compliance with company policy and government regulations.

The Accounts Department cannot carry out independent audits since their functions are accounting and has a responsibility to do proper examination of all transactions andadhered to proper internal controls.

‘Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes’ as defined by the Institute of Internal Auditors Inc.

The Business Plan includes Internal Audit which falls under the Deputy Director. However, Internal Audit should have its own department which should have an annual work plan and all final reports submitted to the Board.

***Recommendation***

1. ***The Management should include in the Organization Structure, Internal Audit Function and make efforts to have an Internal Audit Department. This will add value to the management of CJIAC.***

**5.05Findings: Other Human Resources Matters**

1. **Pension Plan**

Pension plan: Section 7 of the CJIACOrder No. 20 of 2001 – Continuance in employment of existing officers and other employees states that all persons employed, immediately before the commencement of this Order at the CheddiJagan International Airport, may continue in the employment of the Corporation on terms and conditions in relation to their employment which shall be no less favourable than those which they enjoyed immediately before such commencement.

During the course of the forensic audit some staff expressed their disappointment that they learn of their pension from the Public Service will not be calculated at the salary they will retire at in the Corporation.

Management should make effort to review Section 7 of the CJIAC Order and discuss same with staff thatis affected.

**Management Response:**

**Pension Plan**- The staff mentioned above in the paragraph captioned” pension plan” are those staff who came over from the Civil Aviation Dept. (CAD) formerly under the Ministry of Public Works who are on the “fixed establishment”, as per the terms and conditions of their employment their pension is calculated by the Ministry of Finance up to and including April 2002 when the Corporation was established. Post 2002, the Corporation’s pension plan would affect pension payments to eligible staff.

This matter is currently engaging the attention of the Ministry of Public Infrastructure.

***Recommendations:***

1. ***This matter should be brought to the attention of the new Board when it comes into effect.***
2. ***Staff members who are affected should be briefed on the status of their concerns.***
3. **New Positions Created**

Reference is made to two (2) positions which were not advertised internally in the Corporation to the dissatisfaction of some employees as follows:

* **Coordinator – Electrical Section**
* **Business Development Officer.**

Management has confirmed the change in the designation of two employees whose new position did not increase their remuneration instead their scope of work has been increased. However, as a reminder to management all new positions will have to be approved and be included in the Organization Structure.

**Management Response**

**Coordinator-** Electrical Section- The employee’s current designation is Electrical Technician. His change in designation was temporary for a period of time during which the Electrical Engineer was on leave and he would have assisted in coordinating the functions of the electrical section; his emoluments were never changed.

**Business Development Officer-.** The Corporation has contracted the services of a route development company, which markets Guyana as a tourist destination to attract the services of air carriers. The employee in question is responsible for providing assistance at route development meetings. The change in designation was discussed and approved by the previous Chairman, Mr.Ramesh Dookhoo; her emoluments were never changed

**Auditor’s Comments**

The Audit was facilitated with two (2) correspondences from a ‘Whistle blower’ dated 14 & 15 April 2014 which referred to the Electrical Technician as Coordinator. One of those letters signed by the Administrative Coordinator – EMD (Engineering & Maintenance Division) was addressed to the Electrical Technician with new designation of Coordinator – Electrical Section.

The second letter was signed by the Electrical Engineer. No mentioned was made of the Electrical Engineer proceeding on leave. However, this can be easily checked out from his leave records. Copies of these letters were not in the Electrical Technician personal file although one of the letters was copied to the Manager- Commercial and Administration.**Referthe letters in relation to the Coordinator- Electrical Section at Exhibit 7.**

The approved document by the Chairman of the Board for the change of a designation to Business Development Officer was not verified. However, it appears that the Personnel and the Finance Department were not advised of this change since the Staff list requested in July 2015 did not reflect such change.

***Recommendations***

1. ***The above evidence is a clear indication that management was not honest in their response. In this regard management is urged to ensure that information shared with the audit be accurate since it can have adverse effect on the management’s image.***
2. ***As a reminder to management all new positions to be approved and be included in the Organization Structure.***
3. ***Decisions/approvals made by the Chairman of the Board should be discussed at Board meetings and included in the minutes.*** 
   1. **Full time employees on Contracts**

Some employees who are placed on a year to year contract have expressed demotivation. At the expiration of their contracts they have to write management expressing their desire to continue.

These employees should be considered as full time employees since they have joined the pension and medical schemes. They also do not benefit from gratuities as are other contracted employees.

Management is encouraged to review their system of placing employees on annual contracts.

**Management Response**

**Employees placed on yearly contracts**: The decision to place employees on yearly contracts is in keeping with a recommendation made by the Ministry. However we wish to point out that no employee was ever refused continuation of their annual contract, further contract employees are in no way at a disadvantage to staff who are not on contract.

Management will review this system with the new board of directors.

***Recommendations***

1. ***Management is expected to review this system with the new board of Directors***
2. ***Recommendations made by the Ministry should be discussed at Board level. The Corporation to make its own decision and not rely on the Ministry’s recommendation.***
   1. **Engineers whose contracts no longer in force**

Two (2) engineers attached to the Engineering and Maintenance Department are currently on the payroll but their contracts are no longer in force. These are employees from the Ministry of Public Works who were on contract for five (5) years serving time for their Scholarships but were seconded to the CJIAC. Now that their contract period is over, efforts should be made to regularize their employment if management has intentions of retaining their services.

**Management Response**

Management is aware of this situation and it is currently being addressed. A letter was sent to the Ministry of Public Infrastructure for approval, a copy is attached for reference.See copy of letter at **Exhibit 8.**

**Auditor’s Comments**

**A perusal of the letter submitted to the** Ministry of Public Infrastructure for approval highlighted the following:

* Electrical Engineer contract expired since **31 August 2014** and continued to be on the payroll with the same remuneration.
* Mechanical Engineer contract expired on **31 August 2015**. However, it should be noted that his contract was extended by a further one(1) year in 2012 to benefit from a duty free concession. The extension of a further one (1) year was to show that the contract for the Mechanical Engineer was valid for a period of three (3) years.
* The extension of the Mechanical Engineer’s contract appeared to be preferential treatment since the Corporation Staff is not entitled to duty free concessions.
* Both engineers were required to serve five (5) years mandatory service with the government hence the reason for the contract.
* The Civil Engineer is employed under the Airport Expansion Project.His remuneration should be discussed at Board level since supervision of the Project falls under the Ministry of Public Infrastructure.

***Recommendations***

1. ***As stated above efforts should be made to regularize their employment if management has intentions of retaining their services.***
2. ***It is again recommended that the Manager, Commercial and Administration who has overall responsibility to supervise the Personnel and Finance Department to ensure that proper systems are in place for management of contracts.***
3. ***An explanation should be provided for the continuanceof service of these employees on the expiration of their contracts.***
4. ***It is again recommended that payments for contracted employees can only be made if a contract is in force. In this regard the Finance Department to ensure proper systems are in place.***
5. ***The decision to offer employment to the Electrical and Mechanical Engineers should be taken at Board level if they are to be offered contracts with similar benefits as when they were serving time for their scholarships.Justification of their performance is also necessary.***

**5.08Administrative Manual:**

* The Corporation has an Administrative Manual that outlines the employment policies, corporation work schedules, compensation, employee benefits and services, human resources support, performance management, offences and penalties, conflict resolutions and supervisory responsibilities.
* The date of the manual is not known, neither could it be verified if it was ratified by the Board of Directors.
* The mentioned the appointment of the Board of Directors including that the Chief Executive Officer shall be an ex officio member of the Board but failed to mention the appointment of the Chief Executive Officer.

***Recommendation***

1. ***The Administrative Manual should be updated and submitted to the CJIAC Board for ratification.***

**6.00REVIEW OF THE FINANCIAL SYSTEM OF CJIAC**

**6.01 A review of the financial system**in operation is as follows:

* Recurrent and Capital Budgets are prepared by Management for submission to the Ministry of Finance for approval on an annual basis.
* CJIACis funded by r**evenue earned from Airport Security fees,** CUTE Fees, CJIAC Portion of Pax Screening Fees, Sale of ID Cards, Aircraft Storage Fees, Executive Lounge Rental, Escort Fees and Miscellaneous revenue.
* Some aspect of revenue is remitted to the Ministry of Public Works on a monthly basis to be transferred to the Consolidated Fund.
* Revenues are deposited into two (2) accounts namely Bank of Guyana A/C #3253 and Republic Bank Ltd A/C # 654-349-0 while savings are deposited in a BCM A/C #483-424-8.
* Recurrent expenditure is paid from Bank of Guyana AC #3253.
* All documents provided for payment should be approved by officers authorized to approve such payments. RTP’s are to be approved by the Chief Executive Officerand the Commercial & Administration Manager or the Accountant.
* Payments exceeding $2M are signed by the Chief Executive Officer and a Director on the Board(Permanent Secretary, Ministry of Public Works/Deputy Accountant General, Ministry of Finance are the authorized signatories).
* Electricity charges are paid by the Ministry of Finance.
* In cases of contracts, proper tender procedures must be adhered to according to the Procurement Act and the CJIACTender Board Regulations.The certifying officer must sign off on the document, to certify the successful completion of the work in accordance with the terms and conditions of the contracts.All contracts are signed by the Chief Executive Officer.
* Annual Financial Statements are prepared by Management, approves by the CJIAC Board then submitted to the Audit Office of Guyana to be audited.
* The Accounting Unit is staffed by an Accountant and fourteen (14) support staff.
* Accounting Controls are being exercised at the level of the Chief Executive Officer, Manager – Commercial and Administration and the Accountant.

More details of the Accounting System are provided in **Annex 1**

**7.00 FINDINGS:**

**7.01Procurement Systemnot in full compliance with the Procurement Act 2003**

Section 24(1) Public Corporations and other bodies in which the controlling interest is vested in the State may subject to the approval of the National Board (National Procurement and Tender Administration) conduct procurement according to their own rules or regulations, except that to the extent that such rules and regulations conflict with this Act or the regulations, this Act and the regulations shall prevail. Refer to the Procurement Act 2003.

**Findings:**

* CJIAC has been awarding Construction Contracts to Major and Minor Contractors for **labour** costs only while supplying Materials and Equipment for use on the Construction Contracts. No approval for this division/splitting of Construction Contracts was obtained from the National Procurement and Tender Administration.
* The Corporation does not have its own Procurement Policy but the CJIAC Board reviewed the ‘**Change of Tender Procedures’** on October 27, 2011. **Refer to Exhibit 9.**
* There is no evidence that the raising of the threshold for the CJIAC was approved by the National Procurement and Tender Administration. It is observed that the threshold was raised to be on par with the limit of the Ministry of Public Works (Ministry of Public Infrastructure).

***Recommendations:***

1. ***The new CJIAC Board to review the Procurement System of the CJIAC.***
2. ***In the absence of a Procurement Policy, all changes in the Procurement System must be approved by the National Procurement and Tender Administration.***
3. ***The division of the Construction Contracts into Labour and Materials Contracts to also be reviewed.***
4. ***Management should get familiarized with the Procurement Act 2003.***
   1. **Labour contracts for seven(7) contractors –$104,253,918**
5. During the period January 2012 to May 2015 it was observed that several contracts totalling in excess of one hundred and twenty five million dollars($125M)were awarded to Contractors for labour only. The materials utilized for these construction works were supplied by the Corporation’s Stores but in the absence of proper records maintained for each contractthe total costof the construction contracts could not be determined. In this regard it is not known if the materials issued out were in conformity with the works done and whether value for money was received.
6. No Bills of Quantities were seen for these major labour contracts. Unlike contracts for Services which indicate the method statement, the equipment, personnel to be used to carry out the works, labour contracts did not indicate the names/designation of the staff, equipment and materials to be used for the labour work.
7. Engineer’s estimates were prepared for Labour costs based on the Scope of work. These engineer estimates did not indicate the name of the person who prepared the estimates and also it was not approved by the Head of Department.
8. A review done on seven (7) contractors from information extracted from the cashbook and contract register as shown in table below:

**Table 1**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Labour Contracts awarded between January 2012 to May 2015** | | | | | | |
|  |  | **CJIAC Tender Board Approval** | | **CEO 's Approval** | | **$** |
| **No.** | **Contractors** | **No of contracts** | **Contract Sum** | **No of contracts** | **Contract Sum** | **Total Contract Sum** |
| **1** | C. Allen | 8 | 14,365,445 | 85 | 17,047,371 | **31,412,816** |
| **2** | L. Sanichar | 5 | 4,714,045 | 38 | 11,417,317 | **16,131,362** |
| **3** | D. Playter | 5 | 14,001,510 | 37 | 12,092,740 | **26,094,240** |
| **4** | R. Jupiter | 0 | 0 | 77 | 11,965,588 | **11,965,588** |
| **5** | H. Parker | 0 | 0 | 27 | 8,182,912 | **8,182,912** |
| **6** | D.Singh | 3 | 5,000,000 | 5 | 1,720,000 | **6,720,000** |
| **7** | R. Bernard | 1 | 2,810,200 | 6 | 936,800 | **3,747,000** |
|  |  | **22** | **40,891,200** | **275** | **63,362,728** | **104,253,918** |

1. With the exception of Contractors No.1 and No.7 shown in the table above no detailed checks were done to verify the quantity of materials issued for the other major contracts due to no ready information available. It was a tedious task to go through all the Internal Stores Requisitions to arrive at the quantities and cost, as a result the audit had to abandon that that method due to time constraint.
2. Contractor No.1 were awarded approximately ninety three (93) contracts totalling$31,412,826 for labour works during the period January 2012 to May 2015. Included in this amount are eight (8) contracts awarded by the CJIAC Tender Board for the painting of the Runway and Taxiway in sums totalling $14,365,445as shown in table2 below:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Table 2** | | | | | | |
| **Year** | **CJIAC Tender Board Approval** | **Contract Sum $** | **CEO Approval** | **Contract Sum $** | **Total No of Contracts** | **Amount $** |
|
| 2012 | 2 | 4,970,595 | 15 | 2,356,700 | 17 | 7,327,295 |
| 2013 | 1 | 1,652,780 | 28 | 6,202,139 | 29 | 7,854,919 |
| 2014 | 3 | 5,404,420 | 30 | 6,527,340 | 33 | 11,931,760 |
| 2015 | 2 | 2,337,660 | 12 | 1,961,192 | 14 | 4,298,852 |
| **Total** | **8** | **14,365,755** | **85** | **17,047,371** | **93** | **31,412,826** |

Review of the contracts awarded by the CJIAC Tender Board highlighted the following:

* This contractor has been winning this award for painting of the RUNWAY for the last five (5) years.
* The sum awarded was for labour charges only since the paint and thinners and the Spray Painting Machine are supplied by the CJIAC.
* No Bills of Quantities for the above mentioned eight (8) contracts were made available prior to the draft report being issued.
* An analysis of the paint issued by the Stores were requested from the Stores Clerk but was not received at the time of the submission of the draft report.(The analysis of paint requested was received but could not be used in the draft report instead it was taken into consideration in the final report).
* Management should review these contracts since this sum for labour charges are exceptionally high.
* Considering that this contractor is over sixty five (65) years of age, management should look at possibility to train young maintenance staff to use the spray painting machine. This will work out more cost effective for the Corporation.
* Details of all contracts and payments of Contractor No.1 are shown at **Appendix 2**
* In September 2012, this Contractor was involved in a fraud at the CJIAC where he impersonated one of his employees and signed a minor contract with the Corporation. He received the payment for the contract work from the Finance Department without any form of identification and cashed the cheque at Bank of Guyana which was endorsed by a former staff of the Corporation. The Bank of Guyana had reported the matter to the police**. Refer to Appendix 6 for full details**

1. No data base for the number of contractors existed at the Engineering and Maintenance Department.The scope of work was prepared by an Electrical Engineer who has no knowledge of civil works and a Senior Maintenance Foreman.
2. No materials were verified for the minor/petty contracts. No contract register was maintained for minor/petty contracts. The minor/petty contracts were not numbered. No cross reference was made on the Internal Stores Requisition to ascertain which contracts the materials issued out were used on.
3. The engineering and maintenance department responsible for the preparation of the Scope of work and the bills of quantities does not have an appointed Manager/Head of Department.The senior staff consists of two (2) electrical engineers one (1) on secondment from the Ministry of Public Works), one (1) mechanical engineer (on secondment from the Ministry of Public Works), one (1) electro/mechanical engineer and one (1) civil engineer who is attached to the Expansion Project and a Senior Maintenance foreman.

The Senior Maintenance Foreman is responsible for the hiring small contractors while Senior Electrical Engineer is responsible for supervision of the Electricians. This information was obtained from CJIAC Board Minutes dated 5thDecember 2014.

1. The Audit found that at least eighty (80%) of the minor/petty contracts awarded were negotiated by the Electrical Engineer (Senior). There was no segregation of duties in the awarding and supervision of these contracts. The request for work to be done,Head of Department approval and certification of the work on completion were all signed by the Electrical Engineer who was functioning as the Head of Department.
2. For the minor/petty contracts focus was not placed on the date the contractors signed, no timeline for the work to be completed and in some instances the dates of the request, work completed, certified and payments were all made on the same date.
3. Contracts for maintenance works above $450,000 were awarded to **‘Individuals’** by the CJIAC Tender Board. These contracts also did not indicate a timeline for the works to be completed. The awards were made based on the cost of the Scope of Works prepared by the Engineering and Maintenance Department.The evaluators were drawn from Senior Management of the CJIAC who are all familiar with the contractors.
4. In some instances focus was not placed on business registration, GRA Compliance and NIS for contractors who were awarded by the CJIAC tender board.
5. Some contractors had contracts running simultaneously and it was a tedious task to review the payments of several similar contracts awarded. The qualifications of some of these contractors are not documented so the technical competence is not known. Some of these contractors have been awarded contracts on an annual basis as far back as 2005.

**Management Responses (1- 19)**

1. **Labour Contracts –** It is not unheard of for labour contracts to be awarded. Please refer to the interpretation of the Procurement Act 2003.

**Auditor’s Comments**

As mentioned earlier, CJIAC did not obtain approval from the NPTA to split the Construction Contracts into Labour and Materials. Management need to be specific when making reference to the Procurement Act 2003. The Auditor is not aware of what interpretation management refers to.

***Recommendations:***

1. ***The CJIAC Board to review the splitting of construction contracts into labour and materials.***
2. ***Management to seek approval from the NPTA for continuance of this system.***
3. ***For all labour contracts, the materials to be used must be cross referenced on the Internal Stores Requisition.***
4. ***The cost of the materials to be used must be known at the time of awarding a labour contract so a proper assessment can be made for the full cost of the works.***
5. **Payment totalling $103M** – These payments were made over a four year period (2012-2015) and are for major projects undertaken by the Corporation which were awarded to various contractors.

**Auditor’s Comments**

The Contracts referred to consisted of mostly minor/petty contracts for the period January 2012 to May 2015. Major contracts - $41M; Minor contracts $63M as shown in **Table1** at **7.03(iv)** above.The total costs of the materials used on the labour contracts could not be determined due to lack of proper records being kept for each maintenance work.

***Recommendations:***

1. ***Proper records of all contracts must be maintained.***

***2. Thefrequency of minor/petty contracts to be reviewed considering the EMD has several maintenance staff.***

1. **Absence of bill of quantities -**Bills of quantities are maintained for the larger contracts. For the smaller contracts, the materials purchased and issued are monitored strictly by a system of internal requisition. This system is monitored immediately by the Engineer and Maintenance Division and final approvals are granted from the Finance Department*.*

**Auditor’s Comments**

This response is not accurate.No records were maintained for the materials issued for minor contracts. As mentioned before this information had to be verified on Internal Stores Requisitions which had no cross referenced to the contracts.

Bills of Quantities for major contracts were requested on more than one occasion by emails and verbally. These were not made available prior to the issuing of the draft report.

This lack of information caused the Auditor to request the Stores Clerk to prepare an analysis of paints and thinners issued out to two (2) Contractors. These quantities were then matched against the stock cards. This can be verified by the Finance Department who submitted theseanalyses to the Auditor.

Prior to the finalization of the forensic audit report, analyses of materials issued (Bills of Quantities) were received for four (4) out of eight (8) contracts requested.

1. An examination of the analyses of materials (Bills of Quantities) supplied for four (4) Contracts #1/2014, #20/2015, #02/2015 and #06/2015 revealed the following:

* It is not known who prepared the Analysis of materials (Bills of Quantities) since they were not signed by an Engineer. Refer to **Exhibit 10** for details.
* The Analysis of materials (Bills of Quantities) submitted for audit checks are not the format of Bills of Quantities for contracts.
* Materials issued out by the Stores to the contractor did not correspond with the Analysis of materials. Quantities issued out for Contract #11/2014 seemed inadequate when compared to the other contracts.
* Scrutiny of **Contract # 11/2014 dated 03/02/2014** showed that the dates materials (paint and thinners) were issued did not correspond to the date the Contractor accessed the Runway to be painted.
* The Security Logbook for Gate #4 recorded that the Contractor and his team were present on the runway on seven (7) days between February 5, 2014 and February 13, 2014 inclusive.
* Paint and thinners were issued on 7/02/2014 and 13/02/2014 while the Contractor accessed the Runway on 5/02/2014, 6/02/2014, 7/02/2014, 9/02/2014, 10/02/2014, 12/02/2014 and 13/02/2014.
* It is not known what work the contractor and his team did on the 5th and 6th February 2014. Seventy gallons (70) white road marking paint and twenty five (25) gallons of thinners were issued to the contractor on 7th February 2014. It is not a normal practice for the contractor to take four (4) days to spray paint 70 gallons of road marking paint. Sixty (60) gallons of white road marking paint and twenty five (25) gallons of thinners were issued to the contractor on 13th February 2014 and appeared to be utilized the same day since no other dates were recorded as accessing the runway.
* The number of hours worked during those days was calculated as approximately 27 ½ hours with the exception of February 10, 2014 where the entry time was recorded as 14.02 hours but no exit time was recorded. The latest time the contractor previously worked on the runway was 18.25 hrs.
* It is not known if the contractor was privileged to use another entrance to exit the runway.
* Table 4 below shows details of the materials used on the 4 contracts.

**Table 4**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Date** | **Contract No** | **Area(sqft) for painting of runway** | **Contract Sum** | **Qty of paint issued** | **Qty of thinners issued** | **Bills of Quantities - CJIAC** | |
|  |  | **Square Feet** | **G$** | **Gallons** | **Gallons** | **Paint (Gals)** | **Thinners (Gals)** |
| **3/2/2014** | **11/2014** | **95,915** | **1,918,300** | **130** | **50** | **440** | **200** |
| **28/3/2014** | **20/2014** | **20,289** | **608,670** | **200** | **75** | **260** | **105** |
| **16/01/2015** | **02/2015** | **49,959** | **1,498,770** | **400** | **185** | **300** |  |
| **23/3/2015** | **06/2015** | **18,642** | **838,890** | **240** | **90** | **160** | **60** |

***Recommendations:***

1. ***Management to give explanations to all findings at 3above.***
2. ***Bills of quantities to be included in all contracts.***
3. ***The CJIAC Board to follow up on the explanation of the findings.***
4. To ascertain what quantities of paint and thinner was used on all major contracts for painting the runway between January 2012 and May 2015 a comparison was made on the dates of the contract awarded, the dates of Internal Stores Requisitions and the date when the payments made. This was a tedious exercise however the audit found that the dates of the Internal Stores Requisition showed that there were five (5) instances when materials issued out did not refer to a Contract. See tables below for details of materials issued out for major painting works.

**Table 5**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Contracts awarded by CJIAC Tender Board for period Jan 2012 to May 2015** | | | | | | |
| **Painting of Runway and Taxiway** | | | | | | |
| **Date** | **Contract No** | **Area to be spray painted** | **Qty of paint issued** | **Qty of thinners issued** | **Dates Issued** | **Date of Payments** |
|  |  | **Square Feet** | **Gallons** | **Gallons** | **Period** | **Period** |
| **20/02/2012** | **04/2012** | 82,639 | **575** | **172** | **21/02/12 - 25/05/12** | **26/03/12 - 31/05/12** |
| **27/7/2012** | **23/2012** | 149,656 | **1,048** | **302** | **03/01/13 - 24/05/13** | **18/01/13-14/06/13** |
| **3/6/2013** | **18/2013** | 82,639 | **475** | **171** | **21/06/13 - 26/09/13** | **12/09/13-15/10/13** |
| **3/2/2014** | **11/2014** | 95,915 | **130** | **50** | **07/02/14 - 13/02/14** | **19/02/14-21/02/14** |
| **28/3/2014** | **20/2014** | 20,289 | **200** | **75** | **28/03/14 - 03/04/14** | **16/04/14** |
| **17/09/2014** | **51/2014** | 95,915 | **340** | **135** | **10/10/14 - 12/11/14** | **10/10/14-17/11/14** |
| **16/01/2015** | **02/2015** | 49,959 | **400** | **185** | **17/02/15 - 02/03/15** | **26/02/15-04/03/15** |
| **23/3/2015** | **06/2015** | 18,642 | **240** | **90** | **25/03/15 - 01/04/15** | **17/04/15-24/04/15** |
|  |  |  | **3408** | **1180** |  |  |

Table 6 below showed materials issued out which did not relate to any contracts

|  |  |  |
| --- | --- | --- |
| **Table 6** | | |
| **DATES ISSUED** | **PAINT (gals)** | **THINNERS(gals)** |
| **27/01/2012 - 17/02/2012** | **175** | **55** |
| **30/12/2013 - 31/01/2014** | **240** | **95** |
| **6/3/2014** | **80** | **40** |
| **20/6/2014 - 09/09/2014** | **450** | **165** |
| **10/3/2015** | **40** | **25** |
| **Total** | **985** | **380** |

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***Recommendations***

1. ***An independent Civil Engineer to review the scope of work against the materials used on the work.***
2. ***Explanation for the materials issued not related to any contracts as shown in table 6.***
3. ***Management to produce record to show many days the Contractor accessed the airside to do spray painting work for each the contracts shown at Table 5.***
4. ***Recommendations for payments should be based on the engineer’s certification of the works completed.***
5. **Use of Spray painting machine by contractor**- the engineers at the Engineer and Maintenance division(EMD) has trained several employees over the years to use the spray painting machine. However this is a technical job that requires skills and the staff had much difficulty using the machine to spray straight lines without over sprays – you may see evidence of this challenge on the East Bank Road. Further, the marking on the runways and taxiways have to be of the highest quality and standard if we are to comply the ICAO Aerodrome Marking Standard and Recommended Practices.

**Auditor’s Comments**

Management’s response is not accurate. This information was not verified by the Engineering and Maintenance Department.

***Recommendations***

1. ***Management to provide the names of the several employees who were trained over the years to use the spray painting machine.***
2. ***The Engineers who did the training to provide a report on the training.***
3. **High Labour Charges** – The rates used for Road Marking are determined by the Engineers of CJIAC. An examination of the rates used will reveal that it is very consistent over the past years.

**Auditor‘s Comments**

1. The rates used during the period 2012 to 2015 were not consistent since they were increases with no justification. In 2012 the rate was $20 and 25 per square feet. In 2014 there was a fifty percent (50%) increase in the rate. In 2015 the rate has moved to $45 per square feet that is a further fifty percent (50%) on the 2014 rate.
2. No justification how the Engineers arrived at the rate since the contractor was given the facility to use CJIAC equipment (wear and tear to be considered), the materials were procured by the CJIAC which included several aspect of manpower and other expenses incurred.
3. There is a difference of $959,150 in the contract sum for contract #11/2014 against contract # 51/2014 for the same surface area to be painted.

An analysis of the Scope of work and rates are shown in the table 3 below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Table 3** | | | | |
| **Contracts awarded for Painting of Runway and Taxiway for period January 2012 to May 2015** | | | | |
| **Date** | **Contract No** | **Area(sqft) for painting of runway** | | **Total** |
|  |  | **Square Feet** | **Rate per sq. ft. $** | **$** |
| 20/02/2012 | 04/2012 | 82,639 | 20 & 25 | 1,977,475 |
| 270/7/2012 | 23/2012 | 149,656 | 20 | 2,993,120 |
| 03/06/2013 | 18/2013 | 82,639 | 20 | 1,652,780 |
| 02/03/2014 | 11/2014 | 95,915 | 20 | 1,918,300 |
| 28/03/2014 | 20/2014 | 20,289 | 30 | 608,670 |
| 17/09/2014 | 51/2014 | 95,915 | 30 | 2,877,450 |
| 16/01/2015 | 02/2015 | 49,959 | 30 | 1,498,770 |
| 23/03/2015 | 06/2015 | 18,642 | 45 | 838,890 |
|  |  |  |  | **14,365,455** |

***Recommendations***

1. ***Management to provide explanation for 5. (i) to (iii)***
2. ***Scope of work and rate charged considering materials, equipment and other facilities are provided to be reviewed by an independent civil engineer.***
3. **Age of contractor**- the contractor has been performing works satisfactorily and his age is not of concern to the Corporation. Management does not discriminate based on age; we believe that performance is what should be judged and not one’s age.The contractor in question is a skilled sign artist with experience in road marking and would have done work for the Ministry of Public Works, BK International and the GMRSC (Timehri Racing Circuit).

**Auditor’s comments**

The Auditor’s intention was not to discriminate against age or question the contractor’s competence but was based on succession planning as stated ‘Considering that this contractor is over sixty five (65) years of age, management should look at possibility to train young maintenance staff to use the spray painting machine. This will work out more cost effective for the Corporation’. Refer to management’s response No.4 above -.**Use of Spray painting machine by contractor.**

***Recommendations***

1. ***Management to revisit the exercise to train young maintenance staff to use the spray painting machine. This will work out more cost effective for the Corporation.***
2. **Other small contracts received**- contracts awarded over the period 2012-2015 were in keeping with the procurement procedures.

**Auditor’s Comments**

As state previously **‘t**he Audit found that at least eighty (80%) of the minor/petty contracts awarded were negotiated by the Electrical Engineer (Senior). There was no segregation of dutiesin the awarding and supervision of these contracts. The request for work to be done, Head of Department approval and certification of the work on completion were all signed by the Electrical Engineer who was functioning as the Head of Department’.

***Recommendations***

1. ***Management needs to ensure proper system exists at the EMD.***
2. ***Head of Department to be appointed for proper administration.***
3. **Criteria for the selection of contractors**: The Engineer and Maintenance Division have a team of engineers and skilled personnel who are responsible for reviewing the qualifications and experience of prospective contractors. Further, a database is maintained with the contact information for shortlisted contractors. A copy is attached for reference(Exhibit F).

**Auditor’s Comments**

The contact information was not the database the audit referred to**.** Instead no record was maintained of the several contractorswho were awarded contracts through selective bidding process. It seems that the engineers/skilled personnel kept memorable historical information of these contractors.The list of shortlisted contractors referred to only mentioned eight(8) contractors while the audit observed over thirty (30) persons were awarded labour contracts. This number was derived from the payment vouchers.

***Recommendations***

1. ***Management to maintain records of all prospective contractors***
2. ***Explanation for the criteria used when selecting minor/petty contracts considering a total of 30 persons were hired.***
3. **Scope of Works prepared by Electrical Engineer**: The engineer and maintenance division is staffed with a number of engineers:

* Electrical Engineers (2)- one of which has the responsibility for the overall supervision of the Engineer & Maintenance Division and whose specialty is in Electrical Engineering and supervision of all electrical engineers
* Mechanical Engineer- attached to Airport Expansion project
* Electro Mechanical Engineer –Supervision of Sewerage Treatment plant, maintenance of radios and runway lights.
* Civil Engineer- Preparation of scope of works for all building works. Also attached to the Airport Expansion project.
* Senior Maintenance Foreman- responsibility of building maintenance

While the scope of works may have been signed as approval by the Electrical Engineer, these were prepared by the Civil Engineer and Senior Maintenance Foreman with the responsibility for building maintenance.

**Auditor’s Comments**

In the absence of the names of the persons who prepared the scope of work, it cannot be determined whether the Senior Maintenance Foreman or the Civil Engineer attached to the Expansion Project actually prepared the scope of work.

The scope of works/engineers’ estimates examined were not signed by the Electrical Engineer.

***Recommendations***

1. ***EMD to produce records of all the scope of work and engineers’ estimates for major contracts awarded for the period audited and identify who did the preparation.***
2. **Negotiation of Petty Contracts**- The petty contracts were signed by the Senior Electrical Engineer since he is functioning as the head of the Engineer & Maintenance Department, however these would have been negotiated by the Senior Maintenance Foreman or Civil Engineer depending on the area of work.

**Auditor’s Comments**

Management response is not accurate**.**

All minor/petty contracts were not negotiated by the Senior Foreman-Maintenance. In an interview with the Senior Foreman- Maintenance, he confirmed that he negotiated only for some of the minor/petty contracts. The audit did not identify any minor/petty contracts negotiated by the Civil Engineer attached to the Expansion Project.

1. **Petty contracts not numbered and timeline not included** - In 2014, the system of petty contracts was revised as per a recommendation from the Audit Office of Guyana. These new petty contracts include expected dates of completion for each contract.

**Auditor’s response**

This recommendation was not mentioned in any of the management letters during the period 2012 to 2014 from the Auditor Office of Guyana.However, some changes were observed in 2014 which are not adequate for internal control purposes.

1. **Requests, work completed and certified on same dates** – In a few instances we had documents prepared by the Engineers and approved for work to be done. After the work was completed, the documents could not be located and had to be redone thus resulting in similar dates on the documents. Management acknowledges this shortcoming and will take appropriate corrective action.

**Auditor’s Comments**

This explanation was never mentioned to the Auditor by the Electrical Engineer although he was interviewed twice on matters relating to awarding of minor/petty contracts. A perusal of the minor/petty contracts would show that it was not a few instances.

1. **Contracts for maintenance works above $450,000** - As indicated earlier, the system for the awarding of contracts and petty contracts was revised in **September 2014**. Again, the bills of quantities are only prepared for contracts exceeding the limits of CJIAC’s tender board; however materials are monitored closely with a system of internal requisition. Refer to the limits of the tender board below:

The tender committee may award contracts as follows:

* 1. Goods and services above $450,000 to $4,000,000
  2. Construction above $450,000 to $8,000,000
  3. Consultancy service above $450,000 to $3,000,000

**Auditor’s Comments**

Management response is irrelevant. The finding was focused on no timeline was indicated for the completion of the contracts, no bills of quantities were prepared and in the absence of the bills of quantities it could not be determined if the actual materials purchased and issued were used on the construction works.

No reason was given for the absence of timeline for the contracts.

1. **Award of contract**- Awards are done based on evaluation by an evaluation committee appointed.
2. **Familiarity with contractors by senior management:** It is not clear what is being implied by the auditor by the use of the aforementioned statement. The only familiarity of management with contractors will be the supervision of the works carried out which is being done by the Engineer & Maintenance Division.

**Auditor’s Comments**

The committee appointed in most cases to evaluate the major contracts to be awarded by the CJIAC Tender Board consisted of senior staff from the EMD, the Accountant and the Manager, Commercial and Administration. There is no independent evaluator on the committee and as a result lacks transparency.

The auditor’s concept of familiarity with the contractors is an observation made during the course of the audit. These contractors by virtue of the amount of contracts awarded over the years must be familiar with the evaluators. The EMD has to supervise the contractors, the Manager, Commercial and Administration has to approve/counter approve the payments and is a signatory on the Bank Account. Similarly the Accountant is responsible to ensure the payments are certified before effecting payment and also is a signatory to these cheque payments. The Finance Department is responsible to prepare the contracts and ensure correct tender procedures are a carried out before the contractor signs the contracts. The EMD determines the prospective contractors before the Request for Quotes are sent out.

1. **Focus not placed on business registration & compliances** - It is not a requirement for small contractors to have NIS and GRA compliances. However the Corporation commenced the process of asking petty contractors to submit compliances, some of these contractors have since supplied their compliances. Further, clarification was sought from the National Tender Board who confirmed that the Corporation has not breached the procurement act. The Corporation requests that the auditor refer to the interpretation of the Procurement act or to seek guidance from the National Tender Board

**Auditor’s Comments**

The audit finding did not refer to the minor/petty contractors since these are not awarded by the CJIAC Tender Board. As stated in the findings ‘In some instances focus was not placed on business registration, GRA Compliance and NIS for contractors who were awarded by the CJIAC tender board’.

It is inappropriate for the Corporation to request the Auditor to refer to the interpretation of the Procurement Act or seek guidance from the National Tender Board. While management may not agree to the auditor’s findings they are required to produce the evidence that they are correct.

Management is encouraged to fully comprehend the finding or seek clarifications before making unnecessary comments.

The finding (In some instances focus was not placed on business registration, GRA Compliance and NIS for contractors who were awarded by the CJIAC tender board)was not addressed by management and therefore remains outstanding.

1. **Contracts running simultaneously and Qualifications and Experiences of Contractors** - It is not uncommon for a contractor to be undertaking more than one contract at the same time. This is in no way considered as a breach in procurement laws. The award of more than one contracts, however is monitored by the Engineer & Maintenance Division, as long as a determination is made that the multiple contract will in no way interfere with quality, this should be a non-issue. Further, the auditor should be reminded of the value of these contracts. Multi million contracts are awarded in general and it is public knowledge that contractors undertake multiple contracts at once.

As explained earlier, the Engineer and Maintenance Division reviews the qualifications and experiences of the contractors before the process of hiring. At no point in time during the audit were the technical competences of these contractors requested, hence to say that it is unknown is an unfair statement.

**Auditor’s Comments**

The Audit deems management disrespectful to remind the auditor as quoted ‘Further, the auditor should be reminded of the value of these contracts. Multi million contracts are awarded in general and it is public knowledge that contractors undertake multiple contracts at once’.

The Electrical Engineer advised the auditor that no records of the qualifications and experiences of the contractor were maintained. Since those information was not verified then it is considered unknown.

1. **Submission of contractor’s information**- Requests for quotations for work to be done were amended in recent years to include telephone and identification numbers. Regarding the email addresses, most small contractors are field persons and the majority is not computer literate.

**Auditor’s Comments**

The Electrical Engineer and the Coordinator both advised no record were maintained for the Contractors by the EMD**.**

1. **Splitting of Contract:** The correct interpretation of the Procurement Act on the splitting of contracts is considered to be splitting contracts for a specific job into smaller sums to avoid the values reaching the limits for the public tender process. Separation of labour and materials is in no way considered as splitting of contract and hence the Corporation has not breached any of the procurement rules in this regard. Further, this was confirmed with National Procurement and Tender Administration Board (NPTAB) and the Auditor General Office.

It is important to note that the Airport operates on a twenty four (24) hour basis and due to its location from Georgetown; it is not practical to purchase items on a piecemeal basis. For this reason, a Main Store was established which holds items ranging from hardware to medical supplies. Additionally, by undertaking to procure the materials, it reduces associated cost such as transportation and ensures quality of materials for projects undertaken.

**Auditor’s comments**

As stated in the findings, most of the petty contract awarded for construction work fell below the limit of the Chief Executive Officer which is $450,000. However, those contracts were awarded for labour works only. Materials costs added to the labour cost will in most cases exceed the limit and would construe to mean splitting of contracts.Any contract above $450,000 would have to be awarded by the CJIAC Tender Board.

Management to be more specific when making reference to the NPTA and theAuditor General Office.

***Recommendations:***

1. ***Management to review Auditor’s comments at 10 to 19 and offer any explanations***
2. ***The CJIAC Board to follow up on the explanations.***

**7.04 Security – Airport Security Programme and other Airport Regulations and Procedures**.

All Contractors are required to ensure that their employees comply with the Airport Security Programme and other Airport Regulations and Procedures. Contractors are required to submit certified background checks, valid Police Clearance and other necessary pre-employment information for each employee.’

No mention was made for the Contractor to comply with the Airport Security Programme and other Airport Regulations and Procedures. The audit did not verify these security checks since at the time of the audit and with limited information in particular to the labour contracts it was not known that the Contractors had support staff.

One (1) particular labour contract examined indicates that at least ten (10) persons accessed the airside to work on a contract.It is not known if these persons were in compliance with the Airport Security Programme and other Airport Regulations and Procedures. This observation was made in the Security Logbooks for Gate #4 for the period January 27, 2013 to March 6, 2014. No fixed period for completion was indicated for the contract.**Refer to Appendix 3 for more details**.

***Recommendations:***

1. ***Management to ensure that all contractors comply with the Airport Security Programme and other Airport Regulations and Procedures.***
2. ***The Finance Department/Engineering and Maintenance Department to maintain records of background check and valid police clearance of all contractors and their employees who are required to access the airside.***
3. ***Contractors who have to access the airside should not be entered into contractual agreements unless background check and valid police clearance of all contractors and their employees are submitted.***
4. ***The Engineering and Maintenance Department to ensure that passes are only issued to Contractors and employees who have fulfilled the requirements.***

**7.05Contracts awarded by Cabinet in July 2009 and September 2010 for a period of one (1) year still in force in 2015 – Breach of the Procurement System.**

1. Two (2) contracts awarded by Cabinet on 1 July 2009 for Control of vegetation within the airfield for the sums of **G$ 11,393,784** and G**$1,523,735** expired on 30 June 2010. However, it was observed that new contracts were not prepared but payments were made on a monthly basis with reference made to the original contract date until July 2015 by the Corporation. As a result the payments totalling **G$ 45,575,136** were inappropriately expended and is considered a breach of the Procurement System.

**Management Response**

**Grass cutting within the airfield contract totalling $11,393,784:** This contract was advertised via public tender and awarded in 2010 was valid for a period of twenty four (24) months. This would have expired in May 2012 and not in 2010 as quoted by the auditor. Management again went back to public tender in April 2014, evaluation was made and report submitted to NPTAB, no response was received to date. Several follow ups were done via telephone. Management followed up with a written correspondence subsequently. A copy of the letter is attached for reference (Exhibit G). Management had no alternative but to continue with the contract based on the existing terms and conditions set out in 2010 since the contract provides a vital service to the Airport and discontinuation could adversely affect our operations

**Grass cutting contract totalling $1,523,735 -** The details of this query is referenced to an appendix (6); this was not located in the report submitted.Management will be more than willing to relook at this when the details are submitted.

**Auditor’s Comments**

Management was requested by the Auditor to submit a copy of the Cabinet ‘No Objection’ in relation to the contract of $11,393,784 awarded in 2010 for a period of two (2) years as stated in the response above. However the Cabinet ‘No Objection’ submitted to the Auditor dated **23/07/2009, NPTA Ref Number: 1070/08** stated ‘please be advised that Cabinet has given its **‘No Objection’** for the contract**‘**Control of Vegetation within the Airfield Including Perimeter Fence’ to be awarded to Tender Number 1 from Randolph Williams for the tendered/corrected sum of **G$15,007,800.**Refer to **Exhibit 11** for details.

There was a reduced scope of work for the award of **G$15,007,800** which was divided into two (2) contracts **$11,393,784 and $1,523,735**thus reducing the contract sum. The information for the Contract Sums of **$11,393,784**and **$1,523,735**was extracted from the Contract Register maintained for Major Contracts.

The sum of $1,523,735 is not included in the sum of **$45,757,**136 mentioned above.However, this amount was extracted from the contractors register and recorded in the Auditor’ working papers.

Management stated‘This contract was advertised via public tender and awarded in **2010** was valid for a period of twenty four (24) months. This would have expired **in May 2012** and not in **2010** as quoted by the auditor’.However, this statement is incorrect since the ‘no objection’ did not state that the award was for a period of two(2) years.

The date of the contract stated as **July 1, 2009** was also extracted from the contracts register. The contract was awarded on **23/07/2009**but the payment records showed that the Contractor received payment for the full month of **July 2009.Refer to Contractor Statement for period June 2009 to May 2010 at Exhibit 12.**

No evidence was seen that this contract award, issues of retender and continuation of payments on the contract were brought to the Board’s attention**.**

No advertisement was seen for tenders in 2010, 2011, 2012 and 2013.

***Recommendations:***

1. ***Management to explain the decision to award the contract for a reduced sum of $11,393,784.***
2. ***Management is encouraged to rechecktheir records and give correct responses since the contract in question was awarded in 2009.***
3. ***Any deviation from the original award must be submitted to the National Procurement and Tender Administration. Management to submit documentation that the NPTA was informed of the reduced contract sum.***
4. ***Management to confirm that the ‘Data for Publication of the Contract Award on the NPTA Website’ sheet for the signing of the contract was submitted to the NPTA.***
5. ***It is a breach to use the National Tender Board reference for a contract that was expired to continue to make payments for five(5) consecutive years later.***
6. ***Management to explain why retender was not done in 2010 to 2013and the contract issue not discussed at Board Level.***
7. ***Management to look at the possibility of employing skilled persons to do the Grass cutting within the airfield and to also procure modernized equipment to do the work.***
8. A contract awarded by Cabinet in September 2010 for Cleaning and Maintenance Services of the Airport for the sum of $34,988,400 expired in August 2011. However, it was observed that payments were made on this contract until September 2015 with reference made to the Original Contract. As a result the contracts totalling **G$ 139,953,600** were inappropriately expended and is considered a breach of the Procurement System.

**Management Response:**

**Cleaning & Maintenance Contract** - This contract was last awarded in October 2011 and was advertised via public tender upon expiration. Advertisements were done on the following occasions:

1. September 2013 - recommendation was made to re- tender since the bidders failed the basic criteria for award.
2. April 2014 - recommendation was made to re-tender since the bidders failed the basic criteria for award
3. November 2015 - evaluation to be signed off

The cleaning of the Airport is an essential service which needed to be continued as efforts were made on a regular basis to re tender with the aim of making an award.

**Auditors Comments**

* Management response is irrelevant and totally incorrect.
* A review of the Cabinet’s ‘No Objection’ showed that the contract was awarded on 8th July, 2010 to Tender Number 3 from **Floor Care Professionals**for the tendered/corrected sum of **G$34,988,400**. Refer to Cabinet ‘No Objection’ at **Exhibit 13.**
* The actual contract was signed between CJIAC and the Contractor with effect from October 2010 for a period of one (1) year.The contract expired in September 2011. However, payments continued until May 2015, the last date verified.
* The contract could not be signed earlier since another contractor **‘Pristine Janitorial Service’ had a** Cleaning and Janitorial Services contract in force which ended in September 2010.
* The Statement of Account for **Floor Care Professionals showed that payments were made with effect from October 2010. See details at Exhibit 14.**
* Continuation of payments without a contract was not discussed at Board Level.
* No advertisement was seen for tenders in 2011, 2012 and 2013.

***Recommendations***

1. ***Management is encouraged to recheck their records and give correct responses since the contract in question was awarded in 2010.***
2. ***It is recommended that contracts be signed with contractors shortly after the award is made.***
3. ***Explanation is required for the contract that was in force whenthe award was made to another contractor.***
4. ***Management to look at the possibility of employing staff to do the cleaning and janitorial work at the airport.***
5. ***Management to confirm that the ‘Data for Publication of the Contract Award on the NPTA Website’ sheet for the signing of the contract was submitted to the NPTA.***
6. ***It is breach to use the National Tender Board reference for a contract that was expired to continue to make payments for four (4) consecutive years later.***
7. ***Management to explain why retender was not done in 2010, 2011, 2012 and 2013and the contract issue not discussed at Board Level.***
8. ***Management to look at the possibility of employing skilled persons to do the Grass cutting within the airfield and to also procure updated equipment necessary to do the work.***

**7.06Contracts that were awarded by National Procurement and Tender Administration (NPTA) in 2009 on expiration in 2010 were extended for periods of two, three, four, five, six and seven months during the period June 2010 to June 2014.**

Contracts that were awarded by the NPTA in 2009 expired in 2010. Instead of going back to tender, these extension contracts were approved by the CJIAC Tender Board based on evaluation reports of the contractors work performance that were evaluated by members of the Corporation Tender Committee.

The Tender Committees comprised of the Chairman and two (2) members of the Board, the Chief Executive Officerwho is a member on the Board in an advisory capacity, the Commercial and Administrative Manager who is the Secretary of the Tender Board, the Accountant, four (4) engineers and a Senior Maintenance Foreman who are Members/Evaluators.

**Management’s Response:**

**Extension of Contracts:** Contract extensions are done at the board level, management does not have the authority to extend contracts.

**Auditor’s Comments:**

CJIAC Tender Board approved the extension of the contracts based on recommendations made by the Evaluation Committee.

The Manager, Commercial and Administrationis the Secretary of the CJIAC Tender Board and also a member on the evaluation committee.

The Finance Department has responsibility for Procurement. The Finance Department is managed by the Manager, Commercial and Administration and supervised by the Accountant who is also a member on the evaluation committee.

The justification of Award for all extension contracts were as follows:

* The Tenderer’s performance to date has been satisfactory
* The tender price is competitive
* Tender for the said service will be advertise shortly.

The Board placed reliance on the recommendations of the Evaluators who are senior employees of the Corporation. This was confirmed by the former Chairman of the Tender Board.

The extension contracts are a form of splitting of contracts as defined by the CJIAC management **‘The correct interpretation of the Procurement Act on the splitting of contracts is considered to be splitting contracts for a specific job into smaller sums to avoid the values reaching the limits for the public tender process’.**

Reference is made to one specific contract for ‘Cevons Waste Management’ which was split in three (3) parts to avoid the values reaching the limits for the public tender process as follows:

June 2012 to November 2012 - $2,667,420(6months)

December 2012 to April 2013- $2,222,850(5 months)

May 2013 to December 2013 - $3,556,560(8 months)

The average per month is $444,570 while the total sum for one (1) year is $5,334,840. This sum would have attracted the tender process of the National Procurement and Tender Administration.

The CJIAC Tender Board limit for goods and services is above $450,000 to $4,000,000.

***Recommendations***

1. ***The Chairman of the Tender Board to review all recommendations before signing the Tender Board Approval Form.***
2. ***The Evaluation Committee to explain the practice of extension contracts.***
3. ***The Permanent Secretary of the Ministry of Public Infrastructure to advise the CJIAC Tender Board about extension of contracts.***
4. ***The CJIAC Tender Board Committee to avoid the splitting of contracts.***

**7.07**C**ontract to wash and paint the GA 2000 Hangar including removal of trees and bushes and pressure washing of the Building - $2,810,200.**

A contractor who was initially given minor contracts to do work more of a handyman nature was awarded a contract on 13 November, 2013 by the CJIAC Tender Board for the sum of $ 2,810,200 to ‘Clean and paint the GA 2000 Hangar including removal of trees, bushes and pressure washing of building – 140 ft x 160 ft x 35 ft in September 2013

Several discrepancies were observed for this contract. Refer to **Appendix 3**for details**.**

**7.08 Other related matters relating to Labour Contracts**

* In the Auditor’s draft report it was mentioned that the spray painting machine (equipment belonging to the Corporation) used by the Contractor can hold 22 gallons of paint for use at a time. The Auditor was given this information by a Stores Clerk upon enquiring if it was possible for the contractor to utilize eighty (80) gallons of paint on a single day. Management in their response did not caution the Auditor on this error.
* The Stores records showed that the highest number of paint issued on a single day during the period under review was 135 gallons plus 40 gallons of thinners.The spray painting machine (can hold up to approximately 10 gallons of paint for use at a time. This information was confirmed by both the Electrical Engineer (Senior) and the Senior Maintenance Foreman. The Senior Maintenance Foreman explained that the Contractor would mix the paint and thinners and store in containers for use in the spray painting machine. He however confirmed it is possible for 80 gallons of paint to be used on a single day.
* On October 16, 2015 it was observed that three hundred gallons (300gals) of paint was issued to the contractor. No explanation was provided for this observation.
* The Minutes of CJIAC Board Meeting held on **5th December 2014** indicated that for Maintenance Contracts - Mr. Nestor (the Senior Foreman- Maintenance) deals with Petty Contracts and has 18 staff that are mainly involved in maintenance of building and surface structures while Mr.Pachai (the Electrical Engineer) has 6 electricians under his watch.

Some relevant matters related to the EMD arising out of the Board Meeting on 5th December 2015 are extracted as follows:

* Chairman highlighted that there were allegations in the media by ‘Kathy Hughes of the Alliance for Change Party’ that simple maintenance works were given out as contracts at the airport.
* Chief Executive Officer underscored that the maintenance work cannot be managed by just the Maintenance staff, as they would have to work a lot of overtime.
* Mr. Nestor (Senior Foreman – Maintenance) said another constraint is that the employees have to work during window periods for flights and having more staff would help. Another constraint is the lack of skilled workers as the salary is not attractive.
* Chief Executive Officer added that the reward scheme for employees in the technical department needs to be relooked.
* Refer to extract from Board Minutes at **Exhibit 16.**
* The audit found that over three hundred and fifty five (355) minor/petty contracts on an average of one hundred and four (104) per year were awarded to several minor/petty contractors during the period January 2012 to May 2015. This figure does not include maintenance of vehicles and equipment.

***Recommendations***

1. ***Management to request an explanation from the Stores Clerk for giving out incorrect information.***
2. ***Management to follow up on the issuing of 300 gals of paint on 30th October 2015 to a contractor.***
3. ***Mr. Nestor (Senior Foreman – Maintenance***) ***to furnish the new CJIAC Board with the list of duties of the eighteen (18) staff who are mainly involved in maintenance of building and surface structure and to show which maintenance work they actually worked on.***
4. ***Mr. Nestor to give explanation for the several minor/petty contracts that was awarded.***
5. ***Mr.Pachai (Electrical Engineer- Senior) to furnish the list of duties of the six (6) electricians.***
6. ***Explanation for the Supervision of the Electro/Mechanical Engineer, Civil Engineer and Mechanical Engineer should also be made available.***
7. ***Feasibility study to be done on the cost incurred for some labour contracts against the cost of paying overtime to employees.***
8. ***Hiring skilled workers with adequate remuneration for their services to be pursued. Cost effectiveness must be a key factor while quality must be assured.***
9. ***The Senior Foreman – Maintenance suggestion to hire more staff also to be pursued.***
10. ***A review of the current staff of the EMD is necessary to determine the skills that exists within the department and if all staff are fully utilized.***
11. ***The Engineering and Maintenance Department to produce a work plan of the several types of minor/petty contracts awarded inclusive of maintenance of vehicles, electrical works and maintenance of buildings and surface structure works. To also indicate who supervised the works.***
    1. **Granting of the Lease for Exec Jet Club Hangar at CJIAC was not recommended by the CJIAC Board**

The Exec Jet Club Hangar was included in the Forensic Audit and review of the CheddiJagan International Airport Corporation (CJIAC) for the period January 2012 to May 2014. The main focus of the audit was to determine the following:

1. the pilot was granted approvals to land at the CheddiJagan International Airport; and
2. due diligence was undertaken and Standard Operating Procedures was followed for the Construction of the Hangar on the Airport’s premises

**See Full details of the Report at Appendix5**

**7.10 Poor accounting practice and internal control resulted in CJIAC loss of three (3) cheques cashed totalling $617 537 on 13 November 2014.**

In discussion with management, information was requested pertaining to the loss of cash totalling $617 537 on 13 November 2014. This review is based on the auditor’s knowledge obtained from the media.

According to CJIAC , an internal investigation was done by the management and also the Internal Audit Department of the Works Services Group -Ministry of Public Works was called in to the investigate the loss of cash. The matter was subsequently reported to the police.

The Auditor General who is mandated to do annual audit of the financial statements/ systems were not advised of this loss of cash at the time when it occurred.

In the interim, management dismissed the driver/ expeditor who accepted responsibility to deliver the cash to the Accounts Department and suspended the driver who was mandated to cash the cheques and returned same to the Accounts Department.

Forensic audit review was done on:-

1. The interviews and report by management
2. The Report from the Internal Auditor.
3. The Standard Operating Procedures that exists for the Accounts Department.

**Observations:**

* The forensic audit concurred with some aspect of the Internal Auditor Comments in particular this extract taken from the audit report *‘*after all the evidence was taken into consideration, it is inconclusive as to where or who might have taken the money, there was definitely opportunities for several persons to gain access and take the money’.
* Absent from the report is:

1. focus was not on the employee who signed for the cheque and had a responsibility to deliver the cash safely to the Corporation and
2. no proper controls in place to cash cheques.

* There is an element of risk when the drivers/expeditors are mandated to go to Georgetown to change cheques for the Corporation without any form of security**.**
* The Driver/expeditor who signed for the cheques from the Accounts Department was solely responsible for that task and failed to advise management that he has several other tasks to fulfil and it would be unsafe to travel around with the cash.
* His decision to ask another driver (third party) to deliver the cash for him was a decision he made and not that of management.
* It was the driver’s responsibility to advise the Accounts Department that he was sending the cash with another driver so that they would have been alerted to the change.
* There is no evidence that the driver who was mandated to cash the cheques made any contact or follow ups with the driver (third party) he assigned to deliver the cash on his behalf.
* The driver who was entrusted by the Corporation to carry out a duty on their behalf acted in an irresponsible manner.
* The driver (third party) accepted responsibility to do a favour for his fellow employee but did not carry out the favour as expected.
* Management’s decision to interview fourteen (persons) who could have assisted with the investigation of the missing cash resulted in a waste of manpower for seventeen (17) persons in total because of poor internal controls.
* It must be pointed out that one (1) of the persons who accessed the vehicle during the time the cash was alleged missing was not interviewed. Unfortunately this employee passed away under tragic circumstances on 24th November 2014. He was still in the employment of CJIAC at the time of his passing.
* It is inconclusive as to who might have taken the money.
* The driver (third party) accepted full responsibility for the loss of the cash and offered to work and repay $20,000 per month from his salary until such time that the amount is repaid in full.
* Management have since terminated the services of the driver (third party) since he has caused the Corporation embarrassment by his actions.
* The special investigation also brought out another poor internal control ‘ where a driver/ expeditor admitted during the interview that he would normally deposit the corporation’s cash in his personal account as follows:

1. if he thinks the volume may be large and risky to transport then withdraw same from the ATM at the airport to secure cash or
2. if the line in the bank is extra-long, the Bank of Guyana cheque is deposited and the cash is withdrawn immediately at the bank’s ATM to save time.
3. Accountant of the CJIAC confirms that the Corporation was not aware of this practice until the Internal Auditor’s report was submitted.

* The CJIAC has since revised their banking system but did not include the factor of security.
* The risk of the driver losing any amount of cash will reflect negatively on the Corporation’s financial system.
* Management should revise their banking system by looking at the possibility of having an Office Assistant with some level of accounting knowledge to do the banking duties.

**Management’s Response:**

1. An investigation into this matter was done initially by management as it deems necessary and in accordance with the established procedures.
2. Further, the matter was immediately handed over to the Guyana Police Force and the Internal Auditor from the MPI Internal Audit department. Management acted based on the recommendations from the two sources.
3. The employee, Mr.FazilJhaman, who had accepted responsibility, was since dismissed from the Corporation.
4. A review of the system of disbursements was also done. Drivers/Expeditors cannot conduct transactions totalling more than one hundred thousand dollars ($100,000) at any one time. Additionally, a cash-in-transit/on premises insurance has since being effected*.*

**Auditors Comments**

The established procedures for investigations matter were not known to the Auditor during the course of the audit.

No response was made to Observation No 11 above.‘**It must be pointed out that one (1) of the persons who accessed the vehicle during the time the cash was alleged missing was not interviewed. Unfortunately this employee passed away under tragic circumstances on 24th November 2014. He was still in the employment of CJIAC at the time of his passing.’**

Several staff were interviewed between the period 14 November 2014 to 27 November 2014, this is almost two (2) weeks after the cash was reported missing.

Date the matter was reported to the police was not observed in any of the reports reviewed by the Forensic Auditor.

The Internal Auditor from the Ministry of Public Works did an investigation on 24th November 2014. (See recommendations at **Exhibit 19**)

No mention was made whether this loss of cash was reported to the Audit Office of Guyana who has the responsibility to do annual audit of the financial statements and financial records of the Corporation.

Management seem comfortable to allow drivers/expeditors to conduct transactions totalling a maximum of one hundred thousand dollars ($100,000) without security.

The Auditor was not advised of acash-in-transit/on premises insurance in effect.

***Recommendations:***

* + 1. ***Management should ensure that proper systems are in place for all cash transactions.***
    2. ***Any missing cash or fraudulent transactions when detected should be shared with the Audit Office of Guyana.***
    3. ***The Manager- Commercial and Administration should give an explanation of the reason one (1) of the persons/employee who had accessed the vehicle was not interviewed. The employee passed away under tragic circumstances eleven (11) days after the loss of the cash.***
    4. ***Management should refer matters of these types of losses to the police immediately and not do their own investigations and then informed the police several days later. This can be considered tampering with the evidence.***

**7.11 Poor system in hiring Petty Contractor and inadequate accounting system resulted in an alleged fraud on 14 September, 2012.**

* This alleged fraud was investigated based on a call received from an anonymous whistle blower.
* Management admitted that an alleged fraud took place on **September 14, 2012.**
* Internal Investigation Report was requested from the Management.
* Report was requested from Bank of Guyana.
* A review was done on the investigation reports by CJIAC and by Bank of Guyana.

**Details of the full review and report – Appendix6**

**7.12 Use of Ministry of Public Works receipt books to receive some aspect of CJIAC Revenue to be transferred to the Consolidated Fund resulted in the accounting system not fully computerized. -No authority seen for Revenue paid into the Consolidated Fund - $1,795,992,298 (January 2012 to May 2015)**

The CJIACMission Statement is ‘To provide an Airport that is safe, efficient, financially viable and user friendly while providing a quality service that meets and exceeds all required international standards.

Section 5 of the CJIACOrder No 20 of 2001 mandated that the Corporation has an authorized capital of two hundred million dollars (G$200,000,000) which is divided into 200,000 ordinary shares @ $1,000 each. However, the Order did not indicate that the Corporation was required to transfer any of its revenue to the Consolidated Fund. The operation of theCJIAC is intended to be self- financing.

There is a system existing at the CJIAC where revenues received from the Categories of Aerodrome, AIS fees, Rental & Electricity, Security Fees,Fuel dispensing, Land lease, Advertising, Taxi fees, Red Cap fees and Car Park Fees **are accounted for using receipts booksfrom the Ministry of Public Works.**The revenue received from these categories is deposited into the Consolidated Fund on a monthly basis.

During the period **January 1, 2011 to May 31, 2015** sums totalling $1,795,992,298 were verified through the Ministry of Public Works as being paid over to the Consolidated Fund. However the Management of CJIACindicated that an authority to make these deposits to the Consolidated Fund exists, but were unable to produce such document for scrutiny.

Revenues received from the CUTE fees, Passenger Screening, School Tours, Escorts, Birddog fees, Public Address System, ID Cards payment,Sponsorship monies,Conference Room fees,Tenders, Other refunds made to cashier e.g. telephone calls, salary refunds etc. are **accounted for using the**CJIAC **receipt books**. Thesecategories of revenue together with the Airport Security fees from the Guyana Revenue Authority are retained to finance its expenditures.

A review of the Public Corporations Act and the CJIAC Order No. 20 of 2001 disclosed that the **Section 34** of the Corporations Act – Reserve Fund and profit and losses of a Corporation which gave the Corporation the right to open a Reserves Fund and the Minister the authority to determine what part of the balance of the profit to be transferred to the Consolidated Fund was deleted from the CJIACOrder No. 20 of 2001.

The Accountant who manages the Accountants Department and the Manager, Commercial and Administration who has overall supervision for the Accounts Department could not provide any explanation with regards to the transfer of funds of some categories of revenue earned on a monthly basis to the Consolidate Fund. Both were employed with the Corporation with effect from 2005.

The authority to pay over revenue to the Consolidated Fund was not produce at the time of the audit and remains outstanding.

**Management Response:**

Management explained that the practice of transferring funds to the Ministry is in force since the establishment of the Corporation in 2001. They also indicated they made representation to the Auditor General and the Permanent Secretary to the Minister of Public Infrastructure offices to assist in locating the ‘Instruction’ for the transfer of monies to the Consolidated Fund***.***

**Auditor Comments**

It is the responsibility of the Management of the Corporation to ensure that such an Authority/Instruction exists and have a copy of such authorization. This arrangement has been on-going since 2002 and thirteen (13) years later in 2015 the management of CJIACcannot produce a copy of the authorization. This is considered very irresponsible of the Management of the Corporation.

The Chief Executive Officerof the Corporation who held the position of Manager, Commercial and Administration Senior in 2002 prepared the first financial statement to be audited by the Audit Office of Guyana.

As the Head of the Finance Department it was his responsibility to enquire about the authority to use the Ministry of Public Works receipts to receive revenue and transfer same to the Ministry. Similarly all past and current Accountants and the Manager, Commercial and Administration who worked in the Finance Department since 2005 should have been asking questions about this authority and make efforts to acquire a copy of same.

Initially revenue written from the Ministry of Public Works receipts books was not reflected in the Income and Expenditure Statements of the Corporation.

In the absence of the authorization, and no evidence of an amendment to the CJIAC Order No. 20 of 2001 can be construed meant that management has been carrying out a function that is in contravention to the Order. On the other hand, the Auditor General failed to detect this anomaly having been conducting financial audits on an annual basis for the period 2002 to 2013.

The Auditor was not able to verify whether the Auditor General is aware of the Authorizationsince he has not to date made any adverse comments of the document in his reports.

***Recommendations***

1. ***The New Board of the CJIAC is encouraged to do a follow up on this outstanding ‘Authorization/Instruction’.***
2. ***The Authorization when located should be reviewed by the Board to determine if management will continue with that arrangement.***
3. ***The outcome of the review will also determine whether there will be need for an amendment to the CJIACOrder.***
4. ***The Management of the CJIAC and in particular the Finance Department should be familiarized with the CJIACOrder.***

**7.13Opening ofBusiness Cash Management (BCM) Account #483-424-8not in compliance with the CJIAC Order No.20 of 2001.**

The BCM Account was opened in 2004 as a reserve account to deposit unused revenue which will earn interest. The balance at 31 May 2015 was G$211,440,620. As mentioned at7.01 (paragraph 6) above, the authority to open a Reserve Account as stated in Section 34 of the Public Corporation Act was deleted from the CJIAC Order No. 20 of 2001. The Audit could not verify any authority to open this Account.Currently funds are used from this account when there is a shortfall in the Income to offset expenditures.

The Accountant who manages the Accountants Department and the Manager, Commercial and Administration who has overall supervision for the Accounts Department could not provide any explanation with regards to the opening of the Investment Account. Both were employed with the Corporation in 2005.

**Management’s Response:**

A proposal to open the BCM account was presented to the board of directors via board meeting on July 21, 2004. This was approved and implemented on August 3, 2004.

**Auditor Comments**

Copy of Board Approval was noted. However, the Board was not in authority to make that decision unless there was an amendment to the CJIAC Order No 20 of 2001.

***Recommendations***

1. ***The New Board of the CJIACshould review the Business Cash Management (BCM) Account to determine the necessity of having such an account.***
2. ***The outcome of the review will also determine whether there will be need for an amendment to the CJIAC Order.***

**7.14**.**Electricity Charges not reflected in the Financial Reports -$879, 448,637**

Electricity charges totalling $879,448,637 not reflected in the Financial Statements for the period 2010 to 2014. However, the total annual charges for electricity is mentioned in the notes to the Accounts.

The Auditor General Report for Audited Financial Statements of the CJIAC for the period 1August 2002 to 31December 2002 reflected an amount of $52M owing to the Guyana Power and Light Corporation.

In 2003 Audited Report, no charge for Electricity was reflected on the Financial Statements and the liability of $52 M in 2002 report showed nil balance.

From all indications the CJIAC has not been including electricity charges as an expense in their Financial Statements since 2003. The audit did not verify the charges between 2003 and 2009.

Management explained that an authority existed for electricity charges to be paid by the Ministry of Finance but could not produce such authority.

The audit verified that payments for electricity were being paid periodically by the Ministry of Finance via bills submitted to the CJIAC.

No clause in the CJIACOrder speaks of the Government assisting with utility charges of the Corporation since the Corporation is intended to be self-financing. The CJIAC does not make a provision for electricity charges in their annual budget. In all budget estimates for the CJIAC submitted to the Ministry of Finance under the captioned **Expenditure**, it was stated ‘it is anticipated that all electricity charges will continue to be borne by the government.’

The Auditor General’s report to December 2013 has not commented on electricity charges not included in the Income and Expenditure statement in the Financial Statements. This can be construed to mean that the Auditor General is aware of the reason for this omission. Management should therefore consult with the Auditor General on his acceptance of this omission in the Financial Statements.

**Management’s Response:**

The Electricity charges are not reflected as an expense in the financial statements but rather disclosed in the notes to the financial statements. This is due to the fact that this expense is not paid by the Corporation.

Guidance was sought on more than one occasion from the Audit Office of Guyana wherein management was advised to continue reflecting the amounts incurred as electricity charges, as a disclosure in the notes to the financial statements.

Further, the Government of Guyana bears the electricity costs for the Corporation since 40% of the Corporation’s income is remitted to the Consolidated Fund. In return the Government funds major capital works and the electricity charges

**Auditor Comments**

In double-entry accounting and the [accrual-basis of accounting](http://www.accountingcoach.com/blog/acrrual-basis-accounting), the cost of utilities (electricity) will involve both an [expense](http://www.accountingcoach.com/blog/what-is-an-expense) and a [liability](http://www.accountingcoach.com/blog/what-is-a-liability). The electricity used during the [accounting period](http://www.accountingcoach.com/blog/what-is-an-accounting-period) is a liability that was used but has not yet been paid.

The Ministry of Finance on behalf of the Government pays the electricity for the CJIAC. In this regard this payment should be treated as Government Subsidy or Grant in the year it is paid and brought to account.

The Government of Guyana bearing the electricity costs for the Corporation cannot be measured against the Corporation remitting revenue to the Consolidated Fund. The electricity charges should be shown as an operational expense(Liability)and payments made by the Ministry of Finance should be reflected as a government subsidy.

***Recommendations***

1. ***This matter of the electricity expenses should be discussed at Board Level with the intention of getting this expense regularized and included in the Operational Expenses in the Financial Statements.***
2. ***The Auditor General should give a written explanation for the acceptance of the Electricity expense to be shown in the notes and not reflected in the Operational Expense. This will serve as guidance to management.***

**7.15. Annual Financial Statements and Annual Reports**

* + - 1. It is a requirement that the Annual Financial Statements be prepared and submittedto the Audit Office of Guyana within six months after the expiry of each calendar year to be audited by the Auditor General.
* Statement of Financial Position
* Statement of Comprehensive Income
* Statement of Changes in Equity
* Statement of Cash Flow
* Notes to the Financial Statements

The latest audited Financial Statements is at the 31st December 2012 of which the Auditor General’s Report was dated 16th September 2014.

The Financial Statements for 2013 was audited by the Audit Office of Guyana where a draft Financial Report dated 13 March 2015 was submitted to the CJIAC (CJIAC). That report is yet tobe finalized.

**Management Response**:

While the audit report was dated March 13, 2015; the complete report was received on April 15, 2015. CJIAC responded on April 23. The finalised audit report for the year ending 31 December 2013, have since been issued.

**Auditor’s Comments**

The Auditor General final report for year ending 31 December 2013 was issued on 26 November 2015 after the draft report for the forensic audit was submitted to the CJIAC.

A copy of the report was requested prior to the completion of the finalization of Forensic Audit. Review showed that there were two (2) significant findings by the Audit Office under the **Statement of Financial Planning**as follows**:**

**Non- Current Assets: $4,979,936,819**

Included in this amount was the sum of $9M which referred to a payment made on 19th February 2013 to Larry Singh for the purchase of one (1) Caterpillar D6 with Ripper. The Auditor General’s findingwas the three quote system was not applied**. Refer to extract from Auditor General Report at Exhibit 20.**

Management Response was that the CJIAC was not the procuring entity for the payment of $9M made to Larry Singh for the purchase of one Caterpillar. The transaction was done on the Ministry’s request and a reimbursement was subsequently received for the said amount. Copies of the deposit slip and cheque was presented to the Audit Office.

The Auditor General instead of doing a follow up to find out why such a transaction took place opted to recommend that the management of the Corporation take the necessary steps to ensure that the Procurement Act 2003 is strictly adhered to in relation to the system of quotation.

The forensic audit view the Auditor General recommendation as totally irrelevant since the finding should be more on the authorization of the payment and not the system of procurement which would have been dealt with by the Ministry of Public Works.

The CheddiJagan International Airport Corporation and the Ministry of Public Works now renamed Ministry of Public Infrastructure are two separate entities governed by different management. The Permanent Secretary of the Ministry by virtue of being a Board member on the CJIAC Board cannot give approval but would have had to request such payment/loan through the Board. It is not known if such an approval was obtained.

***Recommendations:***

1. ***The CJIAC Board should review the Auditor General Report.***
2. ***The CJIAC to request that their Financial Statements be audited by Qualified and experienced Auditors.*** 
   * + 1. The Audit Office of Guyana has completed the audit of the Financial Statements for 2014 and CJIAC is yet to receive the draft report.

**Management Response**:

Regarding the 2014 audit, the Audit office promised to provide the draft audit report for 2014 by December 2, 2015, this was not done. Management engaged the audit manager on this issue.

***Recommendation:***

1. ***Management to follow up on the draft audit report from the Audit Office.*** 
   * + 1. **Preparation of the Financial Statements**

During the period January 2010 to May 2015, it was observed that Field Materials and Supplies under Operation Costs were overstated by several millionsof dollars.Payments for Road marking paints, thinners, sign boards, paints and otheritems were included under field materials and supplies. This resulted in Runway, Taxiway, Apron Maintenance and Maintenance of Buildings and other costs to be understated.

***Recommendations***

1. ***Management is encouraged to do proper analysis in the cash book.***
2. ***Correct reporting of financial reporting is recommended.***
3. ***Management to review field material and supplies for 2014 expenses in the 2014 in order to have a true position when preparing financial statements for 2015.***

**8.00 Airport Expansion Project.**

* Negotiation for this award was done by the Ministry of Public works**.**
* Capital works under CJIAC**.**

**No Audit was carried out for the Airport Expansion Project. This Project should be treated as a special audit.**

8.00 **CONCLUSIONS**

The Findings of the Forensic Audit have revealed that the CheddiJagan International Airport Corporation has been operating below its’ level and as was detected in the Organizational Structure and Human Resources complement.

Consideration should be given towards the restructuring of the management functions and efforts be made to fill all outstanding positions vacant for several years now**.**

Revision of the Corporation Act and the CJIAC Order No 20 of 2001 needs attention for the purposes of compliance.

Procurement system needs to be reviewed and focus must be on cost effectiveness.

The Corporation needs to have its own Internal Audit Department so that management can know how well its business is being managed at any given time.

The annual financial statements need to be audited by competent auditors so that the Corporation can be aware of its true financial position.

Overall the CJIAC Board needs to play an active role in the management and be firm with its decisions**.**