

1. ABOUT THE TEAM

On the 5th day of October in the year 2020, the Honourable Minister of Public Works, Bishop Juan A. Edghill; Minister within the Ministry of Public Works, Honourable Deodat Indar, and the Ministry's Permanent Secretary, Mr. Kenneth Jordan appointed a High-Level Team to investigate the allegations on the misappropriations in the management and reselling of Government's asphalt and its connection to the Ministry of Public Works internal staff.

The team was led by Chateram Ramdihal, while the other team members are; Heidi Gillette, Brion Singh, and Dexter Smith.

TEAM MEMBERS

Chateram Ramdihal FCCA, CIA – Team Leader

Mr. Ramdihal is a Chartered Accountant and he is currently the Chief Executive Officer and Partner of the accounting and auditing firm, CHATERAM RAMDIHAL, Chartered Accountants, Professional Services Firm.

Ms. Heidi Gillette BSc Civil Engineering, MSc Construction Management, PMP, FGAPE – Team Member

- Over 20 years' experience in Construction Management
- Current Head of Inspectorate Division at the Ministry of Public Works

Brion Singh MBA, BSc Civil Engineering, PMP – Team Member

- Over 10 years senior management experience

Dexter Smith BSc Accounting, PMP – Team Member

- 2011 to present: Audit Manager, Ministry of Public Works
- March 2009 -2011, June 2002- 2006, Audit Senior/ Supervisor at Bank DIH Limited
- October 2008- March – March 2009, Internal Auditor/ Office Manager, Tiger Wood Guyana Limited
- June 2006- July 2008 – Inspector of Taxes in the Audit and verification Division, Guyana Revenue Authority

2. TERMS OF REFERENCE (TOR)

The Team was tasked with conducting a thorough investigation into the financial and operational management of the Asphalt Plant dating from 2013 to present. The investigation is expected to be cover the following areas:

1. Investigate the veracity of the allegations.
2. Examine the systems at the Plant.
3. Find out its reliability and weaknesses which would allow for malpractices to be capitalized on.
4. We must determine culpability and appropriate penalty to be meted out to those involved.
5. Provide recommendations on a way forward.

3. NOTES TO THE READER

The objective of the investigation is to report on the financial and operational management of the Asphalt Plant as set out by the terms of reference in section 2 above.

Because of the nature of the investigation, our report was constructed as a negative report, highlighting findings that are ONLY not in line with expectations.

4. SUMMARY

Our review of the overall financial and operational management of the Asphalt Plant for the period 2013 to 2020, revealed the following:

- 4.1 The Asphalt Plant did not maintain adequate documents (*See Section 5.1*) for the years 2013 and 2014 making it difficult to perform any audit work for these years.
- 4.2 That the sale of asphalt on credit was poorly managed as there are no policy governing the sale of goods on credit. The lack of credit policy resulted in all credit sales being approved by the General Manager without any evidence of a credit review process being carried out and credit limits set for the various customers. (*See Section 5.2*)

Management continues to sell goods on credit to Courtney Benn Construction Inc. despite having a large sum outstanding at the point of granting additional credit and against the decision of the board which is to discontinue selling asphalt to this client until all monies owed are collected. (*See Section 5.2.4*)

- 4.3 The Asphalt Plant loaned Bitumen to Suresh Jagmohan, (a competitor) and China Railways (at the time of loaning there was no relationship between the Asphalt Plant

and China Railways) without the approval of the board. It must be noted that these transactions occurred on the 14th December, 2017 (Suresh Jagmohan) and 9th February, 2019 (China Railways) and was closed in the latter part of 2020. (*See Section 5.3*)

4.4 The weighing of asphalt for large trucks is done at the Demerara Harbour Bridge, which is located approximately 10 miles away from the Plant, resulting in a higher cost than the other option available which is to use the scale next door for a fee of approximately Three Thousand Guyana Dollars (G\$3000). This practice exposes the Plant to the risk of asphalt being taken out before it is weighed. (*See Section 5.4*)

4.5 The Asphalt Plant along with the Demerara Harbour Bridge purchased in November 2019, a bracelet for the General Manager at the approval of the General Manager to the value of Eight Hundred and Ninety-Seven Thousand Guyana Dollars (G\$897,000) as a gift for International Men's Day. Due to the lack of independent approval this can be deemed to be misuse of the Plant's funds for personal gain. (*See Section 5.5*)

4.6 The Asphalt Plant disposed of 118.9 tons scrap metal to the value of One Million, Eight Hundred and Seventy-Seven Thousand, Three Hundred and Sixty-Eight Guyana Dollars (G\$1,877,368) in March, 2019 without a board of survey as agreed to by the directors at the board meeting in August, 2017. (*See Section 5.6*)

It was noted that the customer quoted \$18,000 per ton but the sales was completed at a unit price of \$15,789 per ton. Our analysis revealed that adjustment was made to the quoted price for VAT, however, VAT is a recoverable element and therefore should not be deemed to be part of the quoted price. (*See Section 5.6*)

4.7 The Asphalt Plant made a decision to purchased and sell cold mix without a feasibility study to determine whether it is beneficial and without the approval of the board. (*See Section 5.7*)

Our analysis revealed that the cost of procuring cold mix is approximately eleven (11) times that of the procurement of Asphalt. (*See Section 5.7*)

The Cold mix was purchased from a company in Trinidad and Tobago that was registered in Trinidad and Tobago in April 2016, the same year the cold mix was purchased. Hence, at the time of purchase, the company was not a known supplier of the product. (*See Section 5.7*)

Our analysis of the general ledger revealed that the company was paid the sum of \$9,814,600 on the 17th November, 2015, at the time when the company was not incorporated or a legal entity. (*See Section 5.7*)

4.8 Management has made several inferences with regards to limitations in the verification of materials for production. This topic was a regular Board agenda item, as noted;

- Management indicated that there was no way of measuring the material prior to input because the scale was some 500ft away and would negatively impact production process.
- Management gave a cessation order for the weighing of materials before production, due to cost.
- Management claimed that ‘moisture content’ of input material would impact the output, however, they made no effort of acquiring means to verify the moisture content.

(See Section 5.8)

4.9 We observed the following anomalies in storing of materials:

- That aggregates are stored on flat bases which does not facilitate draining and reduction of moisture in the aggregates.
- The cold feed bin lacks separators which allows mixing of aggregates in cold feed bins before entering into the drum.

(See Section 5.9)

4.10 We noted that for the rehabilitation of Lot 154 Barnwell Street Buxton East Coast Demerara, Region #4, thirty-one (31) tons asphalt was ordered for which forty-four (43.94) tons was delivered by the Plant without any amendment to the request. *(See Section 5.10)*

4.11 We noted that the production process lacks the following:

- Weighing mechanism for the aggregates
- Flow meter for the Bitumen
- Surge silo and cover to the conveyor belt

(See Section 5.11)

4.12 Trucks are mainly hired to transport raw material from suppliers and from time to time for stock taking. Trucks are not hired to move material during the production process.

- The cost of transportation over the period are as follows:
 - 2015 – G\$19,489,491
 - 2016 – G\$24,672,566
 - 2017 – G\$14,234,647
 - 2018 – G\$9,808,934
 - 2019 – G\$3,169,167
- An analysis of the above payments revealed that the amounts reported for 2018 and 2019 was understated as for those two years’ transportation cost are also included into the cost of inventory.
- We noted that there were no agreement as well as contract file for the above suppliers of transportation services.
- Our analysis of the outsourcing of transportation services as against that of the procurement of the Plant’s own truck has revealed that the procurement of a truck would have resulted in a savings of approximately sixty percent (60%) of the transportation cost incurred during the period under review.

(See Section 5.12)

4.13 Our analysis of overtime is reflected in the table below:

YEAR	Overtime Cost (\$)	Employment Cost (\$)	%
2015	10,476,338	62,708,394	16.71
2016	21,629,315	103,612,779	20.88
2017	15,419,930	131,585,014	11.72
2018	22,179,746	87,446,280	25.36
2019	19,398,029	92,407,605	20.99

Over the period, overtime is reported at an average of nineteen percent of employment cost which is considered to be high and can lead to excessive employment cost. *(See Section 5.13)*

4.14 Our analysis of the board minutes of the period under review revealed several conflicts between the board and the general manger. (*See Section 5.12*)

5. AUDIT REPORT

5.1 INFORMATION FOR 2013 AND 2014

Observation	Implications	Recommendation
<p>The Asphalt Plant did not maintain adequate documents for the year 2013 and 2014.</p>	<p>Due to the lack of documentation we were unable to carry out any work for the years in question.</p>	<p>Management should make all effort to put systems in place to ensure documents are maintained to established authenticity, accuracy, relevance of all transactions.</p>
<p>Management's Response:</p> <p>For 2013, all records are available, we were audited and report issued.</p> <p>Except for 2014 input of materials for production (which is similar to subsequent years), all records are available which were audited and the audited report was received. This observation was not brought to our attention during the exercise.</p> <p>See attached copies of audit report.</p> <p>Management is requesting for this query to be reviewed.</p>		
<p>Team's Response:</p> <p>The team revisited the Asphalt Plant where a cash book and payment vouchers were provided in addition to a spreadsheet breakdown, production book and delivery slips, which were provided initially.</p>		

5.2 RECEIVABLES

The table below outlines the total receivables for the period 2015- 2019, analyzed according to aging:

**DEMERARA HARBOUR BRIDGE
ASPHALT PLANT, GARDEN OF EDEN
SUMMARY OF RECEIVABLES FOR THE YEARS ENDED DEC 31ST 2015-DECEMBER 31ST 2019**

Years Ende d	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
2015	75,612,838	7,008,108	(65,574,320)	14,514,275	190,564,454	222,125,355
2016	1,266,160	15,233,860	(48,116,200)	64,876,298	399,141,701	432,401,819
2017	(19,353,982)	22,212,140	24,067,347	91,102,960	177,255,366	295,283,831
2018	(3,950,000)	44,034,141	(81,138,564)	151,387,860	258,743,180	369,076,617
2019	6,126,620	8,911,508	15,838,811	31,017,440	137,512,632	199,407,010

As at 18th December, 2020 the receivable balance is \$93,461,183.

5.2.1 CREDIT POLICY

Observation	Implications	Recommendation
<p>We noted that the Asphalt Plant does not have a credit policy.</p> <p>A credit policy is a set of guidelines that outlines credit and payment terms for customers and establishes a clear course of action for late payments.</p>	<p>The Plant is expose to a high risk of clients failing to pay on time. An analysis of receivables revealed that an average of seventy-five percent (75%) of debts is owing beyond ninety days. <i>(See appendix i)</i></p> <p>We were unable to determine whether there was consistency in management's decisions</p>	<p>Management should make all effort to ensure a good credit policy is established before credit is extended to customers.</p>

<p>The Plant sold asphalt on credit over the period under investigation.</p>	<p>when granting credit to various customers.</p> <p>We were unable to determine whether selling asphalt on credit is economically beneficial to the Plant.</p>	
<p>Management's Response:</p> <p>We have a credit policy approval system. There is an established credit procedure in place which is very active and engaged.</p>		
<p>Team's Response:</p> <p>There is no credit policy.</p> <p>We have noted that as of 2019 the Asphalt Plant instituted a system which gathers information on the customer applying for credit and not assessing the credit worthiness of the customer. (See Appendix)</p>		

5.2.2 CREDIT APPROVAL

Observation	Implications	Recommendation
<p>We noted that all credit was approved by the General Manager without any evidence that the Plant carried out a credit review process before credit was granted.</p> <p>A credit review process ensures that a business does not grant credit to customers who are unable to pay.</p>	<p>The Plant has granted credit and is unable to date to collect outstanding debts as far as 2018.</p> <p>Due to the nature and extent of credit given, coupled with the lack of a credit policy, exposed the Plant to the risk of credit being granted and not being paid on time. As is evident in (<i>See appendix i</i>).</p>	<p>Management should ensure that all credit customer is assessed as to their credit worthiness before granting of credit.</p> <p>Credit above a certain value should be approved by the Board of Directors.</p> <p>In the absence of the Board then approval should be sought at the level of the subject Minister.</p>

Management's Response:

Currently the credit process has already been implemented and checks are being made to ensure customers are not approved new credit with any previous outstanding balances.

In future, once there is a policy set by the board we will follow.

Team's Response:

It was noted that as of 2019 the Asphalt Plant instituted a system which gathers information on the customer applying for credit and not assessing the credit worthiness of the customer.

Additional checks of the system provided no evidence of checks being made to ensure customers are not approved for new credit once they have an outstanding balance.

5.2.3 CREDIT LIMIT

Observation	Implications	Recommendation
<p>The Plant did not set credit limits for customers.</p> <p>A credit limit is the maximum balance you can have on a revolving credit account which is established taking into consideration factors such as repayment history, the length of your credit history, etc.</p>	<p>Management did not manage the risk and cost attached to granting of credit. This has resulted in the granting of large sums of credit for a long period of time giving rise to the risk of high cost associated with receivables. (<i>See appendix i</i>)</p>	<p>Management should ensure that all customers are assessed at set intervals to determine the maximum credit to be given that will result in customers being able to pay on time.</p>

Management's Response:

No policy was established by the board. Management reviews each client that requests for credit their credit limit individually.

Team's Response:

It was noted that as of 2019 the Asphalt Plant instituted a system which gathers information on the customer applying for credit and not assessing the credit worthiness of the customer.

Our examination revealed that there is no evidence of management reviewing each client's credit limit.

5.2.4 CREDIT TO COURTNEY BENN CONSTRUCTION SERVICES LIMITED (CBCSL)

Observation	Implications	Recommendation
<p>Minutes of the meeting of the Board of Directors dated 29th November, 2016, revealed that the directors were concerned over credit being granted to CBCSL when there was no existing policy for providing credit for such a large amount. (<i>See appendix ii</i>)</p> <p>We have noted that the above credit was granted without a credit review process.</p> <p>We noted that the Plant continues to give credit to CBCSL despite the decision of the directors to discontinue selling asphalt on credit to this client until all monies owed are collected. (<i>See appendix iii</i>)</p> <p>We noted that the above credit continues without a credit review process and board of directors' approval despite the Minister expressing disgust</p>	<p>The large amount outstanding, more so that of over ninety days, will result in high cost associated with receivables.</p> <p>Management did not abide by the policy set by the board.</p>	<p>Management should make all efforts to ensure that monies outstanding are collected on time.</p> <p>Management should ensure that the policies of the Plant are adhered to at all times.</p>

<p>and dissatisfaction in this regard, at Board of Directors meeting held on 19th January, 2017. (<i>See appendix iv</i>)</p> <p>As at 18th December, 2020 the balance is \$12,031,153.</p>		
<p>Management's Response:</p> <p>The board dealt with this matter. There was no credit policy at that time (cited in appendix ii) hence we were unable to be guided by such process.</p>		
<p>Team's Response:</p> <p>Response Noted.</p>		

5.3 LOAN OF BITUMEN.

Observation	Implications	Recommendation
<p>We noted that the Plant lent bitumen as follows:</p> <ul style="list-style-type: none"> 14th December, 2017 – Suresh Jagmohan – 31,970 litres - \$4,219,081. (<i>See appendix v-vi</i>) 9th February, 2019 – China Railways – 89,190 litres - \$13,181,430. (<i>See appendix vii- xi</i>) 	<p>The following observation give rise to the risk of the Plant exposing itself to running short of material at the time of need and incur unnecessary cost associated with the financing of the purchase of the Bitumen.</p> <p>We were unable to determine the rationale behind loaning of the bitumen to Suresh Jagmohan since Mr. Jagmohan is the owner of an asphalt plant and can be considered a direct competitor.</p>	<p>Management should ensure that these arrangements are approved at the relevant level and does not result in any additional cost to the Plant.</p> <p>Management should ensure that the Plant remains competitive at all times and maximize returns during times of limited supply.</p>

<p>It was noted that the above loans were made without board of directors' approval and there was no information that could have help us to determine the rationale for this decision.</p> <p>It was noted that as of December 31, 2019 there were outstanding balances from both loans despite agreeing to return same on the following dates:</p> <ul style="list-style-type: none"> • Suresh Jagmohan – On or before February 15, 2018. • China Railways – On or before end of February – Mid March, 2019. 	<p>We were also unable to determine the rationale behind loaning bitumen to China Railway since we were unable to establish any relationship between the plant and by extension the Government of Guyana with China Railway.</p>	
<p>Management's Response:</p> <p>There was no meeting by the board in 2019. In the case of China Railways – this request was received through the Ministry for the completion of the East Coast road project. The Asphalt Plant facilitated the request, and the product was subsequently received and accounted for by the Plant.</p> <p>In the case of Suresh Jagmohan, (despite the fact he is a competitor), management has facilitated the request and the product was subsequently received and accounted for by the plant (this was a government contract).</p> <p>The transactions resulted in no effect on our production and at no cost to the Plant.</p> <p>These request were received verbally. The material balances were fully received in 2020.</p> <p>However, it must be noted that the Asphalt Plant recently had to source bitumen from China Railways in order to facilitate the Ministry of Public Works urgent road projects.</p>		

Team's Response:

Response noted.

5.4 WEIGHING OF ASPHALT

Observation	Implications	Recommendation
<p>We noted that for large trucks the weighing of the asphalt is done at the Demerara Harbour Bridge, which is located approximately ten (10) miles away from the Plant, instead of paying for it to be weighed at a scale located next door for approximately three thousand Guyana Dollars (G\$3,000).</p>	<p>This system of weighing asphalt in large trucks can give rise to the following:</p> <ul style="list-style-type: none">• The loss of income as customers are allowed to take away any excess for which no obligation to pay was established.• The option chosen requires an employee to accompany the truck using the plant's vehicle and a driver, coupled with the fact that excess asphalt is given to the customer without any obligation to pay, will give rise to a cost in excess than the other option.• The risk of Asphalt being taken out before it is weighed.	<p>Management should consider acquiring its own scale to facilitate the weighing of Asphalt in large trucks.</p> <p>Management can also consider the decision to use the scale next door.</p>

Management's Response:

Management has already published in the newspaper tender for acquisition of a 60MT scale. The decision for acquisition were in discussion as far back as 2017.

Team's Response:

Response Noted.

5.5 PURCHASE OF GIFT FOR GENERAL MANAGER

Observation	Implications	Recommendation
<p>The Board of Directors, at a meeting held in August 2016, made a policy that gifts, donations and staff incentives must be approved by the Board. (<i>See appendix xii</i>)</p> <p>The Asphalt Plant along with the Demerara Harbour Bridge purchased, in November 2019, a bracelet for the General Manager, at the approval of the General Manager, to the value of Eight Hundred and Ninety-Seven Thousand Guyana Dollars (G\$897,000) as a gift for International Men's Day. (<i>See appendix xiii-xvii</i>)</p> <p>We noted that gifts were also given to all other men within the Corporation, to an approximate value of G\$10,000 each, to mark the occasion of International Men's Day.</p>	<p>The relevant approval was not obtained.</p> <p>Due to the lack of an independent approval system the following observation can be deem to be misuse of the Plant funds for personal gain.</p>	<p>Management should ensure that the policies of the Plant are adhered to at all times.</p> <p>Management should ensure that gifts to employees are done in accordance with generally accepted principles and at arm's length.</p>

Management's Response:

Gifts were given to all men within the organisation. This is the standard practice in the organization. Please see attached bills and receipts.

Team's Response:

Response Noted.

5.6 DISPOSAL OF SCRAP METAL

Observation	Implications	Recommendation
<p>In August, 2017, the Board of Directors agreed that a Board of Survey is needs to be established prior to the disposal of scrap metal. (<i>See appendix xviii</i>)</p> <p>In March, 2019, scrap metal of 118.9 tons to the value of One Million, Eight Hundred and Seventy-Seven Thousand, Three Hundred and Sixty-Eight Guyana Dollars (G\$1,877,368) was disposed of to RAM Natram Hardware and General Store. (<i>See appendix xix-xx</i>)</p> <p>We noted that the customer quoted \$18,000 per ton but the sales was completed at a unit price of \$15,789 per ton. Our analysis revealed that adjustment was made to the quoted price for Value Added Tax (VAT). However, VAT is a recoverable element and therefore is not deemed to be part of the quoted price. (<i>See appendix xix-xx</i>)</p> <p>We also noted that the sale of scrap metal did not follow disposal principles to ensure</p>	<p>We were unable to determine whether the Plant received value for money on the disposal of the scrap metals.</p> <p>Management did not abide by the policy of the Plant as set out by the Board.</p> <p>Management did not abide by the Government's disposal policy by not subjecting the sale of the scrap metals to a bidding process.</p>	<p>Management should put systems in place to ensure that the plant receive maximum return for its resources at all times.</p> <p>Management should also ensure that the policies of the Plant and Government are adhered to at all times.</p>

<p>that the plant received maximum returns through a bidding process.</p>		
<p>Management's Response:</p> <p>In order to facilitate the construction of the new batch mix plant, all debris and scrap had to be removed. Rather than burying these scraps, a decision was made to earn revenue for the Plant.</p> <p>The VAT that was noted was subsequently paid over to the Guyana Revenue Authority. Please see attached.</p> <p>It is also standard practice with the understanding that quoted prices means VAT inclusive.</p>		
<p>Team's Response:</p> <p>Response Noted.</p> <p>Our observation was not on the collecting and paying of VAT but on the quoted price being taken as VAT inclusive rather than VAT exclusive.</p>		

5.7 PURCHASE OF COLD MIX

Observation	Implications	Recommendation
<p>The decision to purchase cold mix was plagued with the following discrepancies:</p> <ul style="list-style-type: none"> • There was no board approval. • There was no feasibility 	<p>Management did not abide by the policy of the Plant as decisions of this nature should have been approved by the board and if there is no board then at the level of the subject Minister.</p> <p>We were unable to determine the rationale for acquiring</p>	<p>Management should ensure that decisions of this nature are approved by the board of directors.</p> <p>A feasibility study should have been carried out before making decisions of this nature.</p>

<p>study to determine whether it is beneficial to procure and sell cold mix.</p> <p>Our analysis revealed that the cost of procuring cold mix is approximately eleven (11) times that of Asphalt. (<i>See Appendix xxi</i>)</p> <p>The Cold mix was purchased from a company in Trinidad and Tobago that was registered in Trinidad and Tobago in April 2016, the same year the cold mix was purchased. (<i>See appendix xxii- xxviii</i>)</p> <p>We noted at the time of purchase the supplier of the cold mix was not a known seller of the product.</p> <p>Our analysis of the general ledger revealed that the company was paid the sum of \$9,814,600 on the 17th November, 2015, the year before it was incorporated.</p>	<p>cold mix from a new company rather than an established supplier.</p> <p>Management advanced the Plant's fund to a company that was legally non-existent and as such exposed the Plant to the risk of non-recourse in the event of non-delivery.</p>	<p>Management should ensure that the cold mix is purchased from known suppliers in order to attract higher quality at a cheaper price.</p> <p>Management should ensure that any advancement of money is made to established legal entities.</p>
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Management's Response:

1. The decision of entering the sale of cold mix was done after consultation and deliberation with Ministry of Public Infrastructure management.
2. The usage of cold mix was not to replace asphalt but as an option for the early intervention of Ministry of Public Infrastructure road maintenance (all weather) and far outlying areas. Please see Stabroek news article dated 28th November, 2015 with respect to feasibility on cold mix. Also please see attachment, pictures of the cold mix seminar dated 25th November, 2015 at the Pegasus Hotel showing a Ministry of Public

Infrastructure minister, a Demerara Harbour Bridge Corporation Vice Chairman and Ministry of Public Infrastructure senior personnel in attendance, among others.

3. While we are unaware of the incorporation details of this company, there was no loss on this new product.
4. Please note that CJIA, Sol Guyana Inc., Ministry of Public Works (hinterland Airport – Mr. Mangra) continues to be our customer.

Team’s Response:

1. No documentation can be seen to this regards.
2. There was a seminar to disseminate information on cold mix and this cannot be considered to be a feasibility study.
3. Response noted
4. Response noted.

5.8 MATERIAL IN PRODUCTION

Observation	Implications	Recommendation
<p>Management has made several inferences with regards to limitations in the verification of materials for production. This topic was a regular Board agenda item, as noted;</p> <ul style="list-style-type: none"> • Management indicated that there was no way of measuring the material prior to input because the scale was some 500ft away and would negatively impact production process. 	<p>The accumulation of these resulted in a production process that was void of the necessary checks and balances required to give certainty of the operational efficiency and material accountability.</p> <p>Neglect in the research, acquisition and implementation of key technology, such as;</p> <ul style="list-style-type: none"> • CD Moisture Tester • Aggrameter • MicroLance Moisture Meter 	<p>Systems should be implemented to ensure that there is full accountability of material and efficiency of the operation.</p> <p>Management should purchase the necessary moisture meter, to aid the establishment of effective material accountability</p>

<ul style="list-style-type: none"> • Management gave a cessation order for the weighing of materials before production, due to cost. <p>Management claimed that ‘moisture content’ of input material would affect the weight of output, however, they had no means of verifying that moisture content value and hence making it difficult to make adjustments to the production process in order to achieve a certain quantity of output. This also makes it difficult to determine a set output for a set quantity of materials.</p>	<p>limits the plant’s ability to determine real cost of production and quantities.</p>	
<p>Management’s Response:</p> <p>As observed, this topic was a regular agenda item and due to the high cost of weighting the material prior to production, they had made the decision to stop doing so.</p> <p>With the installation of the new plant, all issues highlighted with the estimation of inputs will no longer exist since computerised printouts will be available.</p> <p>However, management considered acquiring the necessary moisture meter as recommended.</p>		
<p>Team’s Response:</p> <p>Response Noted.</p>		

5.9 MATERIAL STORAGE

Observation	Implications	Recommendation
<p>Aggregates are stored on flat bases which does not facilitate draining and reduction of moisture in the aggregates</p> <p>The cold feed bin lacks separators which allows mixing of aggregates in cold feed bins before entering into the drum.</p>	<p>Increase cost in fuel for drying of the aggregates.</p> <p>Less asphalt is produce per batch due to higher moisture.</p> <p>The Mix will lack consistency due to the fact that the specified amount of aggregates is not added as per design mix and this will also affect gradation.</p>	<p>Management should ensure that areas for storing aggregates must be sloped to reduce moisture in aggregates.</p> <p>Add separators to the cold feed bins</p>
<p>Management's Response:</p> <p>The recommendation made is noted and will be addressed when the new plant comes into operation shortly.</p>		
<p>Team's Response:</p> <p>Response Noted.</p>		

5.10 DELIVERY OF EXCESS MATERIAL

Observation	Implications	Recommendation
<p>We noted that for the rehabilitation of Lot 154 Barnwell Street Buxton East Coast Demerara, Region number four (4), thirty-one (31) tons of asphalt was ordered for which forty-four (43.94) tons was delivered by the Plant without any</p>	<p>That following observation exposes the risk of Asphalt leaving the compound without the relevant documentation.</p>	<p>Management should ensure that all asphalt delivered must accounted for.</p>

amendment to the request. <i>(See appendix xxix)</i>		
<p>Management's Response:</p> <p>It must be noted that at ALL times customers being invoiced /charged for the full amount and value as per weight bridge scale slip.</p> <p>This delivery/sales was acknowledged and subsequently paid for in full.</p> <p>It is also based on the relationship and nature of work with this client – MoPW that these deliveries were facilitated.</p>		
<p>Team's Response:</p> <p>Response noted, however, it did not address the observation as it is on lack of internal control and/or evidence that any internal control is being followed.</p>		

5.11 PRODUCTION PROCESS

Observation	Implications	Recommendation
<p>We noted that the production process lacks the following:</p> <ul style="list-style-type: none"> • Weighing mechanism for the aggregates • Flow meter for the Bitumen • Surge silo and cover to the conveyor belt 	<p>The following observation will lead to:</p> <ul style="list-style-type: none"> • Lack of consistency in batching • It is difficult to determine, with any level of accuracy the amount of materials used to produce each batch. • The lack of surge silo and cover to the 	<p>Management should make a special effort to ensure these measures are put in place to improve the efficiency of production.</p>

	conveyor belt will lead to higher level of waste during times of rainfall.	
<p>Management's Response:</p> <p>The Recommendation is noted. However, the new plant will address these recommendations.</p> <p>Please note the existing Plant will be decommissioned once the new Plant is operational.</p>		
<p>Team's Response:</p> <p>Response Noted.</p>		

5.12 TRANSPORTATION

Observation	Implications	Recommendation
<p>Trucks are mainly hired to transport raw material from suppliers and from time to time for stock taking. Trucks are not hired to move material during the production process. The cost of transportation over the period are as follows:</p> <ul style="list-style-type: none"> • 2015 – G\$19,489,491 • 2016 – G\$24,672,566 • 2017 – G\$14,234,647 • 2018 – G\$9,808,934 	<p>There was poor management of cost associated with transporting of materials.</p>	<p>Management should ensure that cost is minimized at all times.</p> <p>Management should consider acquiring its own vehicle for transporting of materials since this is an integral part of the production process and will result in less cost to the Plant.</p>

<ul style="list-style-type: none"> • 2019 – G\$3,169,167 <i>(See Appendix xxx)</i> <p>These amounts were paid to suppliers as follows:</p> <ul style="list-style-type: none"> • Angela Gopichand Abdool – G\$ 34,921,309 • Christina Singh – G\$ 11,440,000 • Jasmattie Goordial – G\$ 22,481,542 • Sheik Ayube & Rachel Simeon – G\$281,873 • Demerara Sand & Aggregates Trading – G\$ 2,250,045 <p><i>(See appendix xxxi)</i></p> <p>An analysis of the above payments revealed that the amounts reported for 2018 and 2019 was understated as for those two years' transportation cost are also included into the cost of inventories.</p> <p>We noted that there were no contract as well as a file for the above suppliers of transportation services.</p>		
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<p>Our analysis of the outsourcing of transportation services as against that of the procurement of the Plant's own truck has revealed that the procurement of a truck would have resulted in a savings of approximately sixty percent (60%) of that incurred during the period under review. (<i>See appendix xxxii-xxxiv</i>)</p>		
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Management's Response:

This idea was considered by management, however, due to the Corporation inability to retain skilled mechanics (emolument issues) to maintain fleet of trucks it is not advisable to get into this industry.

Due to Government tender board requirement, timely acquisition of spares poses an issue (delayed lead time) purchase of OEM against aftermarket.

It is not part of the organisation core competence; hence we continue to outsource this service.

As part of our strategic plan for the new Asphalt Plant new operations, we intend to barge materials to the site.

Team's Response:

Response Noted.

5.13 OVERTIME

Observation	Implications	Recommendation																								
<p>Our analysis of overtime is reflected in the table below:</p> <table border="1" data-bbox="204 489 742 772"> <thead> <tr> <th>YEAR</th> <th>Overtime Cost (\$)</th> <th>Employment Cost (\$)</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>10,476,338</td> <td>62,708,394</td> <td>16.71</td> </tr> <tr> <td>2016</td> <td>21,629,315</td> <td>103,612,779</td> <td>20.88</td> </tr> <tr> <td>2017</td> <td>15,419,930</td> <td>131,585,014</td> <td>11.72</td> </tr> <tr> <td>2018</td> <td>22,179,746</td> <td>87,446,280</td> <td>25.36</td> </tr> <tr> <td>2019</td> <td>19,398,029</td> <td>92,407,605</td> <td>20.99</td> </tr> </tbody> </table> <p>Over the period overtime is reported at an average of nineteen percent (19%) of employment cost.</p>	YEAR	Overtime Cost (\$)	Employment Cost (\$)	%	2015	10,476,338	62,708,394	16.71	2016	21,629,315	103,612,779	20.88	2017	15,419,930	131,585,014	11.72	2018	22,179,746	87,446,280	25.36	2019	19,398,029	92,407,605	20.99	<p>A nineteen percent (19%) overtime ratio to employment cost is considered to be high and can lead to excessive employment cost.</p>	<p>Management should ensure that employment cost is kept at its lowest by considering a shift system or additional employees.</p>
YEAR	Overtime Cost (\$)	Employment Cost (\$)	%																							
2015	10,476,338	62,708,394	16.71																							
2016	21,629,315	103,612,779	20.88																							
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2018	22,179,746	87,446,280	25.36																							
2019	19,398,029	92,407,605	20.99																							
<p>Management's Response:</p> <p>With the operation of the new Asphalt Plant, there will be a review of the existing employment requirement whereby staff will become redundant.</p> <p>An analysis of the overtime information shows that most of the overtime generated is based on weekend work which at the request from the Ministry. Hence a shift system will not be appropriate in these situations.</p>																										
<p>Team's Response:</p> <p>Response Noted.</p>																										

5.14 BOARD MINTUES

Observation	Implications	Recommendation
<p>Our analysis of board minutes for the period under review revealed several conflicts between the board and the general manger.</p>	<p>The following observations can be deemed as an intent by the general manager to circumvent the authority of the board.</p>	<p>In order to have effective governance it is important that management and the board work in cohesion.</p>
<p>Management's Response:</p> <p>The IMPLICATIONS above mentioned “the following observations” which were not stated and hence, a response could not be provided in the absence in specific information.</p>		
<p>Team's Response:</p> <p>Response noted. However, some instances were discussed at our meeting with the general manager and his team and can also be clearly seen from the minutes.</p>		

6. OTHER FINDINGS

During the course of our work we noted the following lack of internal controls within the Ministry of Public Works:

6.1 ADVANCE PAYMENT FOR ASPHALT

Observation	Implications	Recommendation
<p>The Ministry of Public Works would have purchased asphalt through a prepayment arrangement over the years as follows:</p> <ul style="list-style-type: none"> • 2018 – G\$305,170,110 • 2019 – G\$526,180,840 <p>We were not provided with the relevant information to determine the utilisation and balance of the asphalt paid for in advance.</p> <p>We were not provided with any reconciliation to indicate tracking of the amount paid for and the amount collected.</p>	<p>We were unable to determine whether the Ministry received all the asphalt paid for.</p> <p>We were unable to determine whether Asphalt sold to other customers were charge to the Ministry’s account.</p>	<p>Management of the Ministry should put system in place to ensure a periodic reconciliation is done to ensure that the amount of Asphalt paid for is received and utilised by the Ministry.</p>
<p>Management’s Response:</p> <p>The Ministry has put system in place to remedy this.</p>		
<p>Team’s Response:</p> <p>We noted that system was put in place in 2020.</p>		

6.2 PAYMENT VARIANCE

Observation	Implications	Recommendation
<p>Our examination of a sample of payments made against asphalt delivered for a number of projects revealed an adverse variance of 30.64 tonnes. (<i>See Appendix xxxv</i>)</p>	<p>The Ministry overpaid for asphalt to the approximate value of One Million and Forty-One Thousand, Seven Hundred and Sixty Guyana Dollars (G\$1,041,760).</p> <p>Due to lack of reconciliation or any other relevant information, we were unable to determine whether additional amounts paid for was utilised by the Ministry or whether asphalt supplied to customers were being billed to the Ministry's account.</p>	<p>The Ministry must put system in place to reconcile payment request with delivery notes to ensure that the amount paid for is the amount received.</p>
<p>Management's Response:</p> <p>The Ministry has put system in place to remedy this.</p>		
<p>Team's Response:</p> <p>We noted that system was put in place in 2020.</p>		

7. AUDITOR GENERAL FINDINGS

We have examined the Auditor General's report and highlight below some of the main findings over the period.

- **Production and Sales** – It was reported that production records were not being kept, making it difficult to ascertain the accuracy of production cost.
- **Trade Receivables Management**- It was reported that there were no movement in several receivable balances and there were receivable balances outstanding in excess of three years and in some cases four years.
- **Environmental Protection Act** – It was reported that the Plant is not in compliance with this act.
- **Payroll** – It was reported that personal files do not contain any agreement between employer and employee.
- **Payment on Behalf of The Ministry of Public Infrastructure** - It was reported that payments were made to Courts and Singers for furniture and other household items as instructed by the Ministry of Public Infrastructure and these transactions were not minute at the board level although there was an active board in 2017.
- **Compliance with the Fiscal Management and Accountability Act** – It was reported that the Asphalt Plant was not included in the budget for approval in accordance with section 79 of the Fiscal Management and Accountability Act 2003.
- **Variation Work** – It was reported that variation work in the sum of \$4,351,727 which is forty-five percent of the original contract sum was carried out without approval.

8. CONCLUSION

We have completed our investigation into the financial and operational management of the Asphalt Plant for the period 2013 to present. The following is our conclusion based on the evidence available:

8.1 Investigate the veracity of the allegations.

In a newspaper article dated 22nd September, 2020, it was alleged that contractors working on government projects were mandated to take their asphalt from the Garden of Eden Plant in order to facilitate a scam where huge discounts (as much as fifty percent) are given to contractors. It is alleged that the scam is facilitated where the Ministry of Public Works would order a certain amount from the Plant to be billed to the Ministry however, they would have collected less resulting in the difference being sold at a discount to contractors.

Our investigation revealed that the Ministry of Public Works purchased asphalt through a prepayment system and did not have a system in place to reconcile the amount of asphalt collected as against that paid for. (*See Section 6.1*)

Our examination of a payment made by the Ministry for asphalt delivered revealed overpayment by the Ministry. (*See Section 6.2*)

Due to lack of internal controls, we were unable to determine whether the above allegation is accurate. However, based on the above observations and lack of internal controls the above allegation is possible.

8.2 Examine the systems at the Plant.

As is evident in the audit report (Section 5) there was lack of internal controls during the period under review.

8.3 Find out its reliability and weaknesses which would allow for malpractices to be capitalized on.

As mentioned above the Plant has poor internal controls.

Internal controls are an important part of any organization and the lack of internal controls create opportunities for fraud and/or theft.

8.4 We must determine culpability and appropriate penalty to be meted out to those involved.

As mentioned in section 8.1 above, due to lack of internal controls, we were unable to determine whether the above allegation is accurate. However, based on observations and lack of internal controls the allegation is possible.

In our opinion, management can be deemed culpable for not ensuring that the Plant implemented relevant controls to ensure the efficient management of its operation and as such should be penalized as the board sees appropriate.

8.5 Provide recommendations on a way forward.

Recommendations are made for each observations (findings) in the audit report (See Section 5).

Yours faithfully

Investigative Team

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