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1.0 EXECUTIVE SUMMARY

The Government of Guyana under the administration of the Peoples Progressive Party/ Civic (PPP/C) acquired one used Armored Riot Water Cannon Truck (the equipment) for the Guyana Police Force.

On May 11, 2015, there was a newly elected Government, A Partnership for National Unity/ Alliance For Change coalition (APNU/AFC).

The newly elected Government, through the Ministry of Finance has engaged Nizam Ali and Company (Chartered Accountants) to carry out a Forensic Audit of the acquisition of this equipment.

This audit was conducted during the period June- September 2015. It is essential that the Report is read in its entirety in order to comprehend fully the approach to and findings of our audit.

In 2010 Cabinet, under the PPP/C administration, approved the purchase of a used Water Cannon Truck at the request of Mr. Clement Rohee, Minister of Home Affairs to be used specifically for the purpose of crowd control during the 2011 General and Regional Elections.

Based on our investigation, the Ministry of Home Affairs(MOHA) engaged in public tendering as required under section 25(1) of the Procurement Act of Guyana 2003 (the Act). No response was received for the invitation to tender.

The MOHA then engaged in procuring the equipment using a three quote system. We noted that the MOHA justified the grounds and circumstance on which it relied on for the use of this particular method as prescribed by section 25(2) of the Act.

We believed that the tendering procedures followed by the (MOHA) were adhered to in accordance with the Act.

There was no available evidence of a study or evaluation to determine the need for this equipment and no study to determine the merit of this particular type of equipment. Further, in our meetings with representatives of the Guyana Police Force (GPF) we were advised that they were not consulted on the purchase or selection of this equipment. Similarly, the Chief Fire Officer was consulted to do an evaluation of a quotation from FD Johnson Industry Company Ltd and not from the contracted supplier, Shiyan Yunlihong Industrial and Trade Co. Ltd. We were unable to verify that any due diligence was done for the supplier of this equipment.

Finally, this equipment did not serve the purpose for which it was acquired, as it could not have been deployed during the Linden Protest in July 2012, even though it was summoned, as the nature of the operation and terrain made it unsuitable to do so . Again, during October 2012 there was a major protest in Agricola, and the Water Cannon Truck was summoned, however, it was determined that the equipment was unsuited for that particular operation since it was engaging a moving crowd and not a stationery crowd.

Based on the use of the equipment between the acquisition date and the current existing condition we do not believe that the purchase was value for money.

2.0 BACKGROUND

2.1 Procurement

The procurement of goods and services by the Government and Government Agencies are governed by the **Procurement Act of 2003**.

The procurement Act 2003

According to section 25

- (1) Subject to subsection (2), public tendering is mandatory. For such tendering an invitation to tender or to prequalify, as applicable, is mandatory.
- (2) A procuring entity may use a method of procurement other than tendering proceedings in accordance with sections 26 through 29, in which case the procuring entity shall include in the record required under section 10 a statement of the grounds and circumstances on which it relied to justify the use of that particular method of procurement.

2.2 Scope of work

We examined the procurement process of the equipment, its usage and existing condition. Our scope of work was guided by the terms of reference with the Ministry of Finance.

We covered the entire procurement process, from what triggered the need for this equipment through to the execution of the contract. We also confirmed the current state of the equipment, we observed a demonstration of the equipment in use and its current physical custody.

The exercise was carried out at the (MOHA). We also visited the Guyana Fire Services, National Procurement and Tender Administration Board (NPTAB) and the (GPF).

The procedures employed in the execution of this audit were:

- Interviews
- Examination of documentation
- Physical inspection of equipment
- Observation of a demonstration of the equipment

2.2.1 Interviews

Interviews were conducted with various personnel from different agencies. See table 2.2.1 for details.

Table 2.2.1

Name of person	Designation	Agency	Date
Mr.Khemraj Ramjattaan	Minister of Public Security	Ministry of Public Security (MOPS)	June 22, 2015
Ms. Angela Johnson	Permanent Secretary	MOPS	June 22, 2015
Ms. Simone Simon	Expenditure planning & management Analyst	MOPS	June 22, 2015
Mr. Marlon Gentle	Fire Chief	Guyana Fire Service	June 30, 2015
Mr. David Ramnarine	Assistant. Commissioner. Of police – Operations	GPF	July 2, 2015
Mr. Donald De Clou	Chairman	NPTAB	July 3, 2015

2.2.2 Examination of documents

We reviewed documents held by MOHA relating to budgets and disbursements of funds. Table 2.2.2 sets out the list of documents which were examined.

Table 2.2.2

Guyana Police Force Budget
Procurement Act of Guyana 2003
Procurement Plans
Bid Documents,
Tender Advertisements,
Minutes of tender opening and evaluation committees,
Minutes of Ministerial Tender Committee
Quotations
Evaluation Report
Cabinet Approval Document
Contract Documents
Invoices
Letter of Credit

2.2.3 Physical Inspection of Equipment

The ranks from the GPF who are responsible for the custody of this equipment facilitated us and explain the various components and its usages.

2.2.4 Observation of demonstration of equipment.

Ranks from the Guyana Police Force, facilitated a demonstration of the equipment in use on September 5, 2015 at the National Park.

3.0 DETAILED FINDINGS

This section of the report provides detailed findings arising from our audit:

Our findings presented under the following subheadings.

- What triggered the requirement for the Water Cannon Truck
- Cost and financing arrangements
- Procurement process
- Delivery of the used Water Cannon Truck
- Assessment of condition of equipment
- Warranty
- Use of equipment
- Reason equipment is not fit for use
- Estimated cost of bringing equipment to "fit for use"
- Comparison of cost for new equipment versus used equipment

3.1 What triggered the requirement for the Water Cannon Truck

The Government of Guyana provided for funds in the 2010 Budget Estimates under the project title "*land and water transport- Police*" in the sum of one hundred and twenty million dollars (G\$120M) the project description included **water cannon**, mobile station, vehicles motorcycles, boats and outboard engines. This initiative to acquired a water cannon was taken by the previous Minister of Home Affairs- Mr. Clement Rohee and approved by Cabinet. This purchase was done to plan for any riot during the upcoming 2011 General and Regional Elections. The purpose of the water cannon truck was intended to disperse demonstrator in the event of violent, unlawful demonstrations and restrain rioters without personal injury to the participants.

At a meeting held on July 2, 2015 with Assistant Police Commissioner – Operations Mr. David Ramnarine, he informed us that the (GPF) was not consulted on the acquisition of this equipment. He further stated that at no time GPF were ever approached about the need for such an equipment

Based on these discussions, we are of the view that the GPF was not consulted in determining the needs for the acquisition of this equipment. It should be noted that the GPF would have had the requisite skills, experience and expertise in determining whether the acquisition of such equipment would effectively aid in the maintenance of law and order.

3.2 Cost and financing arrangement

During December 2010 the truck was purchased for twenty million, eight hundred thousand (\$ 20,800,000) from Shiyun Yunlihong Industrial and Trade Co. Ltd a company from China.

The actual cost of the equipment was less than the amount budgeted for its acquisition.

3.3 Actual Procurement Process versus Standard Procurement Procedure

3.3.1 Bids

The Ministry of Home Affairs prepared the bidding documents detailing the technical specifications for one used Armored Riot Water Cannon Truck and a Mobile Police Outpost

The tender was advertised in the daily Guyana Chronicle Newspaper on May 19, 2010 and on Sunday Chronicle on May 23, 2010. According to the advertisement the closing date of tenders' submission was Tuesday June 15, 2010. The tender for the Armored Riot Water Cannon Truck was done together with another tender for a Mobile Police Outpost.

According to the above advertisements, all bids were to be accompanied by a bid security of 2% of total bid price in excess of three million dollars (\$ 3,000,000)

3.3.2 Opening of Tenders

According to the Minutes of Tender Opening Committee, tenders were opened on June 15, 2010 at 9 am as stated in the advertisement. There was no tender for the Armored Riot Water Cannon Truck.

An internal memo dated June 25, 2010, written by Ms. Angela Johnson (Permanent Secretary) to the Minister of Home Affairs advised him that no bid was submitted although bid documents were purchased. In her opinion the time factor was an issue given the fact bidders would have to source information/invoice from overseas. She also suggested that the item be retendered and while this is being done, the Ministry will continue its research as well as seek the assistance of other countries – China, India etc. through the Ministry of Foreign Affairs. She also advised that the thirty seven million dollars (\$ 37M) available for the procurement of the Armored Riot Water Cannon Truck may not be adequate and that the cost of a reconditioned Water Cannon Truck is in excess of sixty three million dollars (\$ 63M) while a new one is in the region of ninety million Guyana dollars (G\$90m)

We are advised that the amount of \$37M dollars which was allocated towards the acquisition of the water cannon was arrived at based on discussions with the Minister of Home Affairs- Mr. Clement Rohee and the Commissioner of Police - Mr. Henry Greene. There was an overall budget allocation for capital items (see 3.1 above) and the Minister along with the GPF determined the needs of the force and allocated the budgeted funds accordingly.

3.3.3 Recommendation of National Procurement and Tender Board Administration

We noted a correspondence dated June 30, 2010 from Mr. Donald De Clou (Chairman)(NPTAB) to Ms. Angela Johnson Permanent Secretary MOHA supported the recommendation of the evaluation committee for this project to be retendered. This was also verified with other board members of NPTAB.

3.3.4 Alternative Action Taken by MOHA in Acquisition of Equipment

According to an email dated July 21, 2010 addressed to Ms. Joycelyn c/o MOHA from Ms. Sun Liping (Third Secretary) Political Section Chinese Embassy in Guyana that the Mr. Clement Rohee, Minister of Home Affairs met with Ambassador Mr. Zhang and discussed that Guyana would like to purchase special vehicles for a mobile police station and fire truck (water cannon engine) from China. Ms. Liping attached a document and recommended a company name FD- Johnson Industry Co. Ltd.

The MOHA on August 20, 2010 received quotation from FD-Johnson Industry Co. Ltd for one used Water Cannon Truck for one hundred and fifty nine thousand four hundred US dollars (\$ 159,400) FOB Tianjin Xingang China.

3.3.5 Evaluation of proposal

We noted an undated report from Mr. Marlon Gentle, Chief Fire Officer addressed to the Permanent Secretary MOHA indicating that he had perused the document dealing with the specification of the Water Cannon Truck. Listed below are his comments and observations.

- The vehicle meets all the known requirements for its functions
- There should be more details on the engine e.g. fuel type and engine make
- There should be a training package for operation and maintenance
- There should be a spare parts package for two years of consumable spares

At our meeting with Mr. Marlon Gentle on June 30, 2015 he informed us that his evaluation report was based on information/quotation that was received from FD-Johnson Industry Co. Ltd. He further indicated that he was never consulted to do any evaluation work relating to the eventual supplier Shiyan Yunlihong Industrial & Trade Co.

3.3.6 Waiver of Tendering Procedure

On August 30, 2010 a letter was written by Ms. Angela Johnson, Permanent Secretary MOHA addressed to Mr. Donald De Clou Chairman NPTAB requesting a waiver of tender procedures to purchase the water Cannon from FD-Johnson Industry Co. Ltd.

We noted a document with reference number CP(2010) 2010-08 from the Minister of Finance Dr. Ashni Singh seeking approval from Cabinet for the waiver of the Tender Board procedures to purchase the Water Cannon Truck from FD Johnson Industry Co. Ltd at a price of thirty four million six hundred and six thousand two hundred and eight dollars (G\$ 34,606,208).

At a meeting held on July 3, 2015 with Mr. Donald De Clou, Chairman NPTBA, we were informed that Cabinet had rejected the purchase from FD Johnson Industry Co. Ltd and requested to have three or more quotations. Further, he later contacted Ms. Angela Johnson, Permanent Secretary of MOHA and informed her about Cabinet rejection and to seek out other quotations. There was no documentation to prove the rejection by Cabinet and instructions to seek additional quotes.

We were able to verify the other quotes that were received from Guangzhou Huakai Ltd for US \$ 180,000 and Shiyan Yunlihong Industrial & Trade Co. Ltd for US \$ 100,000.

We are advised by Mr. De Clou that these quotes were obtained by the IT department of the Ministry of Finance.

At a cabinet meeting held on November 3, 2010 consideration for the contract for procurement on one used Water Cannon Truck for the GPF (FS:NPTAB: 1890/2010). Cabinet considered the above mentioned memorandum CP (2010) 11:5:GG submitted by the Ministry of Finance for approval.

Cabinet grant no objection to the award of the contract to purchase one used Water Cannon Truck from Shiyan Yunlihong Industrial & Trade Co. Ltd for one hundred thousand United States dollars (US \$ 100,000) or twenty million eight hundred thousand Guyana Dollars (G\$ 20,800,000). This approval was dated December 2, 2010 and signed by Dr. Roger F. Luncheon M.D (Secretary to the Cabinet).

Based on discussions at our meeting on July 3, 2015 with Mr. Donald De Clou, Chairman NPTAB we were advised that no due diligence was done for the supplier.

3.3.7 Payment for Acquisition

On December 8, 2010 a Local Purchase Order number. 112320 was prepared and approved by the GPF for one used Water Cannon Truck. Subsequently, on this date a payment voucher was prepared for twenty million eight hundred thousand dollars (G\$20,800,000) with payee being Republic Bank Guyana Ltd.

A Bank of Guyana cheque with reference No 05-050920 was then prepared on December 15, 2010 for twenty million eight hundred thousand dollars (G\$20,800,000) payable to Republic Bank Guyana Ltd.

We noted a letter dated April 18, 2011 from N. Hoppie (Supt) Finance Officer Police Headquarters addressed to Permanent Secretary, MOHA indicating that the cheque number. 05-050920 was lodged with Republic Bank Guyana Ltd and to be paid upon the delivery of the used Water Cannon Truck.

We later noted that a letter of credit dated February 3, 2011, was prepared by Republic Bank Guyana Ltd for beneficiary of Shiyan Yunlihong Industrial and Trade Co. Ltd for one hundred thousand United States Dollars (US \$ 100,000). The applicant was stated as GPF on behalf of MOHA. This letter of credit with an expiry date of July 31, 2011 had a special condition indicating that payment to be released to seller against the presentation of shipping documents including Bill of Lading confirming shipment of the item described in note 16 of the letter of credit which states ***(EQ 5093F Dongfeng Water Cannon Truck). Bank must inform supplier of payment to account on telephone no. 0086-719-8626823.***

3.3.8 Delivery of the used Water Cannon Truck

The used Water Cannon Truck arrived in Guyana on November 8, 2011.

There was no indication that an inspection was done on the equipment to ensure that the item supplied was consistent with what was quoted.

On June 30, 2015 when we met with the Fire Chief -Mr. Marlon Gentle he informed us that the then Commissioner of Police Mr. Henry Greene had asked him to assist the GPF to get the equipment in operation. He assisted with ranks from the Guyana Fire Services who were able get the equipment ready for a demonstration to the media at the National Park.

3.3.9 Assessment of condition of equipment

On July 2, 2015 we visited the GPF where we were able to locate the used Water Cannon Truck. Ranks from the GPF were able to give us a brief demonstration on how the technical aspects of the equipment were intended to operate.

Further, on September 5, 2015 the ranks from the GPF facilitated a demonstration of the equipment at the national park.

During the demonstration we were able to observe that all the components relating to intake of water, rotation of the water sprout, spraying of water and engagement of self protection water jets were functional. However, we were unable to assess the use of the other component since lachrymatory liquid dyes were not present.

3.3.10 Warranty

The Warranty provided for the Water Cannon Truck was twelve (12) months or twenty thousand kilometers (20,000 KM) (subject to whichever comes first).

While the equipment was summoned on two occasions it could not be put into operation see 3.3.11 below.

There was no evidence that sufficient testing was done during the warranty period. Further, there was no records of the mileage reading on the odometer on arrival of the used water cannon truck

3.3.11 Use of Equipment

The equipment was bought for the GPF as suppression equipment in the event of a riot. The riot control truck uses water, form-liquid, or lachrymatory liquid dyes. The purpose of the water cannon truck is to disperse crowd in the violent unlawful demonstrations and restrain rioters without personal injury to the participants.

During the Linden protest in July 2012, the water cannon truck was summoned, however it was determined that the nature of the operation and terrain made it unsuitable for use. Again, during October 2012 there was a major protest in Agricola, and the Water Cannon Truck was summoned, however, it was determined that the equipment was unsuited for that particular operation since it was engaging a moving crowd and not a stationery crowd.

The equipment was not summoned on any subsequent occasion. However, we were informed by GPF they have been using this equipment to carry out formal training of its officers.

3.3.12 Reason Equipment is Not Fit For Use

At our meeting held at the GPF on July 2, 2015 with Mr. David Ramnarine Assistant Commissioner of Police – Operations he indicated that this type of equipment may not be suitable for crowd dispersal in Guyana since it may be difficult to maneuver this truck in our city due to the streets not being wide enough also the use of it is likely damage surrounding buildings.

3.3.13 Estimated cost of bringing equipment to "fit for use" condition

Since the equipment has arrived the GPF has spent One million and fifty one thousand and five hundred and sixty (G\$ 1,051,560) for maintenance and keeping the equipment in working order. According to information gathered from the GPF all the features of the Water Cannon are fully functioning.

3.3.14 Comparison of Cost for new equipment versus Used Equipment

At the time of the audit we were unable to acquire quotes from suppliers with regards to a new Water Cannon Truck since this type of equipment is very security sensitive. Unconfirmed information on the internet is that a new Water Cannon Truck cost in excess of five hundred thousand US Dollars (USD500,000).

4. RECOMMENDATIONS

4.1 Corrective actions to be taken

None.

4.2 Geared towards greater and better financial management, accountability and corporate governance

4.2.1 Consultation

The acquisition of specialised equipment for the GPF, should be properly evaluated. Consultation should be held with senior members of the GPF with requisite knowledge to determine the need for such equipment.

4.2.2 Use of equipment

The GPF should carry out an assessment of usefulness of this equipment and determine whether the cost of maintaining this equipment will justify any future potential benefit.

Consideration should also be given to the use of this equipment as a fire fighting tool, or any other alternative use. Since it appears that it will be of little use to the GPF.

4.2.3 Tendering

When tendering for specialized equipment consideration should be given to have extended tender period to allow potential supplier the opportunity to better respond.

4.2.4 Warranty

Where equipment is purchased under warranty, there should be sufficient testing of the equipment during the warranty period, to determine whether there are any malfunctioning components.

4.2.5 Examination of equipment

Upon arrival of equipment there should be a thorough examination of equipment. Evidence of the examination should be documented.