**SUGAR INDUSTRY LABOUR WELFARE FUND**

**FORENSIC AUDIT**

**EXECUTIVE SUMMARY**

Major Findings from this Forensic Audit ofthe Sugar Industry Welfare Fund for the period 01-01-12 to 31-05-15 are listed hereunder:

1. **Audit of Financial Statements**

* The last audited Financial Statements were for the year ended 31 December 2009 of which the Auditor General’s Report was dated 14 May 2015.
* The audit of the Financial Statements of 2010 is complete and awaiting the Committee’s approval of those Statements.
* Draft Financial Statements for 2011 have been prepared.
* No Financial Statements for the period 1 January 2012 to 31 May 2015 were prepared and presented for this forensic audit.
* Failure to prepare the annual Financial Statements on a timely basis is a critical breach of good Governance and fiduciary.

1. **Levies Outstanding $1.563B**

* $1,563,047,008representing 67.8% of all levies is still outstanding from Guysucofor the period 01-01-95 to 31-05-15.
* The last levy was paid on 14-05-10, and the last written request to Guysuco by SILWF was on 28-10-09.
* The Committee through its Secretary should at regular monthly intervals actively pursue withGuysuco for payment of levies and all arrears.

1. **Non Payment of Interest of $1.140B on default Levy Payments**

* As mandated under the Sugar Industry Labour Welfare Fund Act, Section 5 (3),interest at 6% per annum is required to be paid by Guysuco for Levy Payments in default after 90 days. The Finance Secretary of the Ministry of Finance (as Trustee of the Fund) through the Secretary of the Sugar Industry Labour Welfare Fund has never computed and collected interest due to SILWF which at 31-05-15 was $1,139,953,413. If interest is now included, the amount outstanding is $2.703B as shown below at 4.

1. **Outstanding Amount of $2.703B due from Guysuco**

* The outstanding amount due at 31-05-15 was:

Levies $1,563,047,008

Interest $1,139,953,413

**Total $2,703,000,421**

1. **Development /Rehabilitation Works $79.5M**

* Over the period 01-01-12 to 31-05-15, 17 projects were tendered for and the preferred tenders were approved by the Committee in accordance with SILWF’s tender procedures. Seventeen (17) contracts totaled $79,505,798 were disbursed against approximately $1,219,888,078held at the Ministry of Finance. This amount represented only 6.5% and reflecteda low activity level of SILWF.
* Bridges/Walkways and Asphaltic Concrete Roads accounted for $75.5M – 95% of the $79.5M.
* If this spending trend continues, then only one Building Inspector should be hired instead of two, unless there is a substantial expansion of development works / housing loans

1. **Cash Balances not earning Interest**

* Cash balances on Account No. 01610000407 over the period 01-01-12 to 31-05-15 ranged from $1.214B to $1.123B. Regulation 9 (which provides for the Finance Secretary to invest a proportion of funds) has not been complied, having regard to the excessive cash balances continuously available for investment to earn interest income not only over the abovementioned period, but also prior to year 2012.

1. **Claim to Guysuco $315,084,980**

* Claims for welfare services to sugar workers totaling $315,084,980, being related to years up to 2006 are owed by SILWF to Guysuco. A decision was taken by the Committee in May 2015 to pay this amount and at the same time for Guysuco to make a similar payment to effect its outstanding levies to SILWF.

1. **Misappropriation of $35,128,182**

* This misappropriation of $35,128,182.00 took place since 2004.
* The Police Department cannot pursue the investigation further since the original documents are apparently lost and the Officers who dealt with that case are now retired.
* The Ministry of Finance is required to authorize as soon as possible the write off of this amount to reflect a correct bank balance on the Statement of Financial Position.
* It was noted that in the 2009 Financial Statements, this amount was recorded as Cash in Bank, hence that account was overstated.
* It was observed that the Auditor General had qualified this misappropriation in his 2008 Audit Report but not in the 2009 Report.

1. **Revision of Sugar Industry Special Funds Act and its Regulations**

* This Act No. 20 which was effective since 1947 and amended in 1951 and 1974 respectively, needs to be revised due to the significant changes which have occurred over the past 47 years.

1. **Governance**

* Section 8(2) of the Act provides, among others, for two public officers to be on SILWF’s Committee. It is the view that a representative of the Ministry of Finance be one of the two public officers, the other being the Chief Labour Officer, Ministry of Social Protection.
* Also, Guysuco’srepresentation should be a civil engineer and one accountant.

1. **Computerization of the Accounting System**

* The ACCPAC accounting software comprising of four modules was installed by New Technologies Enterprise, an authorized service provider, at a cost of $5.164M, which final installment was paid on 28-12-11. After 3½ years it is yet to be operational, with a high volume of accounting work still has to be completed for years 2012 to 2014.
* Also, it is awaiting the purchase of a Server over the last 15 months.

1. **Arrears on Loan Repayments of Sugar Workers**

* Of a total of 1256 borrowers, there were 271 (21.6%) defaulters on loan repayments by sugar workers which totaled $33.4M
* Of those defaulters, 85 or 31% are in default for approximately 115 months at 31-05-15.
* Positive action is yet to be taken to resolve these loans, and a provision for uncollectible amounts is required to be made in the Financial Statements

1. **Review of limits of Housing Loans**

* The present limits of $1M for construction and $0.5M for repairs and extensions are very inadequate to meet the needs of sugar workers in the present environment
* The Committee of SILWF should urgently consider increasing the limits as detailed later in this Report.
* For the period 01-01-12 to 31-05-15, loans totalled $120M were disbursed to 274 sugar workers.

1. **Review of Imprest Account Limit**

* At present this limit is $9M.
* Assuming that SILWF increases the housing loans limits and accelerates development/rehabilitation works, the Imprest Account should be increased to $12M.

**General**

These Findings herein have indicated that the Committee/Management of SILWF, the Finance Secretary who is the Trustee of the Fund, and the Management of Guysuco have not been complying with the Sugar Industry Special Funds Act and its Regulations.

It is imperative that these entities be familiar with the operations of this Fund, and these Findings in this Report require their early attention and action be taken accordingly.

Although these findings indicated breakdown in the system of internal controls, governance and inefficiencies, we found no evidence of malfeasance/improprieties in our examination on the operations of the Fund. However, greater vision and alacrity need to be displayed by the Committee / Management in carrying out their responsibilities (as enumerated in the very clear mandate given under the Act) to provide a wide range of services to sugar workers and their families.

With the current serious financial position of Guysuco, this presents a unique opportunity to expand such services.

1. **BACKGROUND INFORMATION**

1.01 The Sugar Industries Special Funds Act 20 of 1947, Chapter 69:03 made provision for the establishment in respect of, among others, a Sugar Industry LabourWelfare Fund (SILWF) in accordance with Section 2 of this Act.

1.02 This Fund is controlled and administered by a Committee in accordance with Section 8(2) of the Act, hereinafter known as the Sugar Industry Labour Welfare Fund Committee (SILWF). The operations of this Fund by SILWF is set out in the Regulations to this Act.

1.03 This Committee is required to make disbursements for the benefit and welfare of sugar workers. Such disbursements are for any of the following purposes in accordance with Regulation 17(2):

* Loans to sugar workers to build houses, repair and extension and second repair and extension. The requirement and ceiling for these loans are set by the Committee.
* Development of housing areas- the lands are made available by Guysuco to be developed by SILWF and to be allocated to sugar workers.
* Allocation of house lots of which sugar workers are required to pay $90,000 for the development cost of the house lots allocated. Setting of the development cost and approval of allocation are done by the Committee.
* To provide water subsidies to sugar workers, the requirement and ceiling for water subsidies are set by the Committee. With effect from 01-01-14, the water subsidy is $4,000 to a sugar worker.
* Construction/rehabilitation of roads, footpath, bridges, and bus sheds, etc. in sugar workers’ area are approved by the Committee.
* To develop community centers, recreational facilities and other infrastructure to better the sugar workers, subject to the approval of the Committee. Over the period under review, no such development workers were done.
* To address other social issues affecting sugar workers, approved by the

Committee.

1.04 The Auditor General gave an Unqualified Opinion in his Report of 14 May 2015 on the 2009 Financial Statements, which were the last audited Statements. The audit for 2010 is still in progress. A Management Letter has been issued for 2010. The Auditor’s Report is awaiting the approval of the 2010 Financial Statements by the Committee which last meeting was held on 8 May 2015.

The management has recently prepared draft Financial Statements for 2011.

**2.00 METHODOLOGY**

2.01 Objective of this audit is to review the operations of SILWF as required by the Act and Regulations, and its policies and procedures which it is governed by.

To carry out this audit in order to arrive at reasonable recommendations and conclusions, the Auditors had to obtain a thorough understanding of the procedures and the work flows in keeping with SILWF’s mandate.

The familiarization process involved meaningful discussing with the Administrator, the Accountant and the support staff of SILWF. Also, with the Deputy Accountant General and a Treasury Officer of the Accountant General’s Department.

There was no interfacing with the Chair and members of this Committee since meetings were on a temporary ‘hold’ following the termination of appointment of all Committee members by the new Government. The last Committee meeting was held on 9 May 2015.

2.02 The Regulatory and other Documents, among others, reviewed were:

* Sugar Industry Special Funds Act 20 of 1947 Chapter 69:03
* Sugar Industry (Labour Welfare Fund) Regulations 3/1950,14/1968,21/1973
* Sugar Industry (Labour Welfare Committee) Regulations 25/1947, 15/1963.
* Budget Developmental Prospects- 2015
* Organization Chart and Job Descriptions of staff of SILWF
* Audited Financial Statements for 2008
* Audited Financial Statements and Management Letter – 2009.
* Annual Reports 2009 to 2012.
* Auditor’s Management Letter on 2010 Financial Statements
* Draft Financial Statements – 2010 and 2011 respectively.
* Accountant’s monthly report with the revenue and expenditure summary.
* Minutes of the meetings of the Committee and Finance Sub-Committee.

**3.00 SCOPE OF THIS FORENSIC AUDIT**

The Scopeof this Forensic Audit is to:

* Determine this entity’s (SILWF) adherence to and the fulfillment of principles of corporate governance in all aspects, including its interpretation of its mission, adherence to legal or statutory and policy instruments, and good practices.
* Assess and test systems and detect any instances of corporate malfeasance, and inefficiency for remedial and/or judicial interventions and systems realignment.
* Determine the authority and validity of significant commercial and financial transactions entered into by this entity with related parties, suppliers and customers, and measure the extent of potential prejudice this entity may have suffered through such dealings, if any.
* Carry out a comprehensive financial systems audit which should look at all systems, decisions and practices which have underpinned this entity’s finances test and assess financial discipline at all levels.
* Recommend statutory, legal or organizational changes required to identify or prevent any measure of improprieties.

**4.00 A REVIEW OF THE FINANCIAL SYSTEM OF SILWF**

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

* SILWF is funded by levies payable by Guysuco to a special fund which is operated and controlled by the Finance Secretary of the Ministry of Finance as the Trustee.
* Recurrent and Capital Budgets are prepared by Management, approved by the Committee,and executed for each calendar year.
* All income is paid into a Bank of Guyana Consolidated Fund Account No. 01610000407 which is managed by the Finance Secretary.
* Recurrent expenditure is paid from an Imprest of $9M from a Bank of Guyana Account No. 0170100210.
* All expenditure vouchers are ratified by the Ministry of Finance before the recoupment of the Imprest.
* Approved capital expenditure is paid directly by the Ministry of Finance from the Consolidated Account No. 01610000407.
* Annual Financial Statements are prepared by Management and approved by the Committee.
* The Financial Statements and Accounts are audited by the Audit Office of Guyana.
* The Accounting Unit is staffed by an Accountant and four (4) support staff.
* Accounting controls are being exercised at the levels of the Committee, the Administrative Manager and the Accountant.

More details of this review of the Accounting System of SILWF are provided in Annex 1

**5.00 FINDINGS**

**5.01 Annual Financial Statements and Annual Reports**

Regulation 11 requires the Secretary as soon as possible after 31 December of each year to prepare and lay before the Committee

* A Report on the administration of the Fund
* Annual Financial Statements
* Statement of Financial Position
* Statement of Profit or Loss
* Statements of Cash Flows
* Accompanying Notes to the Financial Statements

of the preceding year.

Thereafter, this Committee shall as soon as possible submit such Reports and Financial Statements to the Minister of Social Protection.

Regulation 15 requires the accounts of SILWF to be audited each year by the Auditor General (AG).

The latest audited Financial Statements are at the 31 December 2009, of which the Auditor’s Report was dated 14 May 2015. Management has since completed the 2010 Financial Statements and is awaiting the Committee’s approval. Also 2011 draft Financial Statements have been prepared.

Best accounting practices require that SILWF’s Annual Financial Statements should be completed within two months (28 February) after the close of the preceding financial year (31 December), and be ready for audit.

No Financial Statements have been produced for audit for the years 2012, 2013 and 2014, as well as an interim to31 May 2015. Hence this practice contravenes Regulation 11 and it is also a critical breach of good governance and fiduciary responsibilities of the Committee.

There is an Annual Report for year 2012 which did not contain audited Financial Statements. Hence, that Report was incomplete.

**Recommendation**

Failure by the management and the Committee to prepare the Fund’s Annual Financial Statements for the years 2012 to 2014 on a timely basis, as required by the Act and in compliance with International Financial Reporting Standards, is a critical financial breach. Hence, the Annual Reportsubmitted for the year 2012 was incomplete, due to the absence of audited Financial Statements.

It is imperative that urgent attention be given to finalizing the respective accounts, and the Annual Financial Statements for the relevant yearsbe prepared, signed by the authorized personnel, and be submitted urgently to the AG for audit.

Failure to produce Annual Financial Statements on a timely basis will affect both the Committee and its management, among others, in making meaningful decisions.

**5.02 Monthly Management Accounts**

A Monthly FinancialReport is prepared by the Accountant and submitted to the Administrative Manager by the 10th day of the following month. This Report however, is not submitted to the Committee as a matter of course.

Information submitted in this Report includes:

* Cash book bank balance at the Bank of Guyana
* Status of sugar levies and balance outstanding
* Outstanding loan remittances from Guysuco
* Progress of accounts’ preparation and annual audit

The Revenue and Expenditure Report that accompanies the Monthly Financial Report provides only details of actual cash expenditure for that month alone. No comparisons with the Budget or the previous year’s actuals are included. Further, that income forthe sugar levy is not included (or accrued) on a monthly basis even though it is included in the Annual Budget and in the Annual Audited Financial Statements.

**Recommendation**

The Accountant’s Monthly Revenue and Expenditure Summary Report should include:

* Accrued revenue from sugar levies
* Comparison with budgeted amounts for each month and for year to date, and the previous year’s actuals for the month and the year to date.
* For better Governance, this Monthly Financial Report should be presented for discussion and action by the Committee at their Statutory Meetings.

**5.03 Levies**

SILWF is being funded by levies paid by Guysuco. This levy at present is $500 per ton of sugar manufactured and exported as per Cabinet Decision CP (93):3:2:F dated 22 March 1993.

This levy was effective from 1 January 1993.

Annex 2 provides the follow Levy information:

* Period is from 01-01-95 to 31-05-15
* Tonnage manufactured and exported
* Levies due
* Levies paid
* Balances of Levies outstanding from Guysuco

Levies due for 1993 and 1994 were paid

An analysis of the levy information has revealed the following from year 1995:

* First payment by Guysuco to SILWF was $95,922,000 in year 2002 after a 7 years delay (Under the Act/Regulations, payment should be made after 90 days of export).
* At the end of year 2001, $792,692,255 was outstanding before the first payment in 2002.
* There were no payments in years 2003 and 2004 respectively.
* Payments of levy recommenced from year 2005 to 14-05-10.
* There were no further payment since 14-05-10.
* Over the period 01-01-95 to 31-05-15
* Total exported Tons – 4,610,240
* Total amount due $ 2,305,120,114
* Total amount paid $ 742,073,106
* Total amount outstanding $ 1,563,047,008

Of $2,305,120,114 only 32.2% was paid to SILWF, hence 67.8% was outstanding at 31-05-15. The last payment of a levy wasover five (5) years ago on 14-05-10

Our review revealed that the last written request to Guysuco from SILWF for payment of arrears of levies was on 28 July, 2009. Since then to the present time, therewere no other written requests made by the SILWF for payment of the arrears.

**Recommendation**

The Committee needs to ascertain promptly from Guysuco when the outstanding amount of $1.563B for the period 01-01-95 to31-05-15 will be paid, since non-payment of the levies may severely affect, among others, budgeted development works in the respective areas/estates where sugar workers live.

On a monthly basis, the Administrative Manager of SILWF (on behalf of the Finance Secretary) should in writing, request payment of all levies accrued in the period as well as for all arrears of levies, and follow up with telephone calls / personal visits, etc. to accelerate payments.

**5.04 Non Payment of Interest on default payments of Levy**

Section 5(2) of the Act requires the amount to be paid by Guysuco shall be levied and collected within 90 days after the date of exportation.

In default of payment when due, interest at a annual rate of 6 percent from the date the payment became due, shall be recovered by the Finance Secretary as required by Section 5(3).

There were no requests by the Finance Secretary and/or the Secretary of the Committee for the payment of interest by Guysuco for the period 01-01-12 to 31-05-15, since levy payments were in serious arrears, with no further payment of levies after 14-05-10.

It is the duty of the Finance Secretary through the Secretary of the Committee to compute and collect interest payments from Guysuco, but this apparently was never done. The Auditor brought this to the attention of the Management of SILWF who has since computed interest due and payable at 31-05-15 to be $1,139,953,413.

Details are set out in Annex 3

**Recommendation**

The Finance Secretary or his representative is required to be charging 6 percent interest on outstanding levy payments according to the Act. Action should be in train for the Finance Secretary through the Secretary of SILWF to determine the true amount of interest due and payable and to collect same from Guysuco.

It is recommended that at regular intervals the Administrative Manager / Secretary of SILWF representing the Finance Secretary compute interest due and requests payment in writing from Guysuco with follow up actions as necessary.

**5.05 Development / Rehabilitation Works**

In accordance with Regulation 17 (1) and (2) the Committee is required to make disbursement from its Fund for the benefit and welfare of its labour workers.

During the period 01-01-12 to 31-05-15, there were 17 developmental projects as listed in Annex 4 which underwent SILWF’s tendering procedures. The tenders were evaluated and the preferred tender of each project was recommended by the Tender Sub-Committee to the Committee. That Committee subsequently approved those tenders.

Details on those projects are as follows:

* 17 Contracts Totaled $79,505,798
* Amount Disbursed $62,060,733
* Amount Due and Payable $17,445,065

Of the 17 projects as shown in Annex 4, Bridges/Walkways and Asphaltic Concrete Roads related for 11 projects and accounted for 95% as follows:

* Bridges/Walkways $10,629,072 13%
* Asphaltic Concrete Roads $64,890,598 $75,519,670 82% 95%
* Others $ 3,986,128 5%

$79,505,798 100%

Information from the Ministry of Finance – IFMAS Unit has revealed that the cash amounts to the credit of SILWF were

* 2012 $1,213,973,631
* 2013 $1,278,831,507
* 2014 $1,166,859,098
* Average Annual Amount

Over the 3 years $3,659,664,236/3 **$1,219,888,078**

Using a yearly average of $1,219,888,078 ($1.220B), the percentages disbursed over the period of 3 years were:

* 17 Contracts $79.5M 6.5%
* Amount Disbursed at 31-05-15 $62.1M 5.1%
* Amount Due and Payable $17.4M 1.4%

Taking into consideration an average amount of $1.220B being available for SILWF, a very marginal amount of $62.1M or 5.1% was disbursed from total Contracts of $79.5M which represented 6.5%.

At 31 August 2015, the outstanding amount of $17.4M was paid to the Contractors.

**Recommendation**

The Committee has not been pro active in spending a greater amount of monies available for development / rehabilitation works for the benefit and welfare of sugar workers. A Fund of over $1B, the Committee should at least be disbursing approximately 40%of its annual revenue for developmental works / housing loans and not 6%.

The mandate of the SILWF as per the Act (Regulation 17 (2)) is to carry out development / rehabilitation works (e.g. roads, bridges, bus sheds) and recreational facilities (e.g. community centres)

Over the past several years, there were low level of spending in those areas, and no spending on recreational facilities.

In conformity with the mandate given to the Committee under the Act and there being ample funds available at SILWF/Bank of Guyana accounts, and in the present day volatile and stressful financial position of Guysuco, the Committee of the SILWF should carefully consider expanding development / rehabilitation works to improve and maintain roads, bridges and recreational facilities that require attention.

**5.06 Cash Balances of SILWF not earning Interest**

Over the period 01-01-12 to 31-05-15 this Fund has large cash balances held at the Ministry of Finance for SILWF as follows:

2012 $1.214B

2013 $1.279B

2014 $1.167B

To 31-05-15 $1.123B

Under Regulation 13, the Finance Secretary is empowered to invest monies deposited. Hence a portion of cash can be so invested to earn interest income. As an example, monies can be invested in short term securities such as Treasury Bills. Over time, a substantial amount of interest was lost due to the omission.

**Recommendation**

The committee/management should request and follow up with the Finance Secretary to invest a portion of the Fund’s idle cash to earn interest income as provided under Regulation 13 – Chapter 69:03

**5.07 Claim to Guysuco $315,084,980**

On 08-05-15 the Committee made a decision for SILWF to pay claims totaled $315,084,980 to Guysuco on conditions that Guysuco makes a similar payment to offset levies owing to SILWF. These claims related to years up to 2006, and were for reimbursements to Guysuco for the payments of salaries to pump operators, linesmen, security guards, fuel and maintenance of wells to supply potable water.

To date, after over 8 years this transaction has not yet been effected.

**Recommendation**

Follow up action needs to be taken by management with regards to the Committee’s decision to settle this claim of $315,084,980 with Guysuco. Also, for Guysuco to make a similar payment to offset levies owing to the Fund and to clear such outstanding levies as soon as possible.

**5.08 Misappropriation of $35,128,182**

It is noted that the audit opinion for the year ended 31 December 2008 was qualified due to the misappropriated amount of $35,128,182 was shown in the Financial Statementsas cash in hand and at bank.

The latest information from the Police Department CID (Letter in Annex 5) is that the investigation can no longer be pursued since the original documents apparently cannot be traced, compounded by the fact that the officer(s) who dealt with the case has/have since retired.

There was a meeting on this misappropriation between the management of SILWF and representatives of the Ministry of Finance on 07-03-14. This matter is in deadlock due to CID’s inability to close the investigation, which is long overdue.

The Financial Statements for 2009 showed the misappropriated amount as cash at bank which meant that the bank balance is overstated by this amount ($35,128,182) in the Statement of Financial Position.

We observed in the Financial Statements for 2009 that this amount was included in the cash/bank balance account and the audit opinion was not qualified as was done in the previous year.

**Recommendation**

The Committee should obtain authorization from the Finance Secretary of the Ministry of Finance (as required by the Act) to write off the misappropriated amount of $35,128,182 from the records of SILWF so that the overstated bank balance would be correct

Also, SILWF should disclose in a Note to its 2010 Financial Statements that this amount was no longer included in its cash account.

**5.09 Revision of the Sugar Industry Special Funds Act and its Regulations**

This Act No. 20 was effective in 1947, followed by amendments in 1951 and 1974.

There is need to revise, among others:

* The sugar levy was increased from $12 to $500 from 01-01-93.
* The Guyana Sugar Producers’ Association no longer exists, and should be replaced by Guyana Sugar Corporation.
* The Financial Statements
* Balance Sheet should be changed to Statement of Financial Position
* Statement of Revenue and Expenditure be changed to Statement of Profit or Loss
* Add a Statement of Cash Flows
* The dollar amounts which were applicable in 1947 in the Act and the Regulations should be revised to the 2015 values taking account of inflation, etc.

**Recommendation**

There is need to revise this Act and Regulations since it was last amended in 1974. There have been significant changes since then, hence the need for a complete revision.

**5.10 Improvements required in the Financial Statements**

Although this forensic review covers the period 01-01-12 to 31-05-15, an examination of the previous Financial Statements revealed that additional financial information is required in order to comply with International Financial Reporting Standards (IFRS).

Such information can be included in the Financial Statements, for 2011 which are yet to be audited by the AG.

The Notes to the Financial Statements should include:

* Management’s awareness of the New and Revised Standards and Interpretation available for the current year end, and those effective at future dates should be disclosed.
* Management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Key sources of estimation of uncertainty are for the Management/Committee to
* review receivables to assess impairment
* Review the estimated useful lives of property, plant and equipment to determine whether the useful lives should remain the same.
* make judgment at the end of each reporting period to determine whether financial assets are impaired.
* SILWF is exempt from the payment of Income Tax according to Section 4 (2) of the Sugar Industry Special Funds Act.
* The ‘Cash Flow Statement’ has subsequently been changed and is now known as the ‘Statement of Cash Flows’ in keeping with IFRS.

**Recommendation**

In the preparation of the Financial Statements and its Accompanying Notes, management must be well acquainted with the various Standards issued by accounting bodies, and prepare its Financial Statement in accordance with IFRS.

**5.11 Governance**

In accordance with Section 8(2) of the Act, the Committee to manage the Sugar Labour Welfare Fund comprises

* three (3) persons nominated by Guyana Sugar Producers’ Association (should be replaced by Guysuco and the Cane Farmers Association)
* three (3) persons nominated by the trade unions
* two (2) public officers

It was observed that over the recent past the two public officers were the

* Chief Labour Officer – Ministry of Social Protection
* Mrs. D. Ramotar–First Lady and assumed to be a public officer

The Ministry of Finance is directly involved in the management of this Fund, however there is no representative from that Ministry.

Further, none of the present or past members from Guysuco is an engineer, civil preferably. It is the view that an Engineer is needed for the extensive development works this Fund is / will be required to undertake each year.

**Recommendation**

It is recommended that the Committee of eight members is made up of:

* Two members from Guysuco
  + Finance
  + Engineer
* Onemember representing the Cane Farmers Association
* Three members representing the Trade Unions
* Two public officers
  + Representative of Ministry of Finance
  + Chief Labour Officer (CLO) – Ministry of Social Protection

The Chair of this Committee should be one of the two public officers.We recommend that the CLO should be the Chairman of the Committee.

Also, a quorum should be 5 instead of 3.

**5.12 Liabilities due to the Price Stabilisation and Rehabilitation Funds**

Liabilities of $3.628M under the SILWF Accounts are amounts due since 2005 to the Price Stabilisation Fund Account and the Rehabilitation Fund Account. These liabilities arose from a misallocation by the Ministry of Finance, and no positive action has yet been taken to make these adjustments.

**Recommendation**

Those liability accounts which have been outstanding since 2005 are now required to be adjusted by the Finance Secretary of the Ministry of Finance. Prompt follow up action should be taken by the management of SILWF to ensure that these adjustments are effected as soon as possible.

**5.13 Investments $5,210,800**

Approval to write off Investments in Bonds, Debentures, and Treasury Bills which cannot be located and totaled $5,210,800 was granted by the Accountant General of the Ministry of Finance on 29 November 2013.

However, the Interest Receivable of $3,469,190, as shown in the 2009 Audited Financial Statements is yet to be written off.

**Recommendation**

The Committee should authorize the write off of the Interest Receivable amount of $3,469,190 which is related to the Investments Account of $5,210,800. The latter account has already been approved to be written off.

**5.14 Publication in the Official Gazette**

The Secretary of SILWF is required to publish in the Official Gazette before 31 January each year that Guysuco is the exporter of sugar registered with the SILWF. This was not done in accordance with Regulation 8 for the period 01-01-12 to 31-05-15, and prior to 01-01-12.

**Recommendation**

Notwithstanding that Guysuco is the only exporter of sugar, the requirement of Regulation 8 of Guysuco being the exporter of sugar, should be published in the Official Gazette.

**5.15 Computerisation of the Accounting System**

SILWF acquired an accounting software – ACCPAC as per Contract dated 09-03-11

with the firm New Technologies Enterprise (NTE) for $5,164,141, with the final payment (3rd) made on 28-12-11. NTE was the only authorized Service Provider in Guyana at that time.

At present, the manual accounting system is still in use since the four modules are yet to be fully implemented. These modules are Accounts Receivables, Accounts Payables, General Ledger and Common Services. Only the subsidiary Accounts Receivables opening balances at 01-01-14, and repayment receipts for January and February 2014 have been entered in this system for all estates.

It was explained that during the first week of June 2014, the server that operated this system ‘crashed’, however the data was successful backed up and saved. It was recommended that a Server be purchased which quotes were approximately $200,000, but this is yet to be done after approximately 15 months.

**Recommendation**

The benefits expected from the implementation of the ACCPAC system are now long overdue. The amount of $5.164M has already been expended and the management/Committee of SILWF is not receiving value for monies spent.

It is imperative that the Committee take urgent action to purchase the required Server to have this ACCPAC system operational and for the staff to be properly trained to operate this system.

**5.16 Arrears on Loan Repayments of Sugar Workers**

Over the period 01-11-05 to 31-05-15, the amount of $33,383,479 was outstanding from 271 sugar workers on their loan repayments. Some of this amount may not be recovered due to death, migration, etc. The total number of borrowers at 21-05-15 was 1,256, hence 21.6% were in default.

An analysis of the 271 defaulters in relation to the period outstanding are as follows:

**Range of**

**Months Years No. of defaulters % $**

0-24 2 18 7 2,758,500

25-48 4 68 25 7,714,800

49-72 6 43 16 4,896,531

73-96 8 57 21 5,538,150

97-115 Over 8 85 31 12,475,493

**271 100 33,383,474**

Management should investigate these delinquencies, more so since 52% are over 6 years, and should take the appropriate action as it deems necessary to recover the amounts outstanding. Also, a provision for uncollectible/doubtful loans is required to be made in the Financial Statements.

Details of the arrears are provided in Annex 6.

**Recommendation**

With the possible increase in housing loan activities, it would be prudent for an existing staff member of the SILWF to pay special attention to delinquent payers so that Management can take prompt effective action as it deems necessary.

**5.17 Housing Loans**

The current ceilings for interest free housing loans to sugar workers are:

* $1.0M for the construction of a home, effective on 30-05-13
* $0.5M for repairs and extension to a home effective on 21-02-14

For the period 01-01-12 to 31-05-12, the amount of $120,050,000 was disbursed to 274 workers as follows:

**Year No. of sugar Amount (G$)**

**workers**

2012 77 31,300,000

2013 71 31,150,000

2014 87 38,400,000

To date 31-05-15 39 19,200,000

274 120,050,000

Taking into consideration the rising cost of materials and labour, attention should be given towards increases in loans

* From $1.0M to $2.5M for new homes
* From $0.5M to $1.0M for repairs and extension

If these increases in housing loans take effect to build modest houses, it would not be necessary for sugar workers to apply to the commercial banks/financial institution for additional financing to complete the building as sometimes required in the past.

A concessional rate of interest (3% to 4%) may be applied. Please see Annex 7 for detailed computation.

The SILWF Act/Regulationsdo/does not preclude a modest interest charge.

**Recommendation**

An upward review of housing loans to sugar workers for new homes and for repairs and extension should be considered and implemented at the earliest opportunity by SILWF due to the gradual increases in costs of materials and labour over time. The excessive liquidity of SILWF is available to meet the increases and as can be seen from a review in Annex 7, repayment of the loan can be supported.

**5.18 Increase in Imprest to accommodate increases in Housing Loans and Development/Rehabilitation Works**

One of our recommendations in this Report is for the Committee to consider increasing housing loans to $2.5M for new houses and for repairs and extensions to $1.0M

**Recommendation**

To go with increases in loans to sugar workers would require that the present Imprest of $9M be increased to $12M so as to ensure that adequate funds are available to meet the loan disbursements in a timely manner and assuming that the Imprest recoupment cycle is working effectively.

The cash balance of the Fund at 31 May 2015 was $1.123B (excluding interest) and for the period 01-01-12 to 31-05-15 only $79.5M was spent. There needs to be a major acceleration in the activities of the SILWF to provide services to a wide cross-section of sugar workers.

**5.19 Recoupment of Imprest**

The standard accounting practice for the recoupment of Imprest Payment Vouchers from the Ministry of Finance should be a maximum of 5 working days. However, this was not the recoupment practice over the period 01-01-12 to 31-05-15 as shown in Annex 8. Examples of excessive long periods of recoupment are:

**Float # Date Sent Date Reimbursed Amount ($)**

37/2012 07-09-12 01-02-13 231,690

01/2013 28-01-13 18-06-13 380,182

74/2014 09-05-14 12-09-14 449,887

75/2014 30-10-14 14-01-15 330,642

36/2015 21-05-15 17-06-15 671,782

Delays in recoupment of the $9M Imprest hinder the smooth operations of the SILWF for expeditious granting of loans to sugar workers and payment to contractors for rehabilitation works.

Management of SILWF had written to the Accountant General on 14-07-15 on this delay in Imprest recoupment. Although there has been improvements in the recoupment periods in 2015 attaining this 5 working days’ limit is yet to be fully accomplished.

**Recommendation**

It is imperative that the Ministry of Finance determines with the management of the SILWF the time period for Imprest recoupment of payment vouchers and comply with that time period accordingly. Exception to this period will be payment vouchers under query.

Timely recoupment of the Imprest will assist in maintaining an efficient cycle of payment of loans to sugar workers and also payments for development / rehabilitation works.

**5.20 Performance of the Accountant**

Findings in Section 5.00 under the following captions revealed shortcomings in the duties of SILWF’s Accountants both past and present, the latter’s appointment took effective from March 2013.

* 5.01 Annual Financial Statements and Annual Reports
* 5.02 Monthly Management Accounts
* 5.10 Improvements required in the Financial Statements
* 5.12 Liabilities due to the Price Stabilisation and Rehabilitation Funds
* 5.15 Computerisation of the Accounting System

The critical issues on hand are:

* The non-production of Financial Statements for the years 2012 to 2014, and interim to 31-05-15, and the last Audited Financial Statement was for the year 2009.
* Expending $5.164M on ACCPAC software which the Contractor completed on 28-12-11, is yet to be implemented after more than 3 years.

**6.00 GENERAL**

**6.01 Human Resources**

SILWF at present has a complement of staff that can adequately support the activities/operations of the fund even at accelerated levels recommended in the Report. Personnel at present are not fully utilisedtaking events of the low level of operations. While the majority of staff is reasonably well qualified to carry out their functions, some in-house training is recommended with the primary focus to lift morale and enthusiasm for better productivity and performance.

The Accountant would need close supervision to ensure that all accounting needs are up to date and the financial time tables (e.g. year-end Financial Statements) are correctly provided promptly.

The Administrative Manager/Secretary who was only appointed to this position in March 2015,must take a greater­­­­­­­role in coordinating all the office/field activities and with the expansion of services to sugar workers, liaise closely with the Committee on progress of work in the system and initiate suitable solutions.

A Job Evaluation was done in 2014 by a three member Committee, and the revised salaries were effective from 01-01-14 upon approval by the Committee.

Fifteen job positions were evaluated, resulting in a 2% being awarded for each year of employment in the employee’s present position, to a maximum of ten years. The monthly increase of those 15 positions was $146,150 and annually it was $1,753,800

At 31-05-15, the salaries paid to the Management teamwere:

* Administrator $309,884
* Principal Assistant Secretary $190,000
* Accountant $190,641

These salaries were comparable with those paid in the Public Service and not deemed to be ‘super salaries’.

Stipends paid to the eight (8) Committee Members per month from 01-01-12 to 30-09-15 were:

* Chairperson $28,000
* 6 Members $13,000
* 1 Member $15,000 Member of Housing and Finance

Committees

The total Stipends paid over the period 01-01-12 to 30-09-15 were:

2012 $1,623,000

2013 $1,569,000

2014 $1,396,000

2015 $1,068,000

The lower Stipends in 2013 and 2014 were due to the non-attendance to meetings, resignations, retirements and a member who died in 2013.

The number of Committee meetings held in each of the years were:

2012 7

2013 5

2014 7

2015 2

The three Sub Committees each held one (1) meeting in 2015. Details on the Stipends paid and Committee and Sub Committee meetings held over the period 01-01-12 to 30-09-15 are provided in Annex 9.

**7.00 CONCLUSION**

The Findings of this Forensic Audit have revealed that the SILWF Committee/Management, the Finance Secretary who is the Trustee of this Fund, and the management of Guysuco have notbeen complying with the legal requirements as contained in the Act and Regulations. Further, consideration should be given towards a revision of this Act (enacted since 1947) and its Regulations.

On governance, there have not been annual external audits since the Annual Financial Statements have not been prepared promptly. As at May 2015, the last audited Financial Statement has been for year 2009. Financial Statements for 2010 and 2011 are in progress and for the period 2012 to May 2015, no Statements were available.

Also, development /rehabilitation works which is a major activity of this Fund has been under 10 percent of the available funds. The Committee should consider expanding the portfolio of activities of the SILWF and in particular:

* Increase the limits of housing loans to reflect present day costs of materials and services
* Expand development/rehabilitation works and recreational facilities for the benefit of sugar workers.

There are $1.563B in Levies and $1.140Bin interest (if collectible) at 31-05-15 to be disbursed by Guysuco. Also, the excess cash balance of over $1B, instead of being idle should be invested to earn interest income.

This audit has revealed that the Committee/Management of this Fund, the Finance Secretary as the Trustee, and the management Guysuco are required to be working together so as to meet the mission of this Fund, which in sum is to provide improvements of social and public health activities for sugar workers. From the Findings mentioned herein, the parties are apparently not aware of the legal and other requirements in administering this Fund, hence there is the urgent need to take corrective action accordingly.

**8.00 ACKNOWLEDGEMENTS**

We wish to express our sincere appreciation to the staff of SILWF and the Ministry of Finance who had interfaced with us and given us full cooperation in carrying out this audit.