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Hon. Winston Jordan
The Minister of Finance
Ministry of Finance
Main & Urquahart Streets

April 11, 2016

Dear Minister Jordan,

Please find enclosed my report on the Forensic Audit and Review of Operations of the Guyana Marketing Corporation ("GMC") for the period January 1, 2012 to May 31, 2015. The Executive Summary presented on pages 9 to 11 gives a brief summary of Findings based on my Forensic Audit and Review of Operations of GMC for the period January 1, 2012 to May 31, 2015. As part of my Forensic Audit and Review of GMC for the period, I obtained an understanding of GMC's various accounting and business cycles (namely: Revenue Business Cycle, Expenditure Business Cycle, Payroll Business Cycle and Fixed Assets Business Cycle) and internal controls. The understanding of GMC's business cycles and internal controls was to assist me in planning and performing my Forensic Audit and Review of Operations of GMC and not to issue an opinion of GMC's Internal Controls. I also reviewed GMC's mandate to ascertain whether GMC was operating in accordance with its mandate. In addition, I reviewed the minutes of meetings of GMC's Board of Directors, minutes of the meetings of the Finance, Audit and Administrative Sub-Committee and the minutes of meetings of the Marketing Sub-Committee. I also interviewed certain senior GMC's management employees as well as certain middle level staff employees to get a better understanding of GMC's business operations. Based on my interview of GMC's staff, and my understanding of GMC's operations, I performed my testing of accounting records of GMC for the period January 1, 2012 to May 31, 2015. Based on my audit procedures conducted on two significant parts of GMC's operations, I felt it necessary to extend the audit scope for these two audit areas. As such, I sought and received permission from Minister Jaipaul Sharma, Minister within the Ministry of Finance, to extend audit

procedures for the Construction of GMC's Office Building at Robb and Alexander Streets and the management of GMC's Fertilizer Account. The Audit of GMC's Office Building was extended from October 1, 2010 while the Audit of GMC's Fertilizer Account was extended from September 1, 2008. I felt this was necessary due to the lack of information made available to me by GMC's senior management and the filtering of information that was provided to me for testing. I also felt that GMC's General Manager was evasive to my questions and not wholly truthful to me in providing answers to my questions and inquiries. Furthermore, I felt that financial improprieties were very evident in GMC's financial transactions and its recording of accounting transactions. I found that the external Auditors contracted by the Audit Office of Guyana did not perform proper audits for the years 2012, 2013 and 2014 and that the Audit Office of Guyana did not provide adequate review and oversight over the work performed by the contracted audit firm. More worrying was the fact that the External Auditor did not issue a Management Letter for the years 2012, 2013 nor 2014. My work was deliberately frustrated by the non-response and non-commitment extended by Mr. Nizam Hassan, GMC's General Manager and the lack of commitment by GMC's Accounting department's staff. Many vouchers and back-ups were not provided to me either on a timely basis or not at all. My conclusion is that the accounting practice at GMC shows that the General Manager and the Accountant did not provide any meaningful fiduciary responsibility when any payment originated from the Minister of Agriculture or the Permanent Secretary of the Ministry of Agriculture. In other words, GMC's General Manager and the Accountant acted more like rubber stamps when payments dealt with transactions originating from the Ministry of Agriculture. More troubling was the lack of fiduciary responsibilities condoned by GMC's Board of Directors during the period January 1, 2012 through May 31, 2015.

I hope that the issues highlighted by the Forensic Audit and Review of Operations of GMC would be addressed by your office and or the appropriate government functionaries. I received management's response to some of the findings. Such responses are included in the report. No response was received from the Board.

With kind regards,

Saykar A. Boodhoo

TERMS OF REFERENCE

The following constitutes the Terms of Reference for the Forensic Audit and Review of the Operations of the Guyana Marketing Corporation for the period January 1, 2012 to May 31, 2016.

1. BACKGROUND

The Government of Guyana is reviewing the performance and efficiency of publicly owned entities, Statutory Bodies, projects and activities financed by or through public funds. In this regard, the Government of Guyana has commissioned this Forensic Audit and Review of the operations of the Guyana Marketing Corporation.

2. OBJECTIVES AND SCOPE OF THE FORENSIC AUDIT

The audit should include procedures as necessary to:

1. Determine the entity's adherence to and fulfilment 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 the entity may have suffered through such dealing, 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. Without limitations the auditor should:
 - a. Review and examine all financial books and records of the entity as required to undertake such review and to obtain such clarifications and explanations as may be required in relation to such books and records.

- b. Review all contracts administration and approval processes in relationship to the expenditure of funds during the period.
 - c. Review all material expenditures and contracts made by the entity during the period and obtain all necessary information and explanations as may be required in relation to such books and records.
 - d. Examine all areas, including budgeting, financing, expenditure, management of revenue inflow, trade terms, procurement or purchase decisions and supply chain management.
 - e. Examine the entity's assets management system, including its fixed assets, their disposal, management or deployment.
 - f. Examine the entity's marketing, production and commissioning policies, systems and agreements to determine their integrity, efficiency and responsiveness.
 - g. Examine the entity's archiving policy both by way of records keeping and as a performing asset that yields revenue for the entity.
5. Recommend statutory, legal or organizational changes required to identify and prevent any recurrence of improprieties.

3. SPECIALISED AREAS

The Audit and Review may be extended to any or all of the following:

1. Conduct a human resource 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, labor issues, skills development and deployment. Examine current incentives, their access and distribution and what impact they have on skills attraction and retention on staff motivation, performance and commitment.
2. Determine the planning culture of the entity.

3. Determine the entity's manpower and skills development policies to equip its key functional areas with strategic competences needed for migration to a digital era and beyond.
4. 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 strategic interventions.
5. 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. COOPERATION

The auditor shall be afforded every opportunity to access such records, meet such personnel and visit such places as he/she considers necessary for the achievement of the audit's objectives.

The auditor shall immediately report any instances of non-cooperation of staff, customers, suppliers or other persons or entities to the Finance Secretary, Ministry of Finance.

Where the auditor has reasonable reason to believe that the records of the entity are under threat, the auditor shall, on behalf of the Government of Guyana, immediately take steps to secure such records and report the matter forthwith to the Finance Secretary, Ministry of Finance.

5. ELIGIBILITY

Consultants or Firms that provided audit or accounting services to the entity are not eligible for appointment as forensic auditor. The forensic auditor must disclose all transactions with the entity during the period covered by the audit.

6. REPORTING

No later than seven days after the completion of the file work, the auditor shall submit to the entity, copied to the Finance Secretary and the Minister of Finance, a draft report of comments, and shall conduct an exit interview with the management of the entity or key persons responsible for providing information for purposes of engagement.

The entity's comments and feedback are to be provided to the Auditor within fourteen days of the receipt of the draft report.

No later than fourteen days thereafter, the Auditor shall submit a comprehensive report to the Minister of Finance, highlighting the auditor's findings, recommendations on corrective actions to be taken and specific recommendations geared towards greater and better financial management, accountability and corporate governance.

In the event the Forensic Audit uncovers acts of malfeasance, the Auditor is required to bring the matter of the illegal or dishonest activities to the immediate attention of the Minister of Finance. In addition, to recommend to the Government any action to be taken to institute appropriate disciplinary action this may include prosecution.

Without prejudice to the requirements set out in the preceding paragraphs, the Auditor is required to submit a monthly update, where the engagement extends beyond one month.

BACKGROUND INFORMATION ON GMC

Guyana Marketing Corporation was incorporated under Order 97 of 1963, made under the Public Corporation Ordinance, Section 46 of the Public Corporations Act, Cap 19:05 of the laws of Guyana.

GMC considers itself to be the marketing arm of the Ministry of Agriculture. GMC receives its funding principally as a budget subvention from the Ministry of Agriculture. GMC is not required to file Corporation and Property Tax Returns and as such does not have to pay Corporation and Property Taxes. Also, as a budget agency GMC is exempt from charging VAT on its goods and services but is required to pay VAT on its purchases. VAT paid by GMC is not recoverable or refundable from the GRA.

GMC is managed by a board of directors and two sub-committees of the board of directors; the Finance, Audit and Administrative Sub-Committee and the Marketing Sub-Committee. During 2012 – May 2015 GMC's Board of Directors consisted of approximately 14 individuals. During 2012 – February 2016 GMC was headed by Mr. Nizam Hassan, general manager (GM). In September 2015, Mr. Hassan was named the acting GM of the GRDB and Ms. Ida Sealey-Adams became the acting GM of GMC. In February 2016, Ms. Ida Sealey-Adams was confirmed as the general manager of GMC.

GMC's 2014 Annual Report states GMC's mission statement as:

Coordinate and Facilitate the Development and Marketing of Quality Non-traditional Agricultural Produce and Product. The 2014 annual report also defines **GMC's Key Functions** to *assist farmers, exporters, agro processors and other important stakeholders within the non-traditional agricultural sector with technical advice, assistance for sourcing supplies, harvesting, cleaning and facilitating logistical arrangements for exports. GMC also provides the Government of Guyana with recommendations on domestic agricultural policy and measures to increase and expand regional and international exports.*

GMC manages two packaging facilities owned by the Ministry of Agriculture; **The Central Packaging Facility (CPF)** located in Sophia, Georgetown, and **the Parika Agro Packaging Facility (PAPF)** located in Parika, East Bank Essequibo. The two

facilities are utilized by exporters to facilitate the packaging of non-traditional agricultural produce. The GMC's 2014 Annual Report shows historical data that indicates that the two packaging facilities has been experiencing significant decline in usage over the years from 2009 through 2015. For example in 2009 the two facilities processed 2,031 metric tonnes (MT) of produce as compared to 314, 343 and 586 MT for the years 2012, 2013, and 2014 respectively. This represented a reduction of 85%, 83% and 71% of utilization of the packaging facilities from 2009 (as base year) as compared to 2012, 2013 and 2014 respectively.

GMC also operates the Guyana Shop located on the ground floor of the GMC's Office building at Robb and Alexander streets. The Guyana Shop is a department of GMC. It is not a separate legal entity. The Guyana Shop is a specialty shop marketing locally produced agricultural products.

There is a plan to build another packaging facility at the Cheddi Jagan International Airport but that plan appears to be on hold.

Significant Findings from the Forensic Audit and Review of Operations of GMC are as follows:

1 AUDIT OF FINANCIAL STATEMENTS

- The 2011, 2012 and 2014 Audited Financial Statements were not done timely. As of April 11, 2016, the 2014 Audited Financial Statements are not finalized and issued.
- The annual audited financial statements were not audited by an Independent Audit Office of Guyana.
- Accrued expenses are not properly done at year end.
- Audited Financial Statements do not agree to the entity's trial balance
- Incorrect accounting for agency type transactions for funds received from the Ministry of Agriculture.
- Non-disclosure of Pension Plan in audited financial statements.

2. INEFFECTIVE BOARD OF DIRECTORS & SUB-COMMITTEES

- Failure to hold timely statutory meetings of the Board and Sub-Committees.
- Unsigned Minutes of meetings
- Board does not approve annual budget

3. GMC'S FERTILIZER ACCOUNT

- Mismanagement of Fertilizer Program Funds. Scope limitation on accessing documents relating to Fertilizer Account Program

4. GMC'S OFFICE BUILDING

- Fraud collusion between the Contractor and the Ministry of Agriculture Civil Engineer/ Project Manager
- Payment of vouchers based on fraudulent billing by the contractor.
- Non-availability of payment vouchers. Scope Limitation.
- Inadequate Security at GMC's Office building

5. FAILURE TO ADHERE TO GMC'S MANDATE

- Provision of prohibited services to GUYSOCU and GRPA.
- Non-utilization of GMC's properties to deliver on GMC's mandate
- Ineffective advertising of GMC's services to stakeholders and the general public

6. FINANCIAL IMPROPRIETY CONDUCTED BY GMC'S SENIOR MANAGEMENT

- Mismanagement and Fraudulent Reporting of Fertilizer Program Funds

- Questionable procurement process and pricing used to acquire duty free motor vehicle for General Manager.
 - Circumventing quotation system for purchasing Office supplies.
 - Questionable payments made to fund personal items and trips for Minister of Agriculture.
 - Collusion between PS of MOA and GMC's General Manager to cover-up questionable purchasing of cell phone for unnamed person.
 - Payment for Charter of Aircraft by MOA paid by GMC without invoice, date or passenger details
- 7. SHORTCOMINGS OF THE GUYANA SHOP**
- Revamping of the Guyana Shop Services
- 8. FRAUD COMMITTED BY GMC'S EMPLOYEE**
- Unreported and unpunished fraud committed by GMC's employee.
- 9. INEFFECTIVE ACCOUNTING DEPARTMENT**
- Limitation of Accountant's skills and knowledge.
 - Upgrade of Accounting Department personnel training
 - Inadequate filing system for prior period accounting records.
 - Improper accounting for advances given to staff
- 10. IMPROPERLY MANAGED PENSION FUND**
- Non filing of Employees' Pension Plan with Authoritative Government Agency
 - Ineffective Investing and Management of Employees' Pension Assets.
 - Incorrect accounting of Pension Plan Assets for terminated employees.
- 11. WASTEFUL SPENDING OF GOVERNMENT FUNDS**
- Failure of Management to address assessment of Demand Charges by GPL
 - Purchasing of alcoholic beverages
 - Purchasing of over powered standby generator.
 - Poor planning and failure to properly manage expenses relating to recurring annual events
- 12. ADMINISTRATIVE AND GENERAL ISSUES**
- Stakeholders Input for New Packaging Plant at the Cheddi Jagan International Airport
 - Improper withholding of interest Income from bank accounts

- No written contracts with security service providers.
- Payment for Staff that works for MOA.
- Standby generator fuel susceptible to theft due to inadequate security.
- Overpayment for Security services

13. REQUIRED GOVERNMENT INTERVENTION

- Air Cargo Services

1. AUDIT OF FINANCIAL STATEMENTS

COMMENT # 1a

GMC is required to have audited financial statements 180 days after the end of each fiscal year. Such audited report is to be included in GMC's Annual Report and presented to the PAC of the National Assembly before October 1st of the following year. GMC did not have audited financial statements for 2011, 2012 and 2014 within the prescribed time frame. As of April 5, 2016, the 2014 audited financial statements have not been finalized and issued. Even though the Annual reports were filed timely, they would have been deemed incomplete without the Audited Financial Statements. Finalization of the 2014 audit has been lingering since September 2015 due to queries from the new Board of Directors.

RECOMMENDATION:

- GMC should ensure that the annual audited financial statements are completed timely and the completed Annual Reports are filed in accordance with legislative requirements.
- To expedite the finalization of the 2014 audited financial statements, the Chairperson of GMC's Board of Directors should invite the auditor general and the audit partner and manager of the contracted audit firm to a meeting and discuss the concerns and queries that prevent the finalization of the 2014 audit report.

MANAGEMENT'S RESPONSE:

GMC usually make request to Auditor General Office during the first quarter of the year. However, the Auditor firm usually starts their audit long after requests are made.

COMMENT # 1b

The Audited Financial Statements were not conducted by an Independent Audit Office of Guyana. GMC receives most of its revenue from the government of Guyana as a budget subvention through the Ministry of Agriculture. As such, the funding of GMC is through the actions and discretions of the Minister of Finance who is responsible for each dollar spent by the Government of Guyana.

During the audits of the 2012, 2013 and 2014 financial statements of GMC, Mrs. G. Singh, the wife of the then Minister of Finance, Dr. Ashni Singh was one of the most senior audit management personnel within the Audit Office of Guyana. In her capacity as a Senior Audit Manager/Director, Mrs. Singh would be responsible for

the supervision and development of audit managers and audit staff subordinated to her (essentially everybody in the office other than the Auditor General ("AG")). By virtue of her relationship to the Finance Minister, Mrs. G. Singh had compromised the independence of the Audit Office of Guyana. Since Dr. Ashni Singh's promotion to the Minister of Finance, the AG should have been aware that the Independence of the Audit Office of Guyana had been compromised. The AG should have informed the then President of Guyana, the newly appointed Minister of Finance as well as the Minister of Finance's wife who was employed by the Audit Office of Guyana of the compromising of the independence of the Audit Office. Either the Minister or his wife should have been asked to step down from their position and seek employment elsewhere.

GMC's financial statements are required to be audited by the Audit Office of Guyana. However the audit can and were contracted out to a private audit firm. The work is however, reviewed by the Audit Office of Guyana. The audit personnel at the Audit Office of Guyana are subordinated to Mrs. G. Singh (Dr. Ashni Singh's wife).

RECOMMENDATION:

- The Government of Guyana should review the professional education and training of the AG and determine if he is a fit and proper person to hold such a highly revered position of professional integrity and character.
- The required qualifications, experience, training and professional affiliations of the AG's position should be reviewed and updated in accordance to similar positions held in other Caricom and Commonwealth countries and in accordance with professional and ethical standards as issued by professional accounting standards boards such as the International Accounting Standards Board, the American Institute of Certified Public Accountants and the Government Accounting Standards Board of the US etc.
- The GMC's Board of Directors should acquaint themselves with the appropriate ethics and standards of the audit requirements of auditors. This will assist them to provide meaningful oversight over the annual audits of GMC's financial statements.
- The Board of Directors or at a minimum the Audit Committee should formally meet with the auditors and review the annual audited financial statements before they are finalized and issued.

- Questions and inquiries should be asked by the directors during these meetings so that the directors understand the various line items presented in the audited financial statements.
- Significant variances of the various financial statement line items should be explained by the auditors.

MANAGEMENT’S RESPONSE:

This comment is directed to the Board of Directors.

COMMENT # 1c

Basic accounting transactions were improperly recorded by the accountant. The contracted auditors failed to identify these instances of incorrect recording during the 2012, 2013 and 2014 audits. Similarly the Audit Office of Guyana failed to identify these instances of improper accounting practices at GMC.

- Accrued vacation expense, gratuity payable and an assortment of various other expenses are not accrued at year end.
- Payments made for services that span more than one fiscal year are not recorded as a prepaid expense for the portion that is related to the following accounting period.
- The audited financial statements do not truly reflect GMC’s expenses, payables and prepaid expenses as they are understated in the audited financial statements.
- In 2014, there were two instances where, construction costs were expensed instead of being capitalized. A payment of \$ 1,066,500 paid to E & A Consultants in relation to the construction of the new processing plant to be constructed at the CJIA (Consultant agreement is for \$9,360,000) and two payments totaling \$1,312,802 paid to Joshi Construction & Transportation Establishment (Agreement is for \$3,617,990) for the Rehabilitation of the Central Packaging Facility at Sophia should have been capitalized.
- In 2010, the auditor mentioned instances of unrecorded liabilities in the 2010 GMC Management Letter Comments. However it appears that the recommendation was never implemented.

RECOMMENDATION:

- The GMC accountant needs to get a better understanding of accounting issues and update his accounting knowledge. A better effort needs to be made to ensure that transactions are recorded in the correct accounting period.
- Payments made after December 31, (fiscal year end) should be reviewed to ascertain if they should have been accrued in the prior period.
- Invoices for services and insurance payments etc. should be properly reviewed to ascertain if part of the payment is related to more than one fiscal year. The portion related to the following fiscal year should be recorded as a prepaid expense and expensed the following fiscal year.
- Capital items and construction cost should be capitalized in accordance with GMC's accounting policies which are stated in the Note 3 of the financial statements.

MANAGEMENT'S RESPONSE:

Fourth point: Construction of new processing plant: The advice of the External Auditor was to treat this transaction as Expenditure. Similarly, for the Rehabilitation of Pack House, the External Auditor advised that the expense be treated as Expenditure rather than capitalized asset since the building is a leasehold building.

AUDITOR'S COMMENT

If in fact GMC did receive the above advice from the "External Auditor," then GMC's management would have been poorly advised. Nevertheless management should consider re-reading principles of accounting in regards to accounting for fixed assets.

COMMENT # 1d

The audited financial statements for 2012, 2013 and 2014 do not agree to the GMC's trial balances and the general ledger account balances for the corresponding years.

- The accountant claims that the auditors compile the financial statements.

RECOMMENDATION:

- Management needs to understand that the financial statements are the responsibility of GMC's management and not the auditors.
- The accountant needs to reconcile the general ledger account balances to the audited financial statements' line items and make the necessary correcting entries.
- Each year the accountant needs to ensure that the audited financial statements are supported by the correct general ledger account balances. A schedule should be created that groups each general ledger account to the various financial statement line items.
- Audit adjustments made by the auditors needs to be posted in the GMC's general ledger in the correct accounting period.

MANAGEMENT'S RESPONSE:

First point: No this statement is incorrect, the total of the trial balance agreed with the financial statement. Second point: A schedule is always in place.

AUDITOR'S COMMENT

Since the start of the forensic in August 2015, Mr. Owen Nestor, accountant was requested to provide answers why certain general ledger account balances on the trial balance could not be traced to any of the financial statement line items on GMC's Income Statement or Balance Sheet. The Accountant forwarded the request to the accounts clerk Mr. Imtiaz Karim. The accounts clerk was unable to provide any explanations. The auditor then returned the matter back to the Accountant who could not provide any answers on the matter. On April 27, 2016 the auditor requested a copy of the schedule mentioned in the **Management's Response** above but none was provided.

COMMENT # 1e

Note 1 of GMC's audited financial statements does not accurately state GMC's business. Note 2 of the audited financial statements include information that is not relevant to GMC.

- It appears that Note 2 may have been a cut and paste job from the auditors' other clients' audited financial statements.

- The irrelevant information makes GMC's audited financial statements more cumbersome and long winded.

RECOMMENDATION:

- GMC's management needs to update Note 1 of the audited financial statements to accurately disclose GMC's business activities.
- The accountant and the auditors need to review Note 2 of the audited financial statements and ensure that only items relevant to GMC are included in the Note.

MANAGEMENT'S RESPONSE:

Noted

COMMENT # 1f

GMC incorrectly records financial transactions of the Ministry of Agriculture (MOA) as GMC's activities. Over the years GMC has received funds from the Ministry of Agriculture (with significant increases over the years) and has recorded these funds as Government Grants in GMC's general ledger and audited financial statements. These funds are merely agency type transactions between the MOA and GMC. There are no grant letters or grant agreements from MOA showing how these funds are to be spent and what GMC's responsibilities or deliverables are in relations to the funds.

- It appears that MOA has been deliberately forwarding these funds to GMC to circumvent financial accountability at the Ministry of Agriculture. These funds appear to be slush funds for the Permanent Secretary of MOA and the Minister of Agriculture. At the MOA unused (unencumbered) funds would have to be returned each year.
- The income and expense should not be recorded on GMC books as GMC does not have discretion or ownership over these funds and as such are not income and expenses to GMC.
- Per discussion with Mr. Hassan GMC's general manager and Mr. Owen Nestor, GMC's accountant, GMC is directed verbally as to how the funds are to be expended through the Permanent Secretary of MOA. There is no written documentation that would accompany the funds.

- It appears that GMC's responsibility is only to manage the accounting aspects of these MOA projects. As such GMC is only providing the cheque cutting and administrative aspects of the projects for the MOA.

RECOMMENDATION:

- Management should write the Permanent Secretary and the Minister of Agriculture and convey that these funds are not GMC's revenue and expenses. The PS of MOA should be informed as to the proper accounting of the funds and the related expenses. GMC should record the funds from MOA as balance sheet general ledger asset and liability accounts.
- As funds are expended the asset and liability general ledger accounts should be reduced accordingly.
- Monthly expense reports should be forwarded to the PS of MOA for recording of the expenses on MOA's books.
- No revenue or expenses should be recorded in GMC's general ledger or financial statements.

MANAGEMENT'S RESPONSE:

The cheques that are received from Ministry of Agriculture are usually written in the name of Guyana Marketing Corporation and not the Ministry of Agriculture. A spreadsheet is usually kept with transactions requested by the Ministry of Agriculture, for expending Ministry's funds.

AUDITOR'S COMMENT

It would be very unusual for the Ministry of Agriculture to write cheques to itself in the name of the Ministry of Agriculture. Management needs to understand that a grant has to be in the form of a written agreement that will stipulate the policies and underlying conditions of the grantor that defines the responsibilities of the grantee.

COMMENT # 1g

GMC is the sponsor of a pension plan to benefit its employees. Details of this pension plan are not disclosed in GMC's audited financial statements in accordance with International Financial Reporting Standards.

- The GMC's accountant is not aware of the required disclosures for pension plans.

- When contacted via telephone, Mr. Hiralall, of TSD Lal and Co., the audit manager for GMC's audit said he was not aware that GMC has a pension plan.

RECOMMENDATION:

- GMC should include a note in the audited financial statements that describes the pension plan and all pertinent information in accordance with the relevant accounting pronouncements such as IAS 19.

MANAGEMENT'S RESPONSE:

This statement is not correct; GMC's External Auditor is aware of the pension plan and has reviewed the contributions to the Pension plan. The trial balance for the pension contribution is under employment costs in the financial statements.

AUDITOR'S COMMENT

When the forensic auditor spoke to Mr. Hiralall, audit manager at TSD Lal in a phone call arranged by Mr. Owen Nestor, accountant, Mr. Hiralall told the auditor that he was unaware that GMC had a pension plan. On the other hand if the external auditors knew of the pension plan, maybe someone should explain why the pension plan is not disclosed in the notes to the financial statements. Management may also want to explain the last sentence in its response.

2. INEFFECTIVE BOARD OF DIRECTORS & SUB-COMMITTEES

COMMENT # 2a

The Board of Directors, the Finance, Audit and Administrative Sub-Committee and the Marketing Sub-Committee are required to meet at least once each month.

- In 2012, 2013, 2014 there were only 4, 5 and 8 meetings of the Board of Directors respectively.
- In 2012, 2013 and 2014 there were 5, 4 and 7 meetings held for the Finance, Audit and Administrative Sub-Committee respectively.
- In 2012, 2013 and 2014, there were none, 5 and 7 meetings held respectively for the Marketing Sub-Committee.

RECOMMENDATION:

- The Government should assign a person or committee to oversee government agencies and other state boards such as GMC as these

shortcomings of the board at GMC may not be an isolated occurrence.

- The chairperson of GMC's Board should ensure that the GMC's Board and Sub-Committees holds its meetings regularly.

MANAGEMENT'S RESPONSE:

This comment is directed to the Board of Directors.

COMMENT # 2b

Minutes of meetings are generally not signed by the chairperson and secretary of the board of directors or the chairperson of the sub-committees.

RECOMMENDATION:

The chairperson and secretary of the board of directors and sub-committees should sign the official minutes of their meetings.

MANAGEMENT'S RESPONSE:

This comment is directed to the Board of Directors.

COMMENT # 2c

The minutes of the board of directors and sub-committee meetings are poorly written and are fraught with grammatical and spelling errors. It is a far digression from the standards that should be reflective of a professional board.

RECOMMENDATION:

The Board of Directors should ensure that a qualified professional records and processes the minutes of the various meetings. A word processing tool should be used to spell check the document. The secretary or chairperson of the board of directors and sub-committees should proof read the minutes before they are sent to the various board and sub-committees members.

MANAGEMENT'S RESPONSE:

This comment is directed to the Board of Directors.

COMMENT # 2d

GMC receives its funding and revenue principally from the government through a Government subvention and government grants. GMC prepares a budget based on these amounts. There is no indication that the board of directors and the finance, audit and administrative sub-committee review and approve the annual budget.

Per discussion with Mr. Owen Nestor, accountant the budget is not reviewed or approved by the board of directors.

RECOMMENDATION:

- The Finance, Audit and Administrative Sub-committee should review and approve GMC's annual budget.
- The Accountant should then present the budget to Board of Directors for review and approval.
- Any amendments to the budget should be reviewed and approved by the Finance, Audit and Administrative Sub-committee and then by the Board of Directors.
- Such actions should be documented in the minutes of the meetings.

MANAGEMENT'S RESPONSE:

To the extent that this is doable, often times the Ministry's circular is received at short notice.

AUDITOR'S COMMENT

Management and the Board do not have to wait on the Ministry's Circular to start its budget planning and preparation for the next year. The tone of financial accountability needs to be set at the top. Once the will exist, the rest will fall into place.

COMMENT # 2e

A well rounded Board of Directors should comprise of members who are professionals with varied backgrounds. At a minimum the board should include an attorney, a finance/accounting professional and persons with programmatic skills of the industry/sector governing the entity.

- The past and current board of directors does not have a member who is a legal practitioner. An attorney will enable the board to have readily available legal advice during meetings.

RECOMMENDATION:

The chairperson of the board of directors should write the government requesting that a legal practitioner be appointed to the Board.

MANAGEMENT’S RESPONSE:

This comment is directed to the Board of Directors.

COMMENT # 2f

The term of the board is usually for one year. Due to logistics and newness of the members it takes several months to engage the Board effectively and maximize directors’ input and usefulness.

- Usually it takes several months before the first meeting of a new board of directors occurs.
- When an entity is without a board, governance statutes and laws may be violated. The government may also be in violation of its own governance policies and exposes itself to ridicule and criticism.

RECOMMENDATION:

The chairperson of the board of directors should write the government and engage government to consider appointment for 2-3 years duration with staggering periods. This will ensure continuity of projects and a smooth and effective functioning of the Board. In the event of a change of government, it also makes the board of directors less political in nature.

MANAGEMENT’S RESPONSE:

This comment is directed to the Board of Directors.

COMMENT # 2g

The Board minutes for January, 2013 indicated that there was a decline in exports because exporters were not getting the required supply of produce from farmers to export. Nothing was mentioned as to how this will be addressed even though this is a direct function of GMC.

RECOMMENDATION:

- The Board should become aware and knowledgeable of the GMC’s mandate and functions.
- Stakeholders’ challenges should be addressed immediately by GMC’s management to ensure that GMC meets its mandate.

MANAGEMENT’S RESPONSE:

Noted

COMMENT # 2h

Timelines and goals for projects need to be set by the Board. A simple project to have a logo for the Guyana Shop began in February, 2012. As of May 31, 2015 the logo had still not been finalized.

RECOMMENDATION:

The Board of Directors needs to be more assertive in its dealings with GMC'S management.

MANAGEMENT'S RESPONSE:

Noted

COMMENT # 2i

There is no mention in the board minutes that members of the board had ever visited the GMC's office or packaging facilities with the exception of when the office building was being constructed. Visits to the various GMC's locations and facilities will assist the directors in having a good working knowledge of the conditions at these locations and obtain a better grasp of what may need fixing.

RECOMMENDATION:

- Management of GMC should arrange for the members of the Board to visit GMC's office and various locations such as the Sophia and Parika packaging facilities.
- At a minimum, this should be a required procedure for any new board of directors.
- Management should consider holding at least one board meeting at each of the operating locations.

MANAGEMENT'S RESPONSE:

Noted

3. GMC'S FERTILIZER ACCOUNT**COMMENT # 3a**

In 2008, the government of Guyana acknowledged that there was a shortage of fertilizer available to farmers and funded a fertilizer program to be managed by GMC. Per Memo from the Office of the President to the Minister of Agriculture dated July 25th 2008, approval was granted via Cabinet Memorandum No.

CP(12008)7:2G dated 15th July 2008 for MOA through GMC to purchase 12,500 ton of Urea costing US\$7,812,500 of which 3,500 tons is for Guysuco and 9,000 tonnes to be sold to agencies of MOA. See **APPENDIX "B"**. Funding for the 9,000 tons Urea was provided as follows:

Contingencies Fund Advance	\$600,000,000
GNCB Advance	\$553,000,000

GMC was to sell the Urea at \$7,000 per bag (50Kg) to stakeholders or resellers and the sales proceeds used to repay the above amounts in its entirety before December 31, 2008. A contract was awarded through a tender to a company named "Nova Scotia Manufacturing". However the contract was cancelled by cabinet and a new tender was supposed to be done. This never happened.

The Fertilizer Account was managed by GMC over a number of years including the period under audit by the forensic auditor. Limited and filtered information was provided to the auditor. As such permission was sought from the Hon. Mr. Jaipaul Sharma, minister within the Ministry of Finance, to extend the audit period of the Fertilizer Account to the date of its inception (July 2008). Permission was granted by Mr. Sharma.

During the period 2008 through 2014, it appears that GMC entered into a series of questionable and apparently fraudulent financial transactions in regards to the management of the Fertilizer Account.

Scope Limitation

The GMC's general manager, Nizam Hassan refused to make available to the auditor full access to original documentation of the financial transactions of the Fertilizer Program. As such there was a scope limitation thus preventing the auditor to properly audit the Fertilizer Program transactions. Copies of pieces of documents and information were made available by Mr. Owen Nestor GMC's accountant to the auditor. Based on review of these documents it appears that the following transactions were concluded without proper support or authority:

Payments to Guyana Rice Producers Association (GRPA)	\$	35,032,500
Excess repayment to GNCB over Funds provided to GMC		120,000,000

Loan to GUYSOCU - APPENDIX "C"	450,000,000
Payment to GUYSOCU for letter of credit arrangement	273,363,030
Payments to MOA for Vertical Pumps in Nov. 2014	111,204,726

It appeared that the entire Fertilizer program was conceptualized to circumvent financial accountability laws and to provide funding to GUYSOCU and others using sinister methods. The payments to GRPA were approved by the GMC's Board of Directors via a special Board Resolution. However the Resolution was signed by mainly the Government employees of the Board.

Since GMC did not purchase any Fertilizer, GNCR requested a refund of its funds. Instead of returning \$553,000,000 to GNCR, GMC paid \$673,000,000 to GNCR. GMC's General Manager, Mr. Hassan has refused to provide any answers or documentation to support this overpayment of \$120,000,000 (**Appendix A**).

The Interest Free Loan made to GUYSOCU of \$450,000,000 had a special clause in the Loan agreement stating that only \$86,994,711 was to be repaid to GMC. Mr. Hassan has also refused to answer questions as to the concept of loaning \$450 million but only being repaid \$87 million. To date no repayment was made to GMC. The \$86,994,711 balance is on GMC's books as a receivable.

In November 2014, the Permanent Secretary of MOA requested that GMC make a payment of \$111,204,726 (**APPENDIX "D"**) from the fertilizer Program to pay for vertical axial pumps. GMC has fraudulently recorded the payment as "Fertilizer Expenses" in the 2014 draft audited financial statements. If this was a proper transaction of GMC, the cost of the pumps should have been capitalized and depreciated over its useful life.

Except for the refund to GNCR, none of the payments mentioned above appears to have been conducted in accordance to the instructions GMC received to manage the fertilizer account.

It appears that the main beneficiaries of the Fertilizer Program were GUYSOCU and rice farmers; two groups not covered by GMC's mandate.

It appears that GUYSOCU initiated the process to purchase fertilizer for its use. However this seems to be in conflict to the original instructions issued by Cabinet.

It also appears that GRPA purchase fertilizers and supposedly distributed same to rice farmers and then billed GMC for these. However much doubt exist that GRPA would have had the financial ability to conduct such transactions.

RECOMMENDATION:

The Government of Guyana needs to determine what action should be taken against Mr. Hassan and the PS of the Ministry of Agriculture for their alleged illegal involvement in the management of the Fertilizer Program.

MANAGEMENT’S RESPONSE:

No overpayment of 120,000.000 was made to GNCB. A debit memo dated November 05, 2008 was sent to the General Manager of Scotia Bank requesting a transfer of 120,000,000 from the Fertilizer Account to Guyana Sugar Corporation. This was reflected in the debit note that was received from Scotia Bank and was dated November 06, 2008.

The decision to expend money on axial pumps was a cabinet decision; (CP (2014) 10; 2: R) that took place on October 07, 2014. In addition, the Permanent Secretary of the Ministry of Agriculture received a correspondence dated November 06, 2014 from the Secretary to the Cabinet regarding the procurement of the four vertical axial flow drainage pumps. Importantly, the accounts to which the money should be sourced were also stated in the correspondence.

AUDITOR’S COMMENTS

The Auditor did not have access to the debit notes mentioned in the Management’s Response above. Attached as **Appendix A** is a copy of an email correspondence from Mr. Nizam Hassan to MOA officials indicating that a refund of \$673 million was made to GNCB. The email correspondence was used by the auditor as audit evidence since GMC’s Management seems inclined on limiting the **Scope of the Audit** by failing to provide access to all audit evidence for the Fertilizer Account. The email mentioned above also list a refund of \$120,000,000 to Guysuco.

In regards to the cabinet decision (CP (2014) 10; 2:R) mentioned above, a copy was requested by the auditor as he had never seen the document before. However the **Scope Limitation** continued under the new GMC’s General Manager Ms. Ida Sealey-Adams. On April 27, 2016, Ms. Sealey showed a one page document originating from the Office of the President and signed by Dr. Luncheon. The document was provided to the auditor for reviewing purposes only. Ms. Adams refused to have the auditor make a copy of the document. Also the document was

included in an “**unmarked and unlabeled**” folder with other documents believed to be related to the GMC’s Fertilizer Account. The auditor was not allowed to review the contents of the other documents in the folder. Permission was only granted by Ms. Adams to review the single page document. It is the auditor’s opinion that Ms. Adams either does not understand the concept of the Forensic Audit and the procedures involved or she is hell bent on protecting what she believes is the secrecy involved in the managing of the Fertilizer Account by GMC. Subsequently information was made available to the auditor that shows that another MOA agency, the NDIA, may have recorded the vertical axial pumps as part of its fixed assets. So in brief, two MOA agencies may have recorded the same transaction on their books.

4. GMC’S OFFICE BUILDING

COMMENT # 4a

In 2011 a contract was awarded to **Constantine Engineering and Construction Services** of Trinidad and Tobago to construct a new building for GMC’s head office and the Guyana Shop. The contract in the amount of twenty three million, nine hundred and sixty seven thousand three hundred and nineteen dollars (\$23,967,319) was awarded by NPTAB. The auditor was unable to review the bidding documents since the head of NPTAB, Mr. Donald Declou told the auditor that he could not find any information in his files that showed that NPTAB was involved in the tender process even though the contract indicate otherwise.

An engineer, Mr. Hanniel Madramootoo of the Ministry of Agriculture (MOA) was assigned to oversee the construction of the building. Subsequent to the awarding of the contract an amendment in the amount of seven million six hundred and twenty thousand nine hundred and eighty four dollars (\$7,620,984) on February 10, 2012 was done to increase the contract amount without going out to tender. The amendment to the contract also extended the contract duration to March 16, 2012. Based on discussion with Mr. Owen Nestor, GMC’s accountant, shortly after the contract amendment, the contractor announced to GMC that he will be unable to complete the construction of the GMC office building. It is unclear exactly how much funds was given to Constantine Engineering. As such another contractor was called in to complete the electrical wiring and relevant works to the GMC office building.

- Within a few months after the building was handed over to GMC, there were leaks throughout the building via the roof. A contractor was hired by GMC to repair the roof.

- It was discovered that old lumber and old zinc sheets with euroband was used to construct the roof of the building.
- Throughout the building substandard work is evident and present. The wood used to construct the internal walls was poorly manufactured and the concrete walls are chipping and with paint peeling and falling off the walls.
- It appears that GMC's board and senior management are just as culpable as the contractor for the poor quality of work delivered to GMC. Based on discussion with the general manager and the accountant, the directors made several visits to the building during construction. However, the directors failed to highlight the blatant poor quality of work performed by the contractor. There is no documentation to show that the board acted to prevent the fraud that was perpetuated against GMC by the contractor.
- The warranty period (6 months) stated in the contract is inadequate for a building such as GMC's office.
- An internet search for the name of the contractor's firm **Constantine Engineering and Construction Services Ltd** proved futile.

RECOMMENDATION:

- Constantine Engineering and its owner should be barred from providing any services to the Government of Guyana.
- The Engineer that was contracted to oversee the construction of the building should be terminated if he is still employed by the MOA and prevented from providing any services to the Government of Guyana.
- The government of Guyana should write letters of reprimand to the members of the Board of Directors who were engaged by GMC during that period of time. The letters should indicate their unprofessional behavior and gross negligence which they exercised during their time at GMC. Such directors should also be barred from future engagements with the Government of Guyana.

MANAGEMENT'S RESPONSE:

This comment is directed to the Government.

COMMENT # 4b

The Bill of Quantities of the contract for the construction of the GMC office building stipulates that:

- Greenheart lumber is to be used in the construction of the building's floors, walls, roof and framing etc.
- PVC panels are to be utilized for the construction of the two ceilings of the building.
 - It was observed that mixed hardwood was used for the construction of the walls and flooring. In addition, it was observed that the quality of the lumber used for the construction of the walls appears to be second quality lumber. Significant shrinkages of the lumber occurred and large creases are evident throughout the building's internal walls.
 - It was observed that plywood was used to construct the two ceilings. The cost of plywood is significantly cheaper than the cost of PVC panels. The payment voucher used the same rate of payment (\$2,000 per square meter) for the plywood ceiling.
- The payments for the construction vouchers were certified by the project manager, Mr. Hanniel Madramootoo who was attached to the Ministry of Agriculture as a civil engineer.
- There was no indication that the contract was ever amended to use plywood instead of PVC panels.

RECOMMENDATION:

- The police should be called in to investigate the fraud of using incorrect materials and fraudulent billing for the construction of the building.
- Since payments were made based on certification made by Mr. Madramootoo, he should be charged criminally and brought before the courts for his participation in conducting fraud against the Government of Guyana.
- Efforts should be made to bring charges against Mr. Nizam Ramkissoon, the owner and managing director of Constantine Engineering and Construction Services Ltd of #55 Calcutta Road #2 Freeport, Carapichaima, Trinidad.

MANAGEMENT'S RESPONSE:

This comment is directed to the Government.

COMMENT # 4c

Based on the selection of three vouchers related to the construction of the GMC's office building for testing, it was observed that incorrect building materials were used. Additional auditing procedures were deemed necessary and a request was made to have all payment vouchers made available for further testing.

- It was then communicated by Mr. Owen Nestor, GMC's accountant that none of the other payment vouchers related to the construction of the GMC's office building could be found.
- It was also communicated by Mr. Owen Nestor that Mr. Nizam Hassan may have been the last person who had requested all of the payment vouchers related to the construction of the GMC's office building.

RECOMMENDATION:

- A determination needs to be made as to what level of disciplinary actions should be taken.
- The Board of Directors should instruct GMC's management to make every effort to locate the missing vouchers

MANAGEMENT'S RESPONSE:

The Accountant stated that this accusation was falsely made by the Forensic Auditor. Efforts are still being made to locate the outstanding payment vouchers for the construction of the building.

AUDITOR'S COMMENT

The statement was made by the accountant. As a matter of fact the original comment was revised by the auditor on April 11, 2016 in agreement with the Accountant. However the general Manager Ms. Ida Sealey-Adams was adamant that Mr. Nestor did not make the statement and stated that she was not "comfortable" with the statement. This was discussed in the presence of the Accountant. In regards to the management's response that efforts are being made to locate the vouchers. It should be noted that the request for the vouchers was made since September 2015 and is listed as an open item in a correspondence to Mr. Hassan on October 14, 2015 and copied to Ms. Sealey-Adams. As of the report date it seems that GMC would have spent close to eight months looking for the vouchers and came up empty.

COMMENT # 4d

It appears that GMC's management does not take security seriously. While the office is equipped with surveillance security cameras, any criminal or vagrant can walk into GMC's office and commit a crime.

- The office is not secured by a security guard during office hours.
- Most of GMC's staff is female. It would not be difficult for a crime to be carried out against the staff.
- At times GMC will have significant amounts of cash in the accounting department. These are generally the petty cash funds and the cash from the Guyana Shop. Bank deposits are not done every day due to cost/benefits of having the security firm doing the deposits.
- The second floor of the GMC's building only has one entrance which serves as the only exit. This violates building codes set out by regulatory agencies of the government.

RECOMMENDATION:

- GMC should hire a security expert to propose a security solution for GMC.
- At a minimum the GMC office door should be fitted with an electronic buzzer to gain entry.
- An able bodied and physically fit security guard should be immediately hired to screen and accept GMC's guests and visitors during working hours.
- Persons should be screened to ensure that they are not carrying weapons etc. into the building.
- A mobile guard hut can be placed next to the standby generator to accommodate the security guard.
- A qualified architect and engineer should be hired to find a solution for an emergency exit for the second floor of GMC's office building.

MANAGEMENT'S RESPONSE:

Money has been allocated in the 2016 budget under Capital Projects to have an access control system. This activity will be executed in 2016.

5. FAILURE TO ADHERE TO GMC'S MANDATE

COMMENT # 5a

By trade protocol with Trinidad & Tobago, Guyana is allowed to export 22 products to Trinidad and Tobago. However Guyana is not exporting the products allowed by protocol.

RECOMMENDATION:

GMC should advertise these export opportunities to the farmers and exporters and work towards creating markets for farmers for export.

MANAGEMENT'S RESPONSE:

Noted

COMMENT # 5b

GMC is prohibited from providing services to the rice and sugar industry. This is specified in the Act that was legislated to form GMC in 1963. In 2008, the Ministry of Agriculture provided funds to GMC to purchase and resell fertilizer to farmers.

- It appeared that GMC provided the services mainly to GUYSUCO and rice farmers. Payment for some of the fertilizer transactions were even approved by GMC's board in 2011 via a special Board Resolution.

RECOMMENDATION:

- GMC's management and Board of Directors should become knowledgeable of GMC's mandate and rules and regulations governing GMC's business.
- GMC's management and Board of Directors should ensure that GMC functions within its mandate.

MANAGEMENT'S RESPONSE:

GMC's Management is aware of its mandate.

COMMENT # 5c

As part of GMC's mandate, GMC is required to provide services to assist producers in marketing their products both locally and for export. Currently and for the past several years the focus of GMC has been principally on the export markets. Hence little marketing services have been offered to farmers and producers in the local market.

RECOMMENDATION:

While growing the export market is commendable, GMC should expand its services to assist producers in accordance with its mandate.

MANAGEMENT'S RESPONSE:

The basis for this comment is questionable, since both local and export markets continue to be of equal importance to the Corporation.

COMMENT # 5d

Since its incorporation, GMC has been endowed with various real properties across the various regions in Guyana. Over the years it appears that certain properties were sold or otherwise disposed of to various non-related entities.

- GMC owns a property in Strand, New Amsterdam in Region 6 and another property in Bartica, Region 7. Based on discussion with GMC's General Manager, the property in New Amsterdam has not been in use for over twenty years.
- The property in Bartica had been rented to a private businesswoman in 2014 and prior years. It has not been in use by GMC to offer services in accordance to its mandate for over twenty years as well.

RECOMMENDATION:

- The GMC's Board should mandate that GMC's senior management team expand GMC's services in Region six and Region seven and make full utilization of these properties available to it.
- A proposal needs to be compiled by GMC's management and approved by the Board.
- Financial assistance should be sought from the government to enable GMC to expand its services in regions six and seven.
- The Bartica property should be renovated and perhaps used as a Guyana Shop branch and serves as a hub for local agriculture products and produce to serve the hinterland and mining sector in Region 7. It can also provide a market for cash crop farmers etc. in that region.

MANAGEMENT'S RESPONSE:

Noted.

COMMENT # 5e

In past years, the government had embarked on an Agriculture program “Grow More Food”. While farmers and local producers had responded to the program, GMC has failed to advance marketing opportunities for local producers. It appears very little or no structured advertising has been made by GMC to sensitize the Guyanese market about buying local produce. The Grow More Food program gave GMC a wonderful opportunity to deliver on its mandate but little or no efforts were expended by GMC.

RECOMMENDATION:

The Board of Directors should become familiar with GMC’s mandate as is stipulated in the legislation. A directive should be given to GMC’s management to embark on a marketing blitz to sensitize the Guyanese market of the importance of supporting local producers and the nutritional health values of using freshly produced fruits and vegetables etc. Television, radio and social media should be utilized to spread the buy local program.

MANAGEMENT’S RESPONSE:

This comment is directed to the Board of Directors.

COMMENT # 5f

- GMC has a fleet of refrigerated trucks that is available to the general public for rental.
- GMC rents packaging crates and offers packaging services at its Sophia, Georgetown and Parika, East Bank Essequibo Agro Packaging Plants.
- GMC also offers brokerage services.
- GMC’s services are not being aggressively advertised to the general public.
- These services are significantly underutilized by stakeholders.

RECOMMENDATION:

GMC should utilize traditional TV and radio to aggressively market the services that it is funded to perform.

MANAGEMENT’S RESPONSE:

Noted.

COMMENT # 5g

There is a market for high quality agriculture products in the growing supermarket industry in Guyana. While much effort is focused on exporting agriculture products, little effort is made to satisfy the local niche market for high quality products. This market can be much more profitable for stakeholders. It has always been a practice to export the best quality abroad and dump the lower quality on the local market. This is perhaps one reason why Guyanese tends to purchase foreign products over locally grown ones.

RECOMMENDATION:

- GMC should focus some attention in preparing farmers and other stakeholders to market high quality agriculture products for the local markets. GMC should plan and hold market development seminars across Guyana to sensitize stakeholders as to how better planning and marketing could bring greater financial rewards to them.
- As part of its marketing and advertising, GMC should host television programs to sensitize stakeholders of the opportunities and use success stories to provide examples of what works.

MANAGEMENT'S RESPONSE:

The Marketing and Agriculture Officers are involved in extensive consultations, training with farmers in this regard. A module was prepared by the Field Officers of GMC in 2015. This is used as a guide in the execution of Field Work.

6. FINANCIAL IMPROPRIETY CONDUCTED BY GMC'S SENIOR MANAGEMENT**COMMENT # 6a**

In November 2014, the Permanent Secretary of the Ministry of Agriculture directed the General Manager of GMC to issue payments totaling \$111,204,726 to pay for drainage pumps supposedly procured by the Ministry of Agriculture. With vague documentation, the payment was made by the General Manager without the consent of the Board of Directors. The expenditure was fraudulently recorded in GMC's 2014 draft audited financial statements as "Fertilizer Expense". This one expense represents 43% of the total expenses for 2014. This type of expense is not allowed under the Fertilizer Program.

RECOMMENDATION:

The Board of Directors needs to decide what steps should be done to address this practice at GMC. The Chairperson of the Board should contact the Audit firm and

have them explain why this fraudulent reporting was done. Further the Board should call in the Auditor General and have him explain how such fraudulent reporting could be condoned by his office. A determination needs to be made as to whether the Audit Office should continue to utilize the services of the private audit firm contracted to perform audits for them. The matter should be reported to the Association of Charter Accountants of Guyana for professional misconduct.

MANAGEMENT'S RESPONSE:

This comment is directed to the Board of Directors.

AUDITOR'S COMMENT

As part of follow up procedures arising out of information obtained on April 27, 2016, it appears that the recording of the Axial pumps as Fertilizer Expenses on GMC's books might have been a deliberate act of Fraud by GMC. Based on review of certain documents by the auditor, it appears that the Vertical Axial Pumps paid for by GMC with the Fertilizer account funds might have been recorded as capital items by the National Drainage and Irrigation Authority.

COMMENT # 6b

- In 2013, GMC purchased a used 2005/2006 Toyota 4X4 Land Cruiser for \$6,500,000, duty free to be used by the general manager. GMC did not use the standard tender process to initiate the purchase. The warranty offered on the vehicle was for the earlier of three months or sixty thousand miles. On a comparative basis, in 2014, a brand new 2013/2014 Nissan Navarra 4X4 Double Cab Pickup Motor Vehicle was purchased for \$6,200,000 duty free with 36 months 100,000 Km warranty.
- There is no vehicle log book for the Toyota Land Cruiser and there is no documentation to show the odometer reading of the vehicle at the time of purchase.
- The duty free price paid for the used 2005/2006 Toyota Land Cruiser may have been significantly higher than other vehicles on the market.
- It appears that this purchase occurred without the knowledge of the Board as there is no mention in the minutes of the meetings regarding the purchase of the vehicle. The Quotation for the vehicle was dated June 24, 2013 and the purchase agreement was dated July 17, 2013.

- There were no other quotations from suppliers provided to the auditor. As such it appears that the vehicle was sole sourced.

RECOMMENDATION:

- Management should explain how its procurement policy was circumvented.
- The GMC’s Board needs to put systems in place to ensure that procurement policies are not violated or circumvented. The Board also needs to hold management accountable for management’s indiscretions.

MANAGEMENT’S RESPONSE:

Four quotations were collected to procure the Land Cruiser. Three quotations were submitted to National Procurement Tender Administration Board for approval via the quotation method, to procure Toyota Land Cruiser from Competitive Quotation. The National Procurement Tender Administration Board gave approval to source vehicle. Request was sent to the Ministry of Finance thru the Permanent Secretary requesting release of finance to procure vehicle using the quotation method.

AUDITOR’S COMMENT

When the auditor requested full details on the purchase of the Land Cruiser no other quotations were provided by either Mr. Nestor or the Administrative Assistant Ms. Sophia Jordan who is the custodian of the Purchase contract for the vehicle. It is interesting that no explanation was provided in the management’s response as to why only three of the quotations were sent to the NPTAB. It is the auditor’s opinion that the authenticity of the newly found quotations is highly questionable.

COMMENT # 6c

Periodically, GMC purchases stationary and office supplies. GMC has a policy to obtain quotations for office supplies. During the testing of vouchers paid to Metro Office and Computer Supplies, it was observed that GMC was overpaying for certain office supplies. The retail prices for printing & copy paper were substantially lower than what GMC was paying for bulk purchases. It was also noted that GMC would pay for certain supplies items but these would not be received with the orders. Instead GMC would receive a document from Metro stating that the item would be delivered at a later date. However GMC was unable to provide any documentation that the items were actually received subsequently. It appears that GMC’s management deliberately circumvented its policy to obtain quotations for office supplies when purchasing from Metro. The table below

shows the excess amounts paid by GMC for a sample of invoices from Metro Office and Computer Supplies.

Date of Purchase	Description	Metro Selling Price	Comparative Price from Other Vendors	Quantity Purchased	Cost Variations
Mar 20, 2013	Letter Size Paper	1,334	1,044	30	8,700
Mar 20, 2013	Legal Size Paper	1,914	1,508	10	4,060
July 26, 2013	Letter Size Paper	1,392	1,044	60	20,880
July 26, 2013	Legal Size Paper	1,914	1,508	20	8,120

It appears that there may be collusion between the staff and management at GMC and Metro Office and Computer Supplies.

RECOMMENDATION:

The Board should direct GMC to obtain quotations in accordance with its procurement policy. If the supplier does not have an item in stock, GMC should not be paying for that item. The Board should also determine if GMC should continue doing business with Metro Office and Computer Supplies.

MANAGEMENT’S RESPONSE:

A spreadsheet is usually done with the quotations for more than one supplier. In a few instances when there is an emergency for example shortage of ink. Competitive pricing is done. The information regarding the comparative price for other vendors cannot be substantiated. These prices were never received from the Forensic Auditor. The quotations are in accordance of the procurement policy. GMC does not pay for items that are not in stock.

AUDITOR’S COMMENT

On April 27, 2016, the auditor showed Ms. Ida Sealey-Adams and Mr. Nestor a sample of six vouchers paid to Metro Office and Computer Supplies. None of these vouchers had any spreadsheet attached. Both Ms. Sealey-Adams and Mr. Nestor were unable to explain the missing “Spreadsheet”. The auditor also showed Ms. Sealey-Adams and Mr. Nestor two instances of where GMC paid for items but did not receive the said items at the time of payments. Also no proof was provided to the auditor that the items were subsequently received by GMC.

COMMENT # 6d

During the testing of vouchers, it was noted that GMC made several payments for expenses relating to the former junior Minister of Agriculture, Mr. Alli Baksh. The request for payments would be made by email requests received from the PS of MOA or Mr. Baksh's assistant and sent to GMC's GM. Such cost includes:

- A cell phone costing \$135,000 was purchased for Mr. Baksh
- 2 tyres costing \$110,000 for Mr. Baksh's vehicle.
- Several payments to cover travel expenses for Mr. Baksh's trips to Regions 2 & 3. Such cost ranges in amounts of \$25,000 to \$50,000.
- \$512,000 paid to Frandec Travel Service to charter an aircraft for unknown persons to Lethem on March 18, 2015. The payment was based on a Quotation from Frandec. No Invoice was received or attached to the payment voucher.
- Cheque made out to PS of MOA for \$600,000 on February 20, 2015 to pay for MOA Mash 2015 Costume and Float Parade Band.
- Request from PS of MOA for cheque in amount of \$400,000 made out to a Dane Duke on April 9, 2015 to purchase Acousi ant bait for Hinterland communities. No invoice was ever provided to GMC.

When asked to explain why GMC would pay for such items, GMC's accountant referred the questions to Mr. Hassan, GM. The GM refused to provide any answers for these questionable costs. The cell phone is the property of GMC and should have been returned to GMC when the Government changed in May 2015. The accountant was unable to provide an answer if the vehicle was the Minister's personal vehicle or if it was owned by the government.

Some of the expenses listed above may be related to election campaigning for the May 2015 Regional and General Elections.

RECOMMENDATION:

- GMC should not be paying for expenses related to the Minister of Agriculture. Such cost should be paid by the Ministry of Agriculture.

- Neither the PS of MOA nor the Minister of Agriculture should be requesting GMC pay for expenses related to the Minister of Agriculture. Neither the PS of MOA nor the Minister of Agriculture has any authority to demand GMC pay for MOA's expenses.
- GMC should make payments in accordance to its approved budget.
- PS of MOA should be made to explain to GMC's board why he was instructing GMC to pay for MOA expenses.
- The Board needs to determine what other action(s) should be taken.

MANAGEMENT'S RESPONSE:

The money expended to charter aircraft was to facilitate the Ministry of Agriculture outreach in region 9 on the March 18, 2015.

COMMENT # 6e

In January 2014 GMC paid for a cell phone costing \$165,000. There was no

indication as to who the cell phone was purchased for. A request was made to have the Accountant and GM explain why the payment was made.

Subsequently a copy of an email was provided by the accountant that was received from Mr. Hassan showing that the PS of MOA had approved the payment.

However the email supposedly from Mr. George Jervis did not state who the phone was for. It did say that the cell phone was purchased to be used during the CWA event. However the CWA event occurred in October 9-11, 2013 and the Invoice for the cell phone is January 7, 2014.

It appears that the purchase of the cell phone may have been for personal use and a misuse of government funds. It might also be construed as a fraudulent transaction.

RECOMMENDATION:

- The Board should request the PS of MOA to explain why he is expending government funds as his personal slush fund.
- The police should be called in to investigate and lay criminal charges as appropriate.

MANAGEMENT'S RESPONSE:

This comment is directed to the Board of Directors.

COMMENT # 6F

It appears that even after the change of government in May 2015, financial improprieties by the PS and management of GMC may still be continuing. On May 25, 2015 the PS of MOA instructed Mr. Hassan to have GMC purchase two cell phones for the new Minister of Agriculture and his assistant. Each cell phone cost \$172,840 each for a total of \$345,680.

RECOMMENDATION:

- The Board of Directors should write a letter to the PS of MOA and inform him that he does not have the authority to direct the GMC's management to initiate transactions on his behalf.
- The letter should be copied to the Minister of Agriculture and the Finance Secretary.
- A determination should also be made at the cabinet level as to what disciplinary action should be made to the PS of the MOA.

MANAGEMENT'S RESPONSE:

This comment is directed to the Board of Directors.

AUDITOR'S COMMENT:

Information was provided to the auditor that Minister Noel Holder is only knowledgeable about the phone that was given to him by the PS. Also Minister Holder did not know the source of the cellphone and indicated that he did not solicit nor cause anyone to procure the phone for himself. The minister was not aware of the other cellphone.

7. SHORTCOMINGS OF THE GUYANA SHOP**COMMENT # 7a**

GMC created The Guyana Shop to showcase and market the various products produced by the agriculture sector. However, the success of the venture is not at the level that it should be. The Guyana Shop is located mere metres from the Bourda Market where hundreds and perhaps thousands of shoppers frequent on a daily basis. Unfortunately the number of shoppers that enters the Guyana Shop is very small.

Generally as the market traffic in the evening increases around the Bourda Market, the Guyana Shop is already closed for business at 5 PM. Hence customers are not given the opportunity to shop at the Guyana Shop in the evenings and weekends (limited hours on Saturday).

While space at the Guyana Shop is limited, critical and creative thinking should be employed to efficiently and effectively utilize the available space.

More attention needs to be spent on Inventory management. Several times during field work, the auditor could not purchase water and certain soft drinks in the Guyana Shop as it was out of stock for these products. On other occasions expired chips and nut were offered for sale. This was immediately brought to the attention of the Guyana Shop Manager and supervisor and the GMC's Accountant.

The Guyana Shop needs to be viewed by GMC's management as a separate business entity even as it retains its function as an integral part of GMC's mandate. It can also be developed as a model entity for the marketing of Guyanese agricultural products and produce. Even though the Guyana Shop was not created to be profit motivated, efforts should be made to manage it more efficiently.

RECOMMENDATION:

GMC's management should embark on a plan to grow the Guyana Shop business and its market share. Utilize GMC's marketing manager and other marketing staff to develop a marketing plan for the Guyana Shop. At a minimum the following should be considered:

- The Guyana Shop should be remarketed as a one stop shop Specialty Supermarket for value added Guyanese manufactured and produced agricultural products and high quality fresh produce.
- A marketing blitz using TV and radio commercials to advertise the Guyana Shop and GMC's services.
- GMC should host a weekly infomercial 30 minutes television program to advertise its services and the Guyana Shop.
- The Guyana Shop management should visit large supermarkets around Georgetown and its surroundings and observe how private enterprise markets their ventures. Incorporate best practices observed during these visits into the Guyana Shop.
- Pictorial awnings decorating the outside walls of the building should be used to market the products through visuals.
- Use of LED Digital Advertising screens to advertise GMC's inventories and price on a 24/7 basis.

- The storage space should be converted and incorporated into the shopping space and perhaps could be used to market fresh fruits and vegetables.
- Remove desks and cubicles in the back of the Shop and convert Guyana Shop Manager office as part of the shopping area.
- Renovate the smaller storage space to accommodate the Guyana Shop Manager and Supervisor.
- Frozen fish, crabs, meats (such as chicken, duck, mutton, pork, and beef) should be added to the list of inventory for sale.
- The opening hours should be expanded to accommodate shoppers and should be reasonably comparable to the Bourda market's shopping hours.
- A shift system should be used to accommodate the longer opening hours during the evenings and week-ends.
- Use taller display racks and shelves to accommodate storage of excess inventory.
- Offer shopping cards to encourage loyal customer base and offer discounts for card holders etc.
- Offer special discounts to Government employees to secure a loyal customer base.
- Revisit the fixed 20% mark up on inventory. Certain products such as packaged rice and flour etc. will not be competitive at this rate.
- Obtain a separate GPL meter for the Guyana Shop to better manage its energy costs.
- Application to the Mayor and City Council to have the parking around GMC office building reserved for GMC's customers.

MANAGEMENT'S RESPONSE:

Most of the recommendations have already been reviewed by Management and the Board of Directors.

COMMENT # 7b

In the 2014 budget speech in the National Assembly, the Minister of Finance informed the National Assembly that three (3) locations will be launched by the Guyana Shop. However in 2014 this did not happen. The Board of Directors of GMC was informed by the General Manager that the Guyana Shop will be launched in Region 2, 3 and another location.

At December 2014, only one location was realized. GMC needs to understand that GMC is a government agency. A failure of the agency will be construed as a failure of the government.

RECOMMENDATION:

The Board of Directors should set timelines for goals and ensure that Management achieves these goals.

MANAGEMENT'S RESPONSE:

This comment is directed to the Board of Directors.

8. FRAUD COMMITTED BY GMC'S EMPLOYEE

COMMENT # 8a

- In 2012 GMC became aware of a \$557,190 fraud perpetrated against it. The Board of Directors took the decision to not involve the Auditor General or the police. Instead the staff was given the opportunity to repay the embezzled amount.
- By settling the matter privately, GMC is sending the wrong message that employees do not have to worry about the consequences of dishonesty.

RECOMMENDATION:

In the event of fraud GMC should involve the Auditor General to investigate and hand over the matter to the police as appropriate.

MANAGEMENT'S RESPONSE:

Noted.

9. INEFFECTIVE ACCOUNTING DEPARTMENT

COMMENT # 9a

The accountant employed at GMC appears to lack the relevant accounting skills and training that is expected of someone who is the head of GMC's Accounting Department. The accountant is functioning at the level of a senior staff accountant. The other accounting staff lacks the basic accounting training and skills to function effectively and efficiently in the accounting department.

RECOMMENDATION:

- The Board of Directors should create a Finance Controller position to lead the accounting department.

- The accountant position should be retained with modified duties and responsibilities. Two additional accounts clerk positions should be created to offer appropriate accounting services to GMC.
- The government should sponsor periodic training seminars to upgrade the accounting skills of accounting and finance personnel across the various Ministries and government agencies. Such training will help to develop and upgrade the accounting skills of professionals employed by government and keep them current in accounting matters and trends. These seminars can be interactive whereby the government accountants can share experiences and situations they are involved in every day work.
- Salary scales should be reviewed and increased to attract qualified professionals and reduce employment turnovers.

MANAGEMENT’S RESPONSE:

First Point: This accusation regarding the Accountant’s qualification is misleading. Please note the Accountant has a Bachelor’s of Science Degree in Accountancy at the University of Guyana with over eighteen years’ experience in the Accounting field. System continues to be in place in the Accounts Department.

Noted

AUDITOR’S COMMENT:

The comment was not meant to disparage the accountant. However, having an accounting degree does not mean that that person will function optimally in the position. Accounting rules change very frequently. Persons functioning in their various capacities are required to keep abreast with new accounting pronouncements while maintaining their understanding of the old methods. The same is expected of auditors who are required to stay current and ahead of all new accounting pronouncements and emerging issues.

COMMENT # 9b

GMC’s accounting department could not locate several vouchers for 2012, 2013 and 2014. Based on discussions and observations it was noted that there is no proper system to file away prior period accounting records. The attitude of the accounting staff is one that could best be described as lackadaisical.

RECOMMENDATION:

Vouchers should be filed by vendor/supplier on an annual basis. Storage boxes should be utilized and properly labeled to indicate which vendors are stored in a particular box. A data base of storage boxes should be kept in the accounting office to track the location of the boxes etc.

MANAGEMENT'S RESPONSE:

Vouchers are usually filed as recommend. Storage boxes are usually labeled and stored as recommended. Account Department has a data base of storage boxes.

AUDITOR'S COMMENT:

Management's response is incorrect. Management should revisit the comment. A copy of the "data base" of storage boxes is included as **APPENDIX "E"**. A review of the document show that a storage box consists of a mixture of various types of documents from various years etc. It is a classic example of storage without a system leading to confusion. Also the latest year showed on the data base is 2009.

COMMENT # 9c

GMC issues a significant amount of advances to various staff to initiate and execute GMC's projects and programs. The accounting for these advances is not properly done. Currently, advances are expensed when they are issued to the staff person. If receipts are received, then they are subsequently attached to the advance payment voucher. Sometimes these receipts are received but the accounting staff may fail to attach the receipts to the vouchers. On other occasions no receipts may be received. There is no system in place to hold staff accountable to account for prior travel advances.

GMC utilizes a "certificate" system whereby a staff writes a statement that no receipts were available for expenses such as taxi and meals etc. A "Certificate" is used in lieu of a receipt. The certificate system is subject to abuse by staff.

RECOMMENDATION:

- When an advance is given to a staff, a debit should be made to a balance sheet general ledger asset account. When the staff provides receipts, the appropriate general ledger expense accounts should be debited and the advance account credited.
- Generally a staff should not be given an advance unless previous advances are accounted for.

- GMC should institute a policy that if advances are not accounted for timely by the staff, then their salary could be withheld to account for the un-cleared advances.
- GMC should create in-house Sequentially Numbered receipt books to replace the “Certificates” system. These receipts should list the Vendor Name, Address, Phone numbers, Date, Details of the transactions for example, Taxi, Meals etc.
- The staff receiving advances should be given adequate amounts of the In-house created receipts to have them filled out by vendors who do not have receipts. Completed receipts should be periodically and randomly verified by the accounting staff to ensure accuracy and validity to discourage staff dishonesty.

MANAGEMENT’S RESPONSE:

Second Point: Staff is not given additional advances if previous advance is not cleared.

Third Point: The policy of the Corporation is advances are usually within three days. With proper justification, advances are cleared when staff returns from official visit which may be over the three days period.

Fourth point: Noted

Fifth point: Noted

10. IMPROPERLY MANAGED PENSION FUND

COMMENT # 10a

The Guyana Marketing Corporation is the sponsor of an Employee Pension Plan to benefit its employees. However there is very little documentation available to determine the authentication and legality of the Plan. Based on discussion with management, it appears that the pension plan may be a Defined Employer Contributory Plan or perhaps a Pension Savings Plan. Employees are vested after one year of employment but the employee is required to join the GMC’s Medical Insurance Plan with Frandec after the employee completes his/her probationary period which is six months after he/she is hired. The employee is required to pay 100% of the medical insurance premium. Once the employee agrees to join the Frandec Medical Plan and the one year vesting period is achieved, the employee is

vested in GMC's Pension Plan. On a monthly basis, GMC contributes 10% of the employee's gross monthly salary on behalf of the vested employee. No contribution is made for the employee for his/her employment during the vesting period.

GMC may not have documented fully the details of this pension plan in an Official Pension Plan Filing Document with the appropriate Government Authority. A Pension Plan document usually should be filed with the GRA, Ministry of Labor and Ministry of Finance to ensure that pension contributions are lawful and fully adheres to pension rules and laws.

It appears that the requirement to force the employee to join Frandec Medical Plan as a condition to be vested in the GMC's Employee Pension Plan may be unconstitutional. Since the employee is eligible for medical benefits through NIS, the employee's employment and benefits rights may have been violated.

The interest earnings on the Pension Plan funds are subject to a 20% withholding tax by the bank. With proper management of the pension plan funds, this would not have happened. Earnings on pension funds should not be taxed.

RECOMMENDATION:

- Management needs to ensure that the appropriate filings are done for the Pension Plan.
- A schedule showing the plan assets balance for each pension plan participant should be maintained. Any changes to the Pension Plan should be filed with the appropriate government authority.
- GMC should obtain a Legal Opinion from a Legal Expert specializing in Employment and Labor Laws to ensure that GMC's employee's employment and benefits' rights are not violated.

MANAGEMENT'S RESPONSE:

Noted.

COMMENT # 10b

Clico was the Pension Administrator for GMC's Pension Plan. Since the bankruptcy of CLICO, the assets of the Pension Funds were placed in a savings account at Republic Bank Limited. Since then no firm decision was made by the Board of Directors to invest the funds in a responsible and prudent manner and consistent

with their fiduciary responsibilities. Currently the plan assets are invested in a savings account with an interest rate of approximately .5 percent. At May 31, 2015 the pension assets balance was in excess of 17 million dollars.

RECOMMENDATION:

The Board of Directors needs to employ a qualified Pension Fund Administrator/Trustee to manage and invest the assets of the Pension Fund to maximize the returns of the Pension Assets.

MANAGEMENT'S RESPONSE:

This comment is directed to the Board of Directors.

COMMENT # 10c

GMC's Employees' Pension Plan needs to be audited annually. GMC has a fiduciary responsibility to ensure that the Pension Fund is properly funded and managed for the employees' benefits.

RECOMMENDATION:

GMC should request the Audit Office of Guyana to conduct annual audits of GMC's Pension Plan.

MANAGEMENT'S RESPONSE:

Noted.

COMMENT # 10d

When a GMC employee is terminated either voluntary or involuntary, GMC's accountant makes a payment to the employee for his/her pension plan account balance and the employee is terminated from the pension plan. No taxes are deducted from the payment made to the employee at employment termination. This type of accounting is not correct and may be illegal and violates Guyana Tax Laws.

Under a proper pension plan, withdrawals from the pension plan are only allowed upon the plan participant reaching the age of retirement. No withdrawals should be made prior to retirement age.

In the absence of the pension plan being a qualified pension plan, and since the employee did not make the contribution to the pension plan, the pension payment at termination of employment might be construed as a salary payment and taxes may be applicable.

RECOMMENDATION:

- GMC should ensure that the pension plan is a qualified pension plan.
- If the pension plan is deemed to be a qualified pension plan then GMC should not make pension plan payments to employee upon termination of services. The contribution made on behalf of the employee should be retained in the pension plan until the participant reaches retirement age.
- If the pension plan is deemed not to be a pension plan, then there may be different rules governing the plan and any withdrawals may be taxable since the withdrawal may be construed as a salary payment.

MANAGEMENT'S RESPONSE:

Noted.

11. WASTEFUL SPENDING OF GOVERNMENT FUNDS

COMMENT # 11a

GMC is assessed monthly Demand charges by GPL at GMC's office building at Robb and Alexander streets and at GMC's Packaging Plant at Parika. A director of GMC suggested that the power entrance switch can be changed to a lower size to eliminate the monthly demand charge. The annual demand charge for the Robb and Alexander Street office building is \$2,223,432 while the annual Demand Charge at Parika is \$1,160,052 for a total of \$3,383,484. GMC's management did not make any attempt to ascertain whether the demand charge could be eliminated.

GMC does not utilize energy efficient light fixtures at its various locations.

RECOMMENDATION:

- Management should immediately retain the services of a qualified electrical engineer to ascertain how GMC can eliminate the monthly demand charge assessed by GPL.
- Consideration should be made to utilize LED lighting fixtures at GMC's various locations. At a minimum these fixtures should be installed as older fixtures wears out.

MANAGEMENT'S RESPONSE:

Noted.

COMMENT # 11b

A review of expense vouchers shows that GMC spends government funds to purchase alcoholic beverages for GMC's social meetings etc. The spending of government funds to purchase alcoholic beverages is strictly prohibited.

RECOMMENDATION:

GMC's management should become familiar with rules and regulations pertaining to government expenditures. Efforts should be made to ensure that government funds are expended in accordance to laws and fiscal policies.

MANAGEMENT'S RESPONSE:

Noted.

COMMENT # 11c

In 2012, GMC in collaboration with the ASDU-MoA through the Rural Enterprise and Agriculture Development Project (Loan No. 742-GY, Grant No. DSF-8015-GY) purchased a power generator for a total of \$19,874,320. The generator provides standby power to GMC's Office building at Robb and Alexander Streets. GMC was required to pay \$3,000,000 of the cost of the generator with the balance being paid from the Grant. It appeared that no intelligent process was used to assess GMC's needs for a standby generator. The generator purchased is a 280 KVA three phase generator that is generally used in an industrial manufacturing environment. GMC does not have any equipment that requires three phase electricity. All of GMC's equipment utilizes single phase electricity.

RECOMMENDATION:

- The process used to assess GMC's capital needs should be reviewed.
- Management and GMC's Board should be more involved in GMC's capital expenses planning.
- The government should make a determination as to where a three phase generator of this type is required.
- The government should seek permission from the funding source of the READ project grant to assign the generator to another government use where it can be more effectively and efficiently utilized.
- A replacement generator within GMC's requirement should be sourced for GMC.

MANAGEMENT’S RESPONSE:

Noted.

COMMENT #11d

GMC usually participates in several trade fairs and expositions each year. At these events, significant payments are made to rent tents, tables, chairs, etc.

During the 2013 Caribbean Week of Agriculture, over \$4,000,000 was paid to Star Party Rental for rental of Tents, tables, partitions, chairs etc. It appears that this cost may have been split between GMC and MOA or other MOA agencies. GMC made a payment of at least \$2,000,000 to Star Party Rental.

Annually GMC rents chairs, tents and tables for its events. These rentals range from hundreds of thousands of dollars to millions of dollars each year. A part of the costs are passed onto the events participants as fees.

With proper planning and events management, GMC and the Ministry of Agriculture could have purchased a quantity of various sizes of tents, tables and chairs etc. and utilize these each year at its events. Millions of dollars in rental expenses could be saved each year. The one time cost will significantly reduce the participants cost at the events and expositions thereby encouraging more stakeholders’ participations at these government sponsored events.

RECOMMENDATION:

- GMC should make a proposal for the MOA to purchase a quantity of various sizes of tents, tables and chairs.
- These items should be available to GMC and other MOA agencies to be used at events and exposition in the future.

MANAGEMENT’S RESPONSE:

Noted.

COMMENT 11e

On December 31, 2014, GMC made a payment of \$393,240 to Global Printing and Graphics for 1,000 2015 Calendars. The quotation gives GMC the option to pay 50% on order and the balance payable when the order is received. GMC’s paid the entire balances on December 31, 2014.

The calendars were delivered to GMC in March 2015. It appears that these calendars would be totally useless by the time they were received at GMC.

The General Manager refused to explain why the order was made so late and how effective the Calendars would have been by the time they were received.

It was also noted that there were no other quotations from other printing establishments for the calendars in 2014 or prior years.

RECOMMENDATION:

- When offered, GMC should make use of payment options to better manage its cash flows.
- Better planning needs to be done when ordering time sensitive materials. GMC should ensure that sufficient lead time is incorporated in its planning.
- GMC should always follow its procurement policy and obtain quotations as appropriate.

MANAGEMENT'S RESPONSE:

Noted.

COMMENT 11f

GMC places advertising in just about every locally produced private magazines. These ads usually cost over \$200,000 for either a half page or full page depending on the publication.

There is no documentation to show how many copies of the magazines are published or what the market reach is. Each year GMC spends approximately over a million dollars in these types of ads. There is no way for GMC to ascertain if it is getting money for its advertising dollars in these mediums.

It would appear that GMC may be more successful in sustaining these publications' life rather than getting returns for its advertising dollars

RECOMMENDATION:

- GMC should create a marketing plan as recommended for the Guyana Shop, to advertise its services in collaboration with the Guyana Shops to meet its mandate. At the same time more focus should be spent on ensuring GMC receives the best returns on its advertising dollars.

- Cost spent on the ads in these limited reach magazines should be redirected to GMC's advertising and marketing plan for TV and radio ads.

MANAGEMENT'S RESPONSE:

A Marketing plan has been developed and is being reviewed by the Board of Directors.

12. ADMINISTRATIVE AND GENERAL ISSUES

COMMENT # 12a

- Since 2012 the previous government of Guyana had embarked on a plan to build an Agro Processing Plant at the Cheddi Jagan International Airport. The project started under the previous government and a consultancy contract was awarded to a private entity to act as the project manager. Based on reviews of the Board minutes, it appeared that stakeholders' consultations were not done or properly done. The success of these types of projects warrants that proper consultations should be done.
- There are other Agro Packaging Plants at Sophia and Parika but they are grossly under-utilized.
- A determination needs to be done as to why the two plants are not more efficiently and effectively utilized by stakeholders.
- An assessment then needs to be made as to how and if the new plant should continue.

RECOMMENDATION:

- The government should hold stakeholders consultations to gather stakeholders input as to their needs etc.
- A proper plan should then be drafted incorporating stakeholders input to ensure and guarantee that a state of the art processing plant is built that will actually encourage stakeholders to more efficiently and effectively utilize the new Agro Processing Plant.
- If the new plant is to be built then it should be a state of the art packaging plant offering packaging services to include packaged seafood, frozen and packaged vegetables, canned fruits and vegetables, pulped fruits etc.

- A determination needs to be made as to whether the Timehri location is the most appropriate location considering if services offered will include frozen fish, shrimps and other seafood and meats etc. Consideration must be made as to the cost of waste disposal which could have an adverse effect on the safety of the aircrafts due to crows etc.

MANAGEMENT'S RESPONSE:

Noted.

COMMENT # 12b

GMC enters into service contracts with various consultants and/or contractors for various services. The agreements will be in a company's name.

- Payments would be made out in the company owner's name.
- This practice could lead to problems for GMC should the services ends in dispute or the contractor defaults.
- This practice could put GMC in an embarrassing situation if it is found that the consultants were using this practice for sinister motives such as to avoid paying income taxes on their fees etc.

RECOMMENDATION:

- GMC should refrain from issuing payments other than in the name of the contractor/consultants that is contracted to perform the service.
- GMC should specify in the agreement that payments will only be made out to the name mentioned in the written agreement.
- GMC should ensure that contracts should only be entered into with entities that have a valid business registration.

MANAGEMENT'S RESPONSE:

Noted.

COMMENT # 12c

The GMC's Board consists of directors from the Government along with the private sector. A director from the private sector requested to engage GMC's service of a refrigerated truck. Such a service is available to the general public for a fee. The

Board of Directors rejected the director's use of the service citing a conflict of interest.

This is an incorrect assessment by the previous GMC's board. Such business transactions occur as part of regular business activities. There are rules to follow for such occurrences.

Once fees for services are in the public domain then there can be no conflict of interest. Such systems will allow all stakeholders having equal access to GMC's services.

RECOMMENDATION:

- GMC should publicly advertise its services so that the general public is aware of its services.
- When there is a transaction with a related party such as a board member, such transactions should be disclosed in a note of the audited financial statement.
- Every effort where possible should be made to market and utilize GMC's services.

MANAGEMENT'S RESPONSE:

Noted.

COMMENT # 12d

GMC is a non-taxable entity. GMC is not required to pay income tax or property tax. GMC has a tax determination letter from the GRA to support its nontaxable status. GMC's banks withhold 20% of GMC's interest earnings on GMC's bank accounts. GMC is exempt from this deduction as it is a Government owned corporation. In 2012, 2013 and 2014 \$275,935, \$390,992, and \$136,230 respectively were deducted from GMC's bank accounts.

The GRA lists on its website gra.gov.gy guidance on withholding taxes. A statement to the effect that an entity exempt from corporation tax is also exempt from withholding taxes is also found on the withholding tax section of the GRA website.

RECOMMENDATION:

The General Manager should write to the banks informing them of GMC'S Non-tax status and provide the banks with a copy of the Tax determination letter received

from the GRA. Another letter should be sent to GRA to recoup monies incorrectly withheld by the Banks and sent to the GRA.

MANAGEMENT'S RESPONSE:

Noted.

COMMENT # 12e

A complete database of farmers, listing location, types of produce and production capability is not maintained and available at GMC. This is critical to GMC's mandate. This will allow for quick referral to foreign investors etc. and local middle persons to access such information to develop the sector and to assist farmers and stakeholders to export their products.

RECOMMENDATION:

A data base of all farmers by region and location showing their produce farmed and estimated annual production should be maintained. The database should also include a listing of value-added manufacturers and their products.

MANAGEMENT'S RESPONSE:

GMC has database for its stakeholders; Farmers, Exporters, Prospective Agro-processors and Agro-processors. Notably, there is the Market and Enterprise Information system (website) which has this information available to the public's disposal.

COMMENT # 12f

Guyanese exporters of pineapples are prevented from exporting to Trinidad and Tobago. The type of fumigant utilized and the taking off of pineapple crowns are two requirements to export to Trinidad and Tobago from Guyana. However, other countries exporting to Trinidad and Tobago do not have these requirements.

RECOMMENDATION:

These types of hindrances and humbug needs to be reported to the Minister of Agriculture and acted upon immediately. These concerns should engage the attention of CARICOM and even reported to the World Trade Organization.

MANAGEMENT'S RESPONSE:

The issue of non-tariff barrier regarding exportation of pineapples has engaged the attention of the Ministry of Agriculture and CARICOM on several occasions.

COMMENT # 12g

GMC manages two Agro Packaging Plants owned by the MOA. The overhead cost including security, operations, insurance and maintenance etc. are the obligations of GMC.

- There are no written agreements to indicate GMC's responsibilities for the two Agro Packaging Plants in Parika and Sophia.

RECOMMENDATION:

- Management should write the PS of MOA requesting that management agreements for the two agro processing and packaging plants be formalized in writing.
- Discussion should be held at the ministerial and cabinet level to consider whether ownership of the processing and packaging plants should be vested to GMC.

MANAGEMENT'S RESPONSE:

Noted.

COMMENT # 12h

During the September 2014 Board of Directors meeting there was a discussion about creating a farmers market in Georgetown. The General Manager, Mr. Nizam Hassan was of the opinion that the farmers not being properly dressed would have discouraged buyers. As such the plan did not move forward.

These shallow and prejudicial views of farmers are possible reasons why persons do not look at agriculture as a profession. This stereo typing of farmers must be put to rest, if farming is to be developed.

There is a need for such a Farmers Market as well as an Organic Farmers Market.

These types of markets could provide significant financial rewards for farmers and related stakeholders.

RECOMMENDATION:

- GMC should revisit the creation of a Farmers Market as well as the creation of an Organic Farmers Market.

- A proposal for the funding for a feasibility study for these markets should be made to the MOA.
- Once funding is obtained GMC should immediately commence with the projects.

MANAGEMENT’S RESPONSE:

Noted.

COMMENT # 12i

During the November 2014 Board of Directors meeting, it was reported by the then acting general manager that most agro processors are not willing to participate in the promotion of their products. The Board seems to accept this situation as it is without trying to address this dilemma.

Perhaps this is an indication as to the level of confidence that stakeholders have in GMC and whether GMC is viewed as a vital part of the Agriculture sector.

RECOMMENDATION:

- The Board of Directors of GMC should have a committee set up to conduct a study to ascertain why agro processors would not want to participate in the promotion of their own products.
- The underlying reasons should be documented and assessed. A plan needs to be implemented to include agro processors and buyers in the promotional activities.

MANAGEMENT’S RESPONSE:

This comment is directed to the Board of Directors.

COMMENT # 12j

During the November 2014 Board meeting, it was reported that an exporter exported mango pulp to Trinidad and Tobago. The entire shipment spoiled because the items were not shipped in a refrigerated/cold storage environment. Also the absence of the Trinidad and Tobago customs added to the product being spoiled.

RECOMMENDATION:

As part of the export process, a system needs to be established to ensure that agro products are exported in a hygienic and lawful manner. These incidents of breach

of protocol could make it difficult for other exporters as Guyana could be black listed if products are not exported in a hygienic and sanitary manner.

MANAGEMENT’S RESPONSE:

Noted.

COMMENT # 12k

There are various firms hired to provide security services to GMC and its facilities. There are no written contracts with any of the security firms. As such if there is an adverse situation then the security firm could probably not be held responsible as there are no written contracts to define responsibilities.

- GMC utilizes RK Security Services (“RK”) for security service at the Parika Agro Processing Plant. Over the years RK has been making changes to the billing rates and structure and GMC has unknowingly been paying some of these changes to the billing rates. The overpayment is due to RK Security charging time and a half for Saturday hours and double time for hours worked from midnight on Sundays to 8AM on Mondays. These changes were not caught by the Packaging Facilities Manager Mrs. Butters who has responsibilities over the Processing Plants. It might be difficult to get RK to refund these excess payments to GMC since the arrangements were entered verbally by GMC.
- GMC utilize Strategic Action Security Ltd (SASL) for the Guyana Shop and GMC’s office building. The rate being paid to SASL is very low. Based on the rate it charges GMC, it appears that SASL may be paying its employees below minimum wage and may be in violation of Labor laws. It may be viewed that GMC, being an agency of the government may also be indirectly violating labor laws; if not legally then certainly morally and ethically.

RECOMMENDATION:

- GMC should advertise its security services requirements using the tender process.
- A written agreement covering all terms and conditions should be documented in a written contract and signed by the appropriate parties.
- There should be clauses inserted in the contracts to allow GMC to terminate the security service for violation of labor laws.

MANAGEMENT’S RESPONSE:

Noted.

COMMENT # 12l

GMC sometimes obtains quotations from various suppliers to ascertain the lowest price for items. It was observed that sometimes the quotations are useless since the quotations obtained are for non-comparative items. For example if GMC needs to purchase a certain size of tyre for a vehicle, the quotations received would be for tyre sizes that are different from the one needed.

RECOMMENDATION:

Management needs to put system in place to ensure that quotations received are relevant to their purpose.

MANAGEMENT’S RESPONSE:

Noted.

COMMENT # 12m

In 2014, GMC had employed an internal auditor that reported to the Board. During the audit field work, it was observed that in September 2015, the internal auditor was removed from GMC and placed at the Ministry of Agriculture. GMC continues to pay the internal auditor’s salary.

- It appears that the internal audit function has been moved to the MOA level to provide internal audit function services at the various MOA agencies.
- This is an incorrect utilization of GMC internal auditor. There are a series of incorrect accounting practices at GMC that warrants the full time utilization of GMC’s internal auditor.
- Periodic visits by the internal audit of MOA are not sufficient and may have conflicts of interest at the ministry level. This is more evident since the internal audit team reports to the Deputy PS of Finance at MOA. The DPS - Finance would report to the PS and ultimately the Minister of Agriculture. Any wrong doing committed by those persons may never see the light of day.

RECOMMENDATION:

The Chairperson of GMC’s Board of Directors should write to the PS and Minister

of Agriculture and convey the importance of the Internal Auditor to return to GMC and report to the GMC's Board on a full time basis.

MANAGEMENT'S RESPONSE:

This comment is directed to the Board of Directors.

COMMENT 12n

The fuel storage tank for GMC's standby generator is equipped with a special drain pipe and valve. The valve is not secured and fuel could be extracted from the fuel tank by manually turning on the valve. The location of the fuel storage tank is located at the western end of the property. The fence separating the southern neighbor is approximately 4 feet high. Persons could easily scale the southern fence and steal fuel from GMC's fuel storage tank.

RECOMMENDATION:

- Management should hire a contractor to raise the height of the southern fence to a more secured height.
- A secured valve with a padlock should be attached to fuel storage tank's drain pipe to prevent persons from stealing fuel, generator parts and other items in that location.

MANAGEMENT'S RESPONSE:

Noted.

COMMENT # 12o

Vehicle Log books are required to be maintained for Government owned vehicles. As such log books are required to be maintained for vehicles owned by GMC. There were no logs books for 8 vehicles for the period January 1, 2012 through May 31, 2015. Also logs books were missing for certain periods for three (3) other vehicles. The log books are maintained and supervised by the Administrative Assistant. **APPENDIX F** lists the vehicles with missing logs books.

RECOMMENDATION:

- Management should ensure that vehicle log books are maintained for all GMC vehicles.
- Once the accounting department personnel are expanded, management should move the responsibility of the vehicle log book to the Accounting Department.

MANAGEMENT’S RESPONSE:

Log Books are used for the vehicles that are operated by the Corporation’s drivers.

AUDITOR’S COMMENT

All of the vehicles listed in **APPENDIX F** are vehicles driven by the Corporation’s drivers.

COMMENT # 12p

The neighbor west of GMC’s office building may have encroached on approximately 2 feet of GMC’s property and has built a concrete wall. This has restricted GMC’s use of its land in the area that the GMC’s standby generator is located.

RECOMMENDATION:

- Management should write to the western neighbor and indicate their dissatisfaction over the appropriation of GMC’s property by the neighbor.
- A formal complaint should be filed with the City Engineer’s department of the M&CC.
- Another complaint should be filed with the Central Housing and Planning department of the Ministry of Communities.

MANAGEMENT’S RESPONSE:

Noted.

13. REQUIRED GOVERNMENT INTERVENTION

COMMENT # 13a

Stakeholders are facing various challenges and humbugs in their efforts to export the non-traditional agriculture products and produce from Guyana. Lucrative markets exist in the Caribbean and North America for these products. One of the most significant challenges facing stakeholders is the availability of competent and cost effective air cargo services to the Caribbean and North America. Should such facilities be readily available, the agriculture sector is poised for takeoff.

RECOMMENDATION:

Government should consider entering the air cargo service. At a minimum the air cargo service can be done on a charter basis with weekly flights to Caribbean and

North American destination. This venture will also provide much needed foreign exchange for the country.

MANAGEMENT'S RESPONSE:

Noted.

14. SUBSEQUENT EVENTS

COMMENT # 14a

- Over the next year or so from the report date, two of GMC's most senior employees; the Packaging Facilities Manager (PFM) and the accountant will reach retirement age.
- The two employees carry significant historical knowledge of GMC's activities and business. It appears that there is no current plan to groom employees to succeed these persons.
- In the absence of a plan to train persons for these positions GMC may be at a disadvantage when these persons retire.

RECOMMENDATION:

- GMC should create a Packaging Facilities Assistant Manager position to train a person to function in this department when the PFM retires.
- A similar plan should be assessed to have a competent person manage the accounting department when the accountant retires.

MANAGEMENT'S RESPONSE:

Noted.