**ANNEX 1**

**SUGAR INDUSTRY LABOUR WELFARE FUND**

**REPORT OF THE ACCOUNTING SYSTEM OF SILWF**

An overall review of the Accounting system was carried out on September 04, 2015.

The Sugar Welfare Labour Fund operates a manual accounting system even though the organization acquired an ERP (ACCPAC) in 2011. Their system of bookkeeping is managed by an Accountant (a level 3 ACCA student) and four accounting personnel (two senior clerks, a grade 2 typist clerk and a grade 1 typist clerk).

**REVENUE**

The accepted revenue collection methods at SILWF are by cash and cheques.

(Credit/debit cards, foreign currency and wire transfers are not accepted)

The ‘grade 2’ typist / clerk is responsible for the collection of cash and cheques and the issuing of an official receipt. At the end of each working day, the receipt books along with the cash are handed over to the Accountant.

Most receipts are cheque payments but if the cash receipts amounts to more than $20,000, the money is removed from the clerk’s possession and deposited into the organization’s safe (located in the vault).

All cash and cheques (revenue) received are banked on the following working day or when practicable. Each deposit slip has a unique reference number and that reference number is manually written on the duplicate receipt. This makes the process of tracing receipts to deposits transparent.

SILWF uses an assigned Bank of Guyana account to make deposits. This account is linked to the Consolidated Fund. SILWF is strictly not authorized to withdraw from this account and all revenue earned must be deposited into that account regardless of the situation.

All receipt books are lodged with the Accountant at the end of the day.

Unused/new receipt books are kept locked and any books issued are documented.

**EXPENSES**

**Petty cash**

SILWF has a petty cash float of $100,000 and it is used for small and routine payments.

The petty cash vouchers are prepared by the Grade 1 clerk and authorized by the Accountant.

Routine payments are not immediately authorized by the Accountant. However all petty cash vouchers are presented to him at the end of the day for approval.

All petty cash transactions are recorded manually in a ledger book and there is evidence of the Accountant checking the said book.

There is a set limit of $15,000 on each petty cash voucher, after which a cheque payment is required.

The petty cash canister is locked in the vault at the end of the day and issued to the Grade 1 clerk on the following working day.

The petty-cash float however is only replenished once the float reaches $20,000.

**EXPENSES**

**Cheque Payments**

The cheque vouchers are prepared by the Grade 1 clerk, verifiedby the Accountant and approved by the Admin Manager and Chairman

The cheque books are accessible by the Accountant and all cheques require two signatories at all times. The two signatories are the Administrative Manager and any of the three(3) Board members (excluding the Chairman)

SILWF does not keep pre-signed cheques at any point of time.

A lower limit of $15,000 is set on cheque payments and any payment below $15,000 is paid using petty cash. However, there are certain payments that must be made by cheque regardless of the amount such as utility payments, payments to sub-contractors etc.

**ACCOUNTING RECORDS**

A cash book is currently not maintained even though it was suggested by the Auditor General’s Office.

An alternative method of tracking payments is however employed. The Accountant maintains a computerized Spreadsheet of all expenses and income from which he prepares an Income & Expenditure Statement (on a cash basis)

The Accountant however does not maintain a system to track the bank balance but SILWF runs an Imprest system (at present $9M)and as funds are spent, the imprest account is replenished.

The Accountant carries out bank reconciliations regularly after collecting the bank statements each month from the Bank of Guyana. One person from SILWF is authorized by MOF to collect the statements. However the last bank reconciliation was done for the month of June 2015. In keeping with best practice, this reconciliation should be done promptly every month.

SILWF does not maintain an aged receivables listing. However, they are of the view that all loans granted are secured by sufficient collateral which can be used to recoup for any losses.

It follows therefore that SILWF does not maintain a debt collection department nor is legal action taken against long standing bad debtors.

**FIXED ASSETS**

The Accountant of SILWF maintains a listing of all fixed assets and the assets of this entity are labeled. However, upon carrying out a physical check, there are a few assets that remain unlabeled but those assets appear to be old such as filing cabinets and broken chairs and desks

The Accountant claims to carry out a year end count. However there was no documentation to prove the same.

Additionally, SILWF does not employ any International Accounting Standards such as International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) but they following generally accepted accounting methods and as such, assets are recognized initially at cost and depreciated yearly and shown on the Statutory Financial Statements at Net Book Value.

Impairment reviews are not carried out and assets are not entirely measured using IAS 16 and 38.

**COMPUTERISED ACCOUNTING PACKAGE**

SILWF acquired an ERP in 2011 for $5M+ and to date this software (ACCPAC) is yet to be used. It would appear that the decision to acquire this software was poorly planned and executed. To obtain the benefits from this system, SILWFC should purchase the Server that is now required as soon as possible.

It is our view that In a small accounting environment as SILWF a basic off the shelf accounting software such as Quickbooks or Sage would have sufficed

**CONCLUSION**

The Accountant is generally capable of carrying out the work assigned and the accounts department is sufficiently staffed.

As a whole, they function according to what is instructed to them and they are strict in following the procedures and in some cases they leave little or no room for innovation.

They are generally comfortable operating in the existing manual system and perhaps may have contributed to the ERP(ACCPAC) becoming a ‘white elephant’ up to the present time.

The Committee and the Administrative Manager, on the other hand appears to have accepted the culture of SILWF and does not pressure the organization as a whole to be more productive.

With the same complement of staff, SILWF can accelerate its activities in granting loans to sugar workers and intensifying rehabilitation works for the benefit of sugar workers.