

AUDIT OF THE RESOURCES

MANAGED BY THE MINISTRY OF COMMUNITIES

(FORMERLY MINISTRY OF LOCAL GOVERNMENT AND
REGIONAL DEVELOPMENT)

FOR THE PERIOD JANUARY 01, 2015 TO FEBRUARY 29, 2016

OF THE

GEORGETOWN SOLID WASTE MANAGEMENT PROGRAM

LOAN NO. 1730/SF –GY

BETWEEN THE CO-OPERATIVE REPUBLIC OF GUYANA

AND THE INTER-AMERICAN DEVELOPMENT BANK

FINANCED BY

INTER-AMERICAN DEVELOPMENT BANK

CONTENTS

	Page Nos.
Project Background	1 – 2
Objectives of the Assignment	3
Organizational Structure	4
Auditors' Opinion and the Financial Statements	5 – 10
Notes to the Financial Statements	11 – 15
Supplementary Financial Statements	16 – 17
Report on the Internal Control System of the Project	18 – 19
Summary of Main Verification Procedures	20 – 21
Management Representation Letter	22 – 23
Declaration Statement	24
Management Letter	25 - 31

PROJECT BACKGROUND

Objectives and description of the program

Objectives

The general objective is to contribute to the improvement of the environmental conditions and quality of life of the population in Georgetown and Environs and the purpose is to implement sustainable solutions to solid waste management in these areas. The Program aims to solve the solid waste disposal problem through the implementation of a sanitary landfill at Haags Bosch with private sector participation. Specifically, the Program aims to provide a sustainable solution to the solid waste collection and disposal problems in Georgetown and fifteen (15) participating NDCs through:

- (i) Strengthening the capacity of the Municipal Solid Waste Management Department (MSWMD) of the Municipality of Georgetown for the overseeing of solid waste management and disposal, and improve collection logistics and cost recovery at Georgetown and Neighbourhood Democratic Councils (NDCs);
- (ii) Raising public awareness within Georgetown and the NDCs for a better management of solid waste among households, industries, commerce, etc.;
- (iii) Implementing the HBSLF, with the participation of a specialized operator from the private sector;
- (iv) Providing resources to study and define technologies to treat health care and hazardous waste;
- (v) Implementing a more efficient waste collection at the NDCs participating in the project; and
- (vi) Providing additional resources to rehabilitate and close the Mandela landfill.

PROJECT BACKGROUND – Cont'd

Objectives and description of the program – Cont'd

Description

The Georgetown Solid Waste Management Program is a US\$18.07 million program funded mainly through a loan from the Inter- American Development Bank (IDB). This programme focuses mainly on the following components:

Component (1) Institutional Strengthening and Capacity building for solid waste management. This component has several sub components:

- (a) Institutional Strengthening and Supervisory Consultancy.
- (b) Capacity building in the MSWMD
- (c) Capacity building in NDCs
- (d) Resettlement Plans for Waste Pickers

Component (2) Community Participation and Public Awareness Programme.

Component (3) Design, construction, operation of the Haags Bosch sanitary landfill

Component (4) Waste collection and disposal from participating NDC

Component (5) Rehabilitation, expansion and closure of the Mandela landfill

Component (6) Treatment and disposal of health care and hazardous waste

Execution of the Project

From the commencement of the program on February 23, 2007 the Executing Agency was the Municipal Solid Waste Department of the Georgetown City Council. This was subsequently changed to the Ministry of Local Government and Regional Development with the permanent secretary having overall responsibility for its implementation. The Steering Committee ("SC") and a Program Executing Unit ("PEU") provided strategic and administrative guidance to the Project activities.

The Ministry of Local Government and Regional Development was subsequently renamed Ministry of Communities during the year 2015.

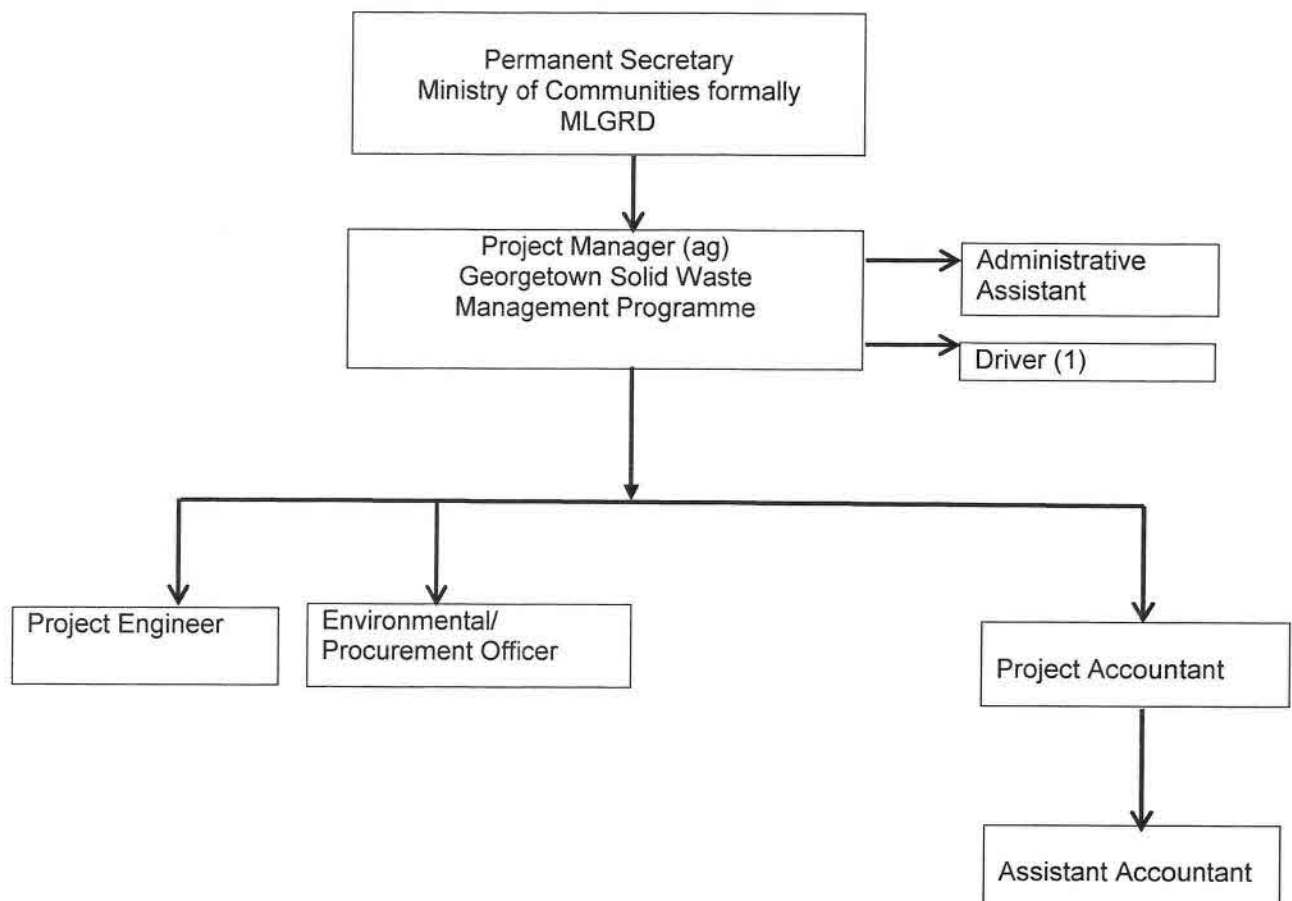
OBJECTIVES OF THE ASSIGNMENT

Objectives of the assignment

1. Issue an opinion as to whether the project financial statements present fairly in all material respects, the financial position of the project, the funds received and disbursements made during the period verified in accordance with International Standards on Auditing, issued by the International Federation of Accountants (IFAC) and Inter-American Development Bank's requirements.
2. Consider whether the supplementary financial information for the project is fairly presented, in all material respects.
3. Issue a report with respect to the adequacy of the internal control system of the implementing institution in regard to the project.
4. Consider the implementing entity's compliance with the terms of the Loan Agreement and applicable laws and regulations (with regards to the financial aspects).
5. Consider the integrated review of the procurement process and the disbursement requests submitted to the Bank.

To attain the above objectives:- receipts, credit advices, contracts, bank statements, payment vouchers, consultant's invoices, supplier's invoice, supplier's certificate, transfers of funds letter, computation of emoluments and payment instructions worksheet and budgets were verified. Also, checks were carried out to ensure compliance with Inter-American Development Bank's guidelines.

GEORGETOWN SOLID WASTE MANAGEMENT PROGRAM ORGANIZATIONAL STRUCTURE



Notes:

1. The Project Engineer assumed the responsibility of Project Manager.
2. The Project Accountant's position became vacant as of December 1, 2015.
3. The Assistant Accountant's position became vacant as of September 1, 2015.

INDEPENDENT AUDITORS' REPORT
(CHARTERED ACCOUNTANTS TSD LAL & CO.)
TO THE INTER-AMERICAN DEVELOPMENT BANK
ON THE FINANCIAL STATEMENTS
OF THE PROJECT – GEORGETOWN SOLID WASTE MANAGEMENT PROGRAM
LOAN CONTRACT NO. 1730/SF-GY
BETWEEN THE CO-OPERATIVE REPUBLIC OF GUYANA
AND THE INTER-AMERICAN DEVELOPMENT BANK
MANAGED BY THE MINISTRY OF COMMUNITIES
FOR THE PERIOD JANUARY 01, 2015 TO FEBRUARY 29, 2016

We have audited the accompanying Financial Statements, which comprise the statement of Cash Flows, the statement of Cumulative Investments, and a summary of significant accounting policies and other explanatory notes for Project # 1730/SF - GY, executed by the Ministry of Communities and financed with funds from Inter-American Development Bank (IDB) Loan Contract No. 1730/SF - GY, as of and for the period January 01, 2015 to February 29, 2016.

Management's responsibility for the financial statements

The project's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary for the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the accompanying statements, based on our audit. We conducted our audit in accordance with International Standards on Auditing, and specific requirements of the Inter-American Development Bank. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes performing procedures to obtain evidence supporting the amounts and disclosures in the financial statements.

The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes assessing the accounting principles used and significant estimates made by Program management as well as evaluating the overall financial statement presentation. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

As described in Note 2, the Statement of Cash Flows and the Statement of Cumulative Investments were prepared using the cash basis of accounting in accordance with the Cash Basis IPSAS: Financial Reporting under the Cash Basis of Accounting. Cash basis accounting recognizes transactions and acts only when the cash is received or disbursed by the entity, and not when they give rise to, accrue or originate rights or obligations although there was no cash movement.

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the cash flow and the cumulative investments for the Georgetown Solid Waste Management Program 1730/SF-GY as of and for the period January 01, 2015 to February 29, 2016, in accordance with the basis of accounting described in the paragraph above and the accounting policies described in Note 2.

Report on other legal and/or regulatory requirements

We did not observe any situations suggesting noncompliance with the financial clauses in Inter-American Development Bank loan contract no.1730/SF-GY during the period reviewed by us.

TSD LAL & CO.

TSD LAL & CO.
CHARTERED ACCOUNTANTS

77 Brickdam,
Stabroek, Georgetown.
Guyana.

Date: 15 April, 2016

Ministry of Communities
Georgetown Solid Waste Management Programme
Statement of Cash Flows

	As of February 29, 2016		As of December 31, 2014	
	Expressed in US dollars			
	IDB	Total	IDB	Total
Cash Received				
Cummulative balance as of January 01	6,715,812.74	6,715,812.74	4,967,012.00	4,967,012.00
Activity during the year				
Disbursement justification No 102-112	270,952.20	270,952.20	1,750,546.23	1,750,546.23
Others:				-
- Adjustment to bank charges	1,003.82	1,003.82	(1,745.99)	(1,745.99)
- Interest Earned	-	-	0.50	0.50
Total cash received for the period	6,987,768.76	6,987,768.76	6,715,812.74	6,715,812.74
Disbursement Made				
Cummulative balance as of January 01	6,596,467.56	6,596,467.56	4,745,050.00	4,745,050.00
Activity During the year				-
Disbursement justification No 102-112	380,787.27	380,787.27	1,722,747.21	1,722,747.21
Pending justification		-	128,670.35	128,670.35
Total cash disbursements for the period	6,977,254.83	6,977,254.83	6,596,467.56	6,596,467.56
Available Cash Balance	10,513.93	10,513.93	119,345	119,345

The available cash balance was returned to the IDB to justify the revolving fund.



Mr. Gordon Gilkes
 Project Manager
 Ministry of Communities



Mr. Emil McGarrell
 Permanent Secretary
 Ministry of Communities

Ministry of Communities
Georgetown Solid Waste Management Programme
Reconciliation between Statement of Cash Flows and Bank Balances

			<u>US\$</u>
Balance in Bank Account as at February 29, 2016 31, 2015			
Account No./Name	3625-7297	Citi bank	-
Account No./Name	0163700307001	BOG	-
			<u>-</u>
Less Unpresented Cheque			-
Adjusted bank balance			-
Balance as per statement of cash received and disbursement made			<u>10,513.93</u>
The available cash balance was returned to the IDB to justify the revolving fund.			(10,513.93)

Statement of Cumulative Investments
Ministry of Communities
Georgetown Solid Waste Management Programme
For the period January 01, 2015 to February 29, 2016

No.	Investment Category	Cumulative at the end of 2013		Movement during 2014		Cumulative at the end of 2014		Movement during 2015 & Jan - Feb 2016		Cumulative at the end of 29.02.2016	
		IDB		IDB		IDB		IDB		IDB	
		US\$	G\$	US\$	G\$	US\$	G\$	US\$	G\$	US\$	G\$
1	Management and Supervision	1,236,648	251,128,935	132,755.90	25,425,097.00	1,369,404.09	276,554,032.00	118,291.73	24,004,649.00	1,487,695.82	300,558,681.00
1.1	Project Executing Unit	1,236,648	251,131,601	132,755.90	25,425,097.00	1,369,404.09	276,556,698.00	118,291.73	24,004,649.00	1,487,695.82	300,561,347.00
2	Direct Cost	11,650,851	2,311,097,176	1,720,359.87	355,239,859.50	13,371,211.35	2,666,337,035.12	686,351.69	141,243,470.00	14,057,563.04	2,807,580,505.12
2.1	Institutional Strengthening and Capacity Building	1,773,685	363,176,384	246,334.92	50,853,708.50	2,020,019.45	414,030,092.12	178,322.32	36,823,560.00	2,198,341.78	450,853,652.12
2.1 (a)	ISSC	1,650,124	337,823,777	231,184.00	47,726,282.50	1,881,308.25	385,550,059.12	159,840.00	33,006,960.00	2,041,148.25	418,557,019.12
2.1 (b)	MSWMD	-	-	-	-	-	-	-	-	-	-
2.1 (c)	NDCs	27,412	5,599,701	-	-	27,412.00	5,599,701.00	-	-	27,412.00	5,599,701.00
2.1 (d)	Resettlement Plan	96,148	19,752,906	15,150.92	3,127,426.00	111,299.20	22,880,332.00	18,482.32	3,816,600.00	129,781.53	26,696,932.00
2.2	Community Participation and Public Awareness	218,327	44,769,193	147,121.00	30,380,486.00	365,448.12	75,149,679.00	60,730.00	12,540,745.00	426,178.12	87,690,424.00
2.3	Design, Construction and Operation	6,261,258	1,211,897,134	462,122.03	95,428,200.00	6,723,379.75	1,307,325,334.07	56,308.66	11,627,739.00	6,779,688.42	1,318,953,073.07
2.3 (a)	Design	-	-	-	-	-	-	-	-	-	-
2.3 (b)	CO Bidding Process	353,528	72,075,918	-	-	353,528.00	72,075,918.00	-	-	353,528.00	72,075,918.00
2.3 (c)	Construction and Operation	3,907,730	733,251,566	462,122.03	95,428,200.00	4,369,851.84	828,679,765.91	56,308.66	11,627,739.00	4,426,160.51	840,307,504.91
	Supplementary Loan (2326-BL/GY)	2,000,000	406,569,650	-	-	1,999,999.91	406,569,650.16	-	-	1,999,999.91	406,569,650.16
2.4	Waste from 15 pre-identified NDCs	2,294,940	466,372,362	611,871.91	126,351,550.00	2,906,811.98	592,723,911.93	330,990.70	67,861,426.00	3,237,802.68	660,585,337.93
2.5	Rehab. Expa & Close Le Repentir Landfill	744,267	151,831,022	-	-	744,267.05	151,831,022.00	-	-	744,267.05	151,831,022.00
2.6	Treatment & disposal healthcare & Hazardous waste	358,375	73,051,081	252,910.00	52,225,915.00	611,285.00	125,276,996.00	60,000.00	12,390,000.00	671,285.00	137,666,996.00
3	Concurrent Cost	930,351	30,240,065	7,914.66	1,632,000.00	938,265.36	31,872,065.00	73,325.33	15,291,975.00	1,011,590.69	47,164,040.00
3.1	PROPEF	782,515	-	-	-	782,515.00	-	-	-	782,515.00	-
3.2	Auditing (Financial and Environmental)	147,836	30,240,065	7,914.66	1,632,000.00	155,750.36	31,872,065.00	73,325.33	15,291,975.00	229,075.69	47,164,040.00
4	Unallocated Costs	-	-	-	-	-	-	-	-	-	-
4.1	Contingencies and Cost escalation	-	-	-	-	-	-	-	-	-	-
5	Financing Cost	180,700	-	450,000.00	92,925,000.00	630,700.00	92,925,000.00	-	-	630,700.00	92,925,000.00
5.1	Interest	-	-	450,000.00	92,925,000.00	450,000.00	92,925,000.00	-	-	450,000.00	92,925,000.00
5.2	Inspection and Supervision	180,700	-	-	-	180,700.00	-	-	-	180,700.00	-
	Total	13,998,550	2,592,466,176	2,311,030	475,221,957	16,309,581	3,067,688,132	877,969	180,540,094	17,187,550	3,248,228,226

Mr. Gordon Gilkes
Project Manager
Ministry of Communities

Mr. Emil McGarrell
Permanent Secretary
Ministry of Communities

Ministry of Communities
Gerogetwon Solid Waste Management Programme
Statement of Available Balance
As at February 29, 2016

No.	Investment Category	Budget	Cumulative through 2016.02.29	Balance Available
		IDB	IDB	IDB
		US\$	US\$	US\$
1	Management and Supervision	1,545,025	1,487,696	57,330
1.1	Project Executing Unit	1,545,025.47	1,487,696	57,330
2	Direct Cost	16,830,760	14,057,563	2,773,197
2.1	Institutional Strengthening and Capacity Building	2,203,909	2,198,342	5,568
2.1 (a)	ISSC	2,041,500	2,041,148	352
2.1 (b)	MSWMD		-	-
2.1 (c)	NDCs	27,409.41	27,412	(3)
2.1 (d)	Resettlement Plan	135,000.00	129,782	5,218
2.2	Community Participation and Public Awareness	426,179	426,178	1
2.3	Design, Construction and Operation	8,971,399	6,779,689	2,191,710
2.3 (a)	Design		-	-
2.3 (b)	CO Bidding Process	353,528	353,528	(0)
2.3 (c)	Construction and Operation	6,617,871.00	4,426,161	2,191,710
	Supplementary Loan (2326-BL/GY)	2,000,000.00	2,000,000	-
2.4	Waste from 15 pre-identified NDCs	3,658,658.53	3,237,803	420,856
2.5	Rehab. Expa & Close Mandela	844,238.00	744,267	99,971
2.6	Treatment & disposal healthcare & Hazardous waste	726,376.00	671,285	55,091
3	Concurrent Cost	1,063,515	1,011,591	51,925
3.1	PROPEF	782,515.34	782,515	0
3.2	Auditing (Financial and Environmental)	281,000.00	229,076	51,924
4	Unallocated Costs	-	-	-
4.1	Contingencies and Cost escalation	-	-	-
5	Financing Cost	630,700	630,700	-
5.1	Interest	450,000.00	450,000	-
5.2	Inspection and Supervision	180,700.00	180,700	-
	Total	20,070,000	17,187,550	2,882,451

Note: The balance available was cancelled.

NOTES TO THE FINANCIAL STATEMENTS

1.1 Objectives of the project.

The general objective is to contribute to the improvement of the environmental conditions and quality of life of the population in Georgetown and Environs and the purpose is to implement sustainable solutions to solid waste management in these areas. The Program aims to solve the solid waste disposal problem through the implementation of a sanitary landfill at Haags Bosch with private sector participation. Specifically, the Program aims to provide a sustainable solution to the solid waste collection and disposal problems in Georgetown and participating NDCs through:

- (i) Strengthening the capacity of the Municipal Solid Waste Management Department (MSWMD) of the Municipality of Georgetown for the overseeing of solid waste management and disposal, and improve collection logistics and cost recovery at Georgetown and Neighbourhood Democratic Councils (NDCs);
- (ii) Raising public awareness within Georgetown and the NDCs for a better management of solid waste among households, industries, commerce, etc.;
- (iii) Implementing the HBSLF, with the participation of a specialized operator from the private sector;
- (iv) Providing resources to study and define technologies to treat health care and hazardous waste;
- (v) Implementing a more efficient waste collection at the NDCs participating in the project; and
- (vi) Providing additional resources to rehabilitate and close the Mandela landfill.

1.2 Description of the project.

The Georgetown Solid Waste Management Program is a program funded mainly through a loan from the Inter- American Development Bank (IDB). This programme focuses mainly on the following components:

Component (1) Institutional Strengthening and Capacity building for solid waste management. This component has several sub components:

- (a) Institutional Strengthening and Supervisory Consultancy
- (b) Capacity building in the MSWMD
- (c) Capacity building in NDCs
- (d) Resettlement Plans for Waste Pickers

Component (2) Community Participation and Public Awareness Programme.

Component (3) Design, construction, operation of the Haags Bosch sanitary landfill

Component (4) Waste collection and disposal from participating NDC

Component (5) Rehabilitation, expansion and closure of the Mandela landfill

Component (6) Treatment and disposal of health care and hazardous waste

2. Significant Accounting Principles

(a) Basis of Presentation

The Statement of Cash Flows has been prepared using the cash basis of accounting, recognizing revenue when the cash is received and recognizing expenses when the cash has been disbursed. This accounting policy is another comprehensive basis of accounting other than generally accepted accounting principles, under which transactions should be recorded when they occur and not when they are paid.

2. Significant Accounting Principles-cont'd

(b) Currency

The program's accounting records are maintained in US dollars, in accordance with the IDB's requirements. In order to calculate the equivalent in US dollars, the cash received in local currency in a Bank of Guyana account, uses the rate of exchange in effect at the time of receipt of these funds. The exchange rate gain or loss that results from a difference of the exchange rate when the funds are received versus when the funds are converted to local currency to make payments for eligible expenses is accounted for as an exchange rate differential.

3. Available Cash Balance

As at February 29, 2016 the Programme' bank accounts were closed.

	<u>29.02.2016</u>	<u>31.12.2014</u>
a. Bank of Guyana Account -	US\$ 0	US\$116,446.83
b. Citibank Account -	US\$ 0	US\$ 70,674.95

For the period January 01, 2015 to February 29, 2016, there were no interest income earned, and exchange rate losses. Bank Charges amounted to US\$ 1,639.83.

4. Advances Pending Justification

At February 29, 2016, there were no pending justification to the IDB.

5. Revolving Fund

In accordance with loan contract No. 1730/SF-GY, a revolving fund equivalent to 5% of the loan amount could be established, up to US\$ 903,500. With the final extension of the programme granted to December 31, 2015, the revolving fund advance of US\$250, 000 was justified to US\$1,504.36. As at February 29, 2016 the programme's two bank accounts were closed and remaining funds were transferred to the IDB.

6. Local Counterpart Funds

There is no Local Contribution (Counterpart Funding) provided for under this loan.

7. Investment Categories

Management and Supervision	US\$ 118,291.73
Direct Cost	US\$ 686,351.69
Concurrent Cost	US\$ 73,325.33
Unallocated Cost	US\$ Nil
Financing Cost	US\$ Nil

8. Disbursements Made

Disbursement #	Disbursement Type	Amount Request	Amount Disbursed	Comments
102	RRF	109,458.07	109,458.07	Advance to Revolving Fund
103	DP	94,000.00	94,000.00	Direct Payment to Consultant
104	JRLF	221,087.16	-	Justification of Revolving Loan Fund
105	RFD	161,494.13	161,494.13	Advance to Revolving Fund
106	DP	350,339.37	350,339.37	Direct Payment to GoG
107	DP	13,650.00	13,650.00	Direct Payment to Consultant
108	DP	23,040.00	23,040.00	Direct Payment to Consultant
109	DP	16,840.00	16,093.00	Direct Payment to Consultant
110	JRLF	177,474.21	-	Justification of Revolving Loan Fund
111	JRLF	906.46	-	Justification of Revolving Loan Fund
112	JRLF	468.22	-	Justification of Revolving Loan Fund
		1,168,757.62	768,074.57	

9. Reconciliation by Category of Investment of the Program's Records with the IDB's Records. Refer to page 16.
10. Reconciliation between the Statement of Cash Flows and the Statement of Cumulative Investments. Refer to page 17.
11. Financial Expenses – there were no Inspection & Supervision Fees and Interest for 2015/2016.
12. Other Adjustment
Bank charges for the period 2008 to June 2014 amounted to US\$9,612.86 has been included in 2014 administration cost as an expenditure.


Adjustment was made to bank charges for 2014 in the Statement of Cash flows. The amount stated in 2014 was overstated by US\$1,003.82

13. Other significant notes
 - a. Attached also are the Report on Revolving Fund and Statement of Available Balance.
 - b. The project was extended to December 31, 2015, however, the bank accounts were closed until February 29, 2016.
 - c. The Statement of Cumulative investment records an amount of US\$17.188M, while the LMS records US\$15,188M, the difference being a supplementary loan (2326-BL/GY) granted in 2010.
 - d. On March 2, 2015, the Ministry of Local Government and Regional Development (MLGRD) issued to [REDACTED] a "Notice to Terminate" the contract at the end of 14 days while highlighting several reoccurring breaches of the terms and conditions of the contract.

On March 13, 2015, [REDACTED] applied by Notice of Motion to the High Court to prevent the MLGRD from terminating the contract, among other things. After several affidavits were submitted by both parties, on November 26, 2015 the High Court ruled that the Notice of Motion with regards to quashing the termination be made absolute."

The government is negotiating a settlement with [REDACTED] which includes removal from the site.


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Mr. Gordon Gilkes
Project Manager, MoC


.....
Mr. Emil McGarrell
Permanent Secretary, MoC

Ministry of Communities
Georgetown Solid Waste Management Programme
Loan # 1730/SF/GY
Reconciliation between Statement of Investments and LMS1
For the period January 1, 2015 to February 29, 2016

Category of Investment	Disbursed Amount	Expenditure as per Statement of Cumulative Investments*	Variance	Comments
	(a)	(b)	(c) = (a)-(b)	
MANAGEMENT AND SUPERVISION	1,487,659.13	1,487,695.82	(36.69)	
DIRECT COSTS	12,507,443.70	12,057,563.13	449,880.57	
INST STRENG & CAP BUILDING	2,198,255.23	2,198,341.78	(86.55)	
COM PART & PUBLIC AWARENESS	426,178.75	426,178.12	0.63	
DESIGN, CONS & OPERATION	5,229,685.52	4,779,688.51	449,997.01	This amount represents interest payment to GoG in 2014. However in the LMS, it was charged to COI 2.3.
WASTE FROM 15 PRE-IDENTIFIED NDCS	3,237,799.81	3,237,802.68	(2.87)	
REHAB, EXP & CLOSE MANDELA	744,238.39	744,267.05	(28.66)	
TREAT, DISPOSE HEALTH & HAZARD	671,286.00	671,285.00	1.00	
CONCURRENT COSTS	1,011,590.96	1,011,590.69	0.27	
CONTINGENCIES	-	-	-	
FINANCING COST**	180,700.00	630,700.00	(450,000.00)	
			-	
			-	
	15,187,393.79	15,187,549.64	(155.85)	

* LMS1 Executive Financial Summary as of February 29, 2016

Ministry of Communities
Georgetown Solid Waste Management Programme
Loan # 1730/SF/GY

Reconciliation between Statement of Investments and Statement of Cash Flows

Period January 1 2015 to February 29, 2016

Category of Investment		Statement of Cumulative Investment		Statement of Cash Flow		Variances		Remarks
		IDB		IDB		IDB		
		US\$	G\$	US\$	G\$	US\$	G\$	
1	Management and Supervision	118,291.73	24,004,649	81,919.15	16,916,304	36,372.58	7,088,345	Direct Payment
1.1	Project Executing Unit	118,291.73	24,004,649	81,919.15	16,916,304	36,372.58	7,088,345	
2	Direct Cost	686,351.69	141,243,470	294,657.23	60,846,718	391,694.46	80,396,752	
2.1	Institutional Strengthening and Capacity Building	178,322.32	36,823,560	13,833.41	2,856,600	164,488.91	33,966,960	
2.1 (a)	ISSC	159,840.00	33,006,960	-	-	159,840.00	33,006,960	Direct Payment
2.1 (b)	MSWMD	-	-	-	-	-	-	
2.1 (c)	NDCs	-	-	-	-	-	-	
2.1 (d)	Resettlement Plan	18,482.32	3,816,600	13,833.41	2,856,600	4,648.91	960,000	Direct Payment
2.2	Community Participation and Public Awareness	60,730.00	12,540,745	60,730.00	12,540,745	-	-	
2.3	Design, Construction and Operation	56,308.66	11,627,739	56,308.66	11,627,739	-	-	
2.3 (a)	Design (PROPEF US\$568000)	-	-	-	-	-	-	
2.3 (b)	CO Bidding Process (PROPEF US\$400000)	-	-	-	-	-	-	
2.3 (c)	Construction and Operation	56,308.66	11,627,739	56,308.66	11,627,739	-	-	
	Supplemtray Loan	-	-	-	-	-	-	
2.4	Waste from 15 pre-identified NDCs	330,990.70	67,861,426	143,785.15	29,691,633	187,205.55	38,169,793	Direct Payment
2.5	Rehab. Expa & Close Mandela (PROPEF US\$500000)	-	-	-	-	-	-	
2.6	Treatment & disposal healthcare & Hazardous waste	60,000.00	12,390,000	20,000.00	4,130,000	40,000.00	8,260,000	
3	Concurrent Cost	73,325.33	15,291,975	4,210.90	869,551	69,114.43	14,422,424	Direct Payment
3.1	PROPEF	-	-	-	-	-	-	Direct Payment
3.2	Auditing (Financial and Environmental)	73,325.33	15,291,975	4,210.90	869,551	69,114.43	14,422,424	
4	Unallocated Costs	-	-	-	-	-	-	
4.1	Contingencies and Cost escalation	-	-	-	-	-	-	
5	Financing Cost	-	-	-	-	-	-	
5.1	Interest	-	-	-	-	-	-	
5.2	Inspection and Supervision	-	-	-	-	-	-	
		877,968.74	180,540,094	380,787.27	78,632,572	497,181.47	101,907,522	

INDEPENDENT AUDITORS' REPORT
(CHARTERED ACCOUNTANTS TSD LAL & CO.)
TO THE INTER-AMERICAN DEVELOPMENT BANK
ON THE **INTERNAL CONTROL SYSTEM** OF THE PROJECT
GEORGETOWN SOLID WASTE MANAGEMENT PROGRAM
LOAN CONTRACT NO. 1730/SF - GY
BETWEEN THE CO-OPERATIVE REPUBLIC OF GUYANA
AND THE INTER-AMERICAN DEVELOPMENT BANK
MANAGED BY THE MINISTRY OF COMMUNITIES
FOR THE PERIOD JANUARY 01, 2015 TO FEBRUARY 29, 2016

We have audited the Statement of Cash Flows for the period January 01, 2015 to February 29, 2016 and Statement of Cumulative Investments as of February 29, 2016 for Georgetown Solid Waste Management Program financed by the Inter- American Development Bank under Loan agreement No 1730/SF - GY, executed by the Ministry of Communities and have issued our report thereon dated 15 April, 2016.

This report complements our opinion on the referenced financial statements.

The Management of Georgetown Solid Waste Management Program 1730/SF-GY is responsible for establishing and maintaining a system of internal control sufficient to mitigate the risks of financial information misstatements and safeguard the assets of the project, including construction works and other procured goods. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of system of internal control policies and procedures. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that assets are protected against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the contract, and transactions are recorded properly to permit the preparation of fair and true financial statements. Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the program's financial statements for the period January 01, 2015 to February 29, 2016, we obtained an understanding of the system of internal control, and we assessed control risk in order to determine the auditing procedures for the purpose of expressing an opinion on the project's financial statements and not to express an opinion on the effectiveness of the system of internal control. Accordingly, we do not express such an opinion.

We did not find any matters, involving the system of internal control and its operation that we consider to be reportable conditions under International Standards of Auditing. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the system of internal control that, in our judgment, could adversely affect the ability of the Georgetown Solid Waste Management Program to record, process, summarize, and report financial data consistent with assertions of management in the Statement of Cash Flows and the Statement of Cumulative Investments.

A material weakness is a reportable condition in which the design or operation of one or more of the specific elements of the system of internal control does not reduce to a relatively low level the risk that significant errors or irregularities in amounts that would be material in relation to the program's financial statements may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions.

TSD LAL & CO.

CHARTERED ACCOUNTANTS

77 Brickdam,
Stabroek, Georgetown.
Guyana.

Date: 15 April, 2016

SUMMARY OF MAIN VERIFICATION PROCEDURES

1.
 - (a) Listing of Statement of expenses/payments relating to IDB, was selected and balances were verified.
 - (b) Consultancies – expenses were verified with contracts, payment vouchers, consultants invoices, computation of emoluments and payment instructions worksheets and bank statements.
 - (c) Goods and Services – expenses were checked to payment vouchers and verified with suppliers' invoices, suppliers' certificates, tender board approval, payment instructions, budgets and bank statements.
 - (d) Project Employees - expenses were verified with contracts of employment, payment vouchers, payment instructions and bank statements.

Expenses were checked to ensure that they were properly authorized, approved, and spent for the purposes in the Loan Contract Agreement.

The disbursements and procurement guidelines were examined to ensure that the procedures were complied with.

2. Evaluating the internal control structure
 - (a) The organization chart relating to the project was obtained and checked to ensure that the required staffing was in place.
 - (b) Checks were made to ensure that expenditures were authorized, approved and recorded correctly and timely.
 - (c) Checks were made to ensure that the procedures governing the managing of the project's bank account were complied with.
 - (d) Checks were made to determine whether there was adequate segregation of duties.

2. Evaluating the internal control structure – Cont'd

Checking figures included in the financial statements mainly G\$ bank account and the Statement of Expenses.

- (a) Categorizations of expenses were checked to ensure that they were correctly allocated.
- (b) Transactions in the project's bank account and the Statement of Expenses were verified with supporting documents:
 - (i) Material amounts in the statements were referenced to working papers.
 - (ii) Cash received was verified with IDB's Transaction History Listing.
 - (iii) The partners then reviewed the working papers.

3. Evaluating compliance with terms of applicable agreements.

The Loan Contract Agreement, IDB's Guidelines and the Terms of Reference were obtained and discussions held with the project accountant to determine compliance with appropriate articles/conditions. The explanations received were corroborated.

Ministry of Communities

De' Winkle Building, Fort Street, Kingston, Georgetown, Guyana

Tel No: 592-226-0617, 225-8621

Fax: 592-227-7982

Office of the Permanent Secretary

email: permsecmc@gmail.com



15 April, 2016

TSD LAL & CO.
77 Brickdam
Stabroek
Georgetown

Dear Sirs,

Management Representation – IADB Project Number: 1730/SF-GY

This representation letter is provided in connection with the audit of the financial statements of IADB Project Number: 1730 SF-GY for the period January 1 2015 to February 29, 2016 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards.

We confirm that, to the best of our knowledge and belief, we have made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:


Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated **26 June 2008** for the preparation of the financial statements in accordance with International Financial Reporting Standards; in particular the financial statements are fairly presented (or give a true and fair view) in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. (ISA 540)
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards. (ISA 550)
- All events subsequent to the date of the financial statements and for which International Financial Reporting Standards require adjustment or disclosure has been adjusted or disclosed. (ISA 560)
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. There were no uncorrected misstatements.

Information Provided

- We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. (ISA 240)
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements. (ISA 240)
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others. (ISA 250)
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements. (ISA 250)
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. (ISA 550) when preparing financial statements. (ISA 250)


.....
Mr. Gordon Gilkes
Project Manager, MoC


.....
Mr. Emil McGarrell
Permanent Secretary, MoC

DECLARATION STATEMENT

We declare that the Bank funds were used for purposes specified in the signed agreement.

We declare that the internal control systems were in place, and implemented, to mitigate the risks assessed in the execution of the operation for the period under review, and that they were effective, to the extent that reliance can be placed on the audited financial statements.



.....
Mr. Gordon Gilkes
Project Manager, MoC



.....
Mr. Emil Mc Garrell
Permanent Secretary, MoC

Our Ref:

Mr. Gordon Gilkes
Project Manager
Georgetown Solid Waste Management Program
Sea Defense Building
Ministry of Public Works Compound
Fort Street Kingston

GEORGETOWN

Dear Sir,

**RE: AUDIT OF THE PROJECT - GEORGETOWN SOLID WASTE
MANAGEMENT PROGRAM LOAN NO. 1730/SF – GY BETWEEN THE
CO-OPERATIVE REPUBLIC OF GUYANA AND THE INTER-AMERICAN
DEVELOPMENT BANK MANAGED BY THE MINISTRY OF
COMMUNITIES FOR THE PERIOD JANUARY 01, 2015 TO FEBRUARY
29, 2016.**

The following observations arising from the above-mentioned verification of the financial statements for the period January 01, 2015 to February 29, 2016 are forwarded for your comments.

Scope and Methodology

The purpose of the assignment was to:

- (a) Evaluate the internal control system to determine its adequacy.
- (b) Examine the project's financial statements to ensure they are fairly presented in all material respects.
- (c) Examine whether the Executing Agency complied with the financial and accounting related contractual clauses, the operations regulation and/or inter-institutional agreements.
- (d) Review a sample of the statement of expenses to ensure the expenses were adequately supported as specified in the agreement.

Scope and Methodology – Cont'd

- (e) Review the procedures to record, control and maintain goods acquired with project funds.
- (f) Examine the revolving fund including the bank account reconciliation to determine whether balance at the end of the period represents the availability of the funds at that date and that transactions were as specified by the bank.
- (g) Evaluate and report on: -
 - the misuse or misappropriation of funds (intentional or not intentional)
 - the status of implementation of prior period recommendations.

Work done

- (a) We assessed the system of internal controls to determine the extent of reliance to place on them and thus determine the extent of our audit checks.
- (b) The procurement process was examined and contracts were scrutinized to determine whether they were in accordance with the Loan Contract Agreement and the IDB's guideline.
- (c) Statements of expenditure and bank statements were examined to ensure that they were properly prepared and expenditure adequately supported.
- (d) The Loan Contract was reviewed to ensure compliance with the terms.

Our audit was carried out in accordance with International Standards on Auditing and Inter- American Development Bank's Guideline.

Matters previously reported

Comments

- 1.1 Cheque vouchers with December 2014 dates were seen with paid stamps that had November 2015 dates on them
- 1.2 No paid stamp and cheque numbers were seen on cheque payment vouchers
- 1.3 The progress report continued to highlight problems with the execution of the contract at the Haags Bosch Sanitary Landfill.

Criteria

- 1.1 All cheque payment vouchers must be stamped paid with correct dates
- 1.2 All cheque vouchers must be properly completed
- 1.3 All contracts should be executed in accordance with the terms of the contract.

Cause

- 1.1
- &
- 1.2 These were due to oversight by management
- 1.3 This was due to the inefficiency of the contractor.

Effect

- 1.1
- &
- 1.2 This is a breach in internal controls governing cheque payments
- 1.3 This is a breach of the contract.

Recommendation

- 1.1
- &
- 1.2 Management must ensure that cheque payment vouchers are properly completed
- 1.3 A decision should be taken whether to retain the contractor or terminate the contract.

Management's comment

- 1.1 This was corrected
- 1.2 This was corrected
- 1.3 At the time of reporting, the Ministry of Communities has taken a decision to terminate this contract.

Status of matters previously reported

- 1.1
- &
- 1.2 Corrective action taken.
- 1.3 The Government of Guyana and [REDACTED] are involved in a legal dispute over the termination of the contract. The government is currently negotiating a settlement with [REDACTED] which includes removal from the site.

Matters now reporting

Comment

- 1.1 There were several instances where the Project Accountant did not sign the payment vouchers. See Appendix 1.
- 1.2 There were several instances where relevant signatures were missing. See Appendix 2.
- 1.3 There were several instances where no supporting documents for the services were provided but payments were made, see Appendix 3 for details.
- 1.4 Instances were found where a three quote system was not being used consistently to procure goods and/or services. See appendix 4 for sole sourcing examples.

Criteria

- 1.1
- &
- 1.2 All payment vouchers/supporting documents should be signed by relevant personnel.
- 1.3 All payments should have supporting documents attached.
- 1.4 Procurement should be done in an economical, effective and efficient way.

Cause

- 1.1
- to
- 1.4 These were due to oversight by management.

Effect

- 1.1
- to
- 1.3 This is a breach in internal controls governing cheque payments
- 1.4 The company may not be acquiring goods and/or services in the most economical, effective and efficient manner.

Matters now reporting – Cont'd

Recommendation

1.1

&

- 1.2 Management must ensure that all necessary documents are signed by the relevant personnel.
- 1.3 Management should ensure that payments are only made where proper supporting document are attached to payment vouchers.
- 1.4 Management should ensure the procurement process is economical, effective and efficient.

Management's comment

1.1

&

- 1.2 This has been corrected
- 1.3 Due to the type and nature of works (garbage collection), wash bays were not very receptive in washing the vehicles. It was necessary to get the vehicles washed, since the proposed wash bay at Haags Bosch was not completed. The only wash bay that was willing to accept the job was [REDACTED].
- 1.4 The servicing of the vehicles by [REDACTED] is an after sale service for the two 8m3 compactor trucks while the servicing of [REDACTED] was done by the mechanic the Ministry uses, [REDACTED].

Yours faithfully,



Rameshwar Lal,
Partner, TSD LAL & CO.

Appendix 1

Date	PV#	Particulars	Amount - G\$
01/02/2015	IDB - 01/2015	Reimbursement of Petty Cash	-29,942.00
01/08/2015	IDB - 04/15	Internet Service	-79,960.00
01/08/2015	IDB - 05/15	Forthnightly Payment 09.01.15	-40,000.00
01/08/2015	IDB - 06/15	Forthnightly Payment 09.01.15	-37,142.00
01/08/2015	IDB - 07/15	Forthnightly Payment 09.01.15	-40,000.00
01/21/2015	IDB-28-2015	Gratuity from Jun 16 to Dec 15	-92,452.00
01/21/2015	IDB-29-2015	Gratuity from Jun 16 to Dec 15 2014	-92,452.00
01/21/2015	IDB-30-2015	Gratuity from Jul 28 to Jan 27 2015	-70,875.00
01/21/2015	IDB-31-2015	Gratuity from Apr to Oct 2014	-83,632.00
01/21/2015	IDB-32-2015	Gratuity from Jun 16 to Dec 15 2015	-66,037.00
01/21/2015	IDB-33-2015	Gratuity from Jun 16 to Dec 15 2014	-66,037.00
01/21/2015	IDB-34-2015	Gratuity from Jun 16 to Dec 15 2014	-66,037.00
01/21/2015	IDB-35-2015	Gratuity from Jun 16 to Dec 15 2014	-66,037.00
01/21/2015	IDB-36-2015	Gratuity from Jul 28 to Jan 27	-50,625.00
01/21/2015	IDB-37-2015	Gratuity from July 28 to Jan 27 2015	-50,625.00
01/27/2015	IDB-41-2015	Final closure of Grove dumpsite	-3,100,500.00
01/30/2015	IDB-42-2015	Gratuity from Jul to Dec 2014	-696,937.00
01/30/2015	IDB-43-2015	Gratuity from Jul to Dec 2015	-418,162.00
01/30/2015	IDB-44-2015	Gratuity from Jul to Dec 2014	-418,162.00
01/30/2015	IDB-45-2015	Gratuity from Aug to Jan 2015	-139,387.00
01/30/2015	IDB-46-2015	Gratuity from Aug to Jan 2015	-110,271.00

Appendix 2

Date	PV#	Particulars	Amount - G\$	Missing
01/21/2015	IDB-38-2015	Forthnightly Salary	-284,892.00	"Verified by" signature is missing.
02/05/2015	IDB - 47/15	Forthnightly Salary	-255,961.00	"Verified by" signature is missing.
03/04/2015	IDB - 79/15	Forthnightly Salary	-369,860.00	"Verified by" and "Approved by" signatures are missing.
03/31/2015	IDB - 91/15	Forthnightly Salary	-349,500.00	"Verified by" and "Approved by" signatures are missing.