



**REPORT OF THE AUDITOR
GENERAL**

ON

**A REVIEW OF THE OLD AGE PENSION
PROGRAMME IN GUYANA**

**FOLLOW-UP
PERFORMANCE AUDIT**



The Auditor General is the external auditor of the public accounts of Guyana, and is responsible for conducting Financial and Compliance, Performance and Value-for-Money and Forensic Audits with respect to the Consolidated Financial Statements, the accounts of all budget agencies, local government bodies, all bodies and entities in which the State has controlling interest, and the account of all projects funded by way of loans or grants by any foreign State or organization.

In conducting Performance and Value-for-Money Audits, the Auditor General examines the extent to which a public entity is applying its resources and carrying out its activities economically, efficiently and effectively with due regard to ensuring effective internal management control.

This report has been prepared in accordance with Part V Section 24 (1) (b) of the Audit Act 2004. In conducting this Performance Audit, we followed the Code of Ethics and Standards and Guidelines for Performance Auditing of the International Organization of Supreme Audit Institutions (INTOSAI), of which the Audit Office of Guyana is a member.

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PERFORMANCE AUDIT

A Review of the Old Age Pension Programme in Guyana- Follow-up Audit



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EXECUTIVE SUMMARY

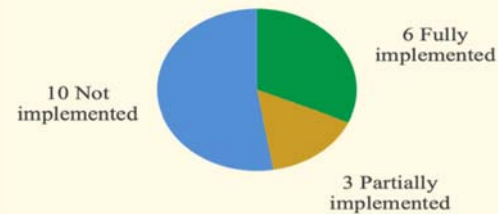
Why we did this audit

The Ministry of Human Services provides an Old Age Pension to help senior citizens improve their social and economic well-being. In 2019, just over \$20,000 was paid monthly to senior citizens 65 years and over. A Performance Audit was conducted in 2010, resulting in 19 recommendations being made to management.

Key messages

In 2019, a follow-up audit was done to find out what actions were taken. After nine years, the Ministry has made slow progress, fully implementing only 6 recommendations. The Ministry improved in the areas of reconciling of payments, processing time of new applicants, signing of pension books, and quality checks at the printers.

Status of 2010 recommendations
Only 6 recommendations were fully implemented.



What we found

Payments to hinterland pensioners were poorly controlled. The Ministry relied on the honesty of Village Captains to distribute millions annually to pensioners in hinterland regions. This is done by the Village Captains encashing monthly pension coupons for pensioners. The Ministry has no control in place to prevent payments to the wrong persons. As a result, the Ministry could be losing millions from improper payments to ineligible, deceased, or non-existent individuals.

Pension Act was not amended. The Ministry made no progress to change the residency requirement in the Old Age Pension Act from 20 years. The Ministry continued to use a two-year residency requirement to qualify persons for a pension. This practice is not in keeping with the Act and outside the Ministry's legal mandate. This gave rise to increase pension payments over the years.

Pension books were left unsecured. Staff left pension books and stickers unsecured overnight in bags, vehicles, and residences during the distribution of new pension books. Also, for the years 2015 to 2017, close to 500 books valued at over \$100M were still in the custody of staff. The books could be stolen or damaged.

Payments were not in the database. Even after acquiring a new Old Age Pension database, monthly pension payments were still not recorded. Also, the database could not produce a list of immobile pensioners for verification. As a result, the Ministry could not rely on the database for up-to-date details of pensioners.

Way forward

The Permanent Secretary has committed to fully implementing the 13 remaining recommendations. Action on these recommendations is long overdue, and critical to ensuring payments go only to the right people.

Introduction

1. The Old Age Pension Programme is administered by the Ministry of Human Services (formerly the Ministry of Social Protection) and is established by the Old Age Pension Act of 1944. It provides financial support and other benefits to Guyanese senior citizens based on the eligibility criteria, which qualifies persons for receipt of a monthly pension of over \$20,000 per month.

2. In accordance with the Old Age Pension Act, the following statutory conditions must be satisfied before a person becomes a recipient of an Old Age Pension:

- The person must have attained the age of sixty-five (65) years.
- The person must satisfy the appropriate authority that he/she has been a citizen of Guyana for at least ten (10) years immediately preceding his claim for a pension.
- The person must have been ordinary resident in Guyana during twenty (20) years immediately preceding the claim for pension.
- The person must satisfy the appropriate authority that his monthly income as calculated under the Act does not exceed such amount as may, by order be prescribed by the Minister.

Reasons for undertaking the audit

3. The Audit Office undertook a performance audit in 2010, to determine whether the Old Age Pension Programme was being managed in an efficient and effective manner. In addition, we wanted to know whether Old Age Pension was paid in accordance with the eligibility criteria specified in the law, made only to eligible persons and the database was accurate and complete. We also wanted to find out whether the Ministry had systems in place to monitor pension payments made by mediating parties to pensioners living in remote hinterland areas.

Purpose and methodology of the follow-up audit

4. The Old Age Pension Programme was identified for a follow-up audit after nine years of issuing the audit report. The objective of the audit was to determine what action was taken, if any, by the Ministry to implement the recommendations made in the 2010 audit report. The follow-up audit covered the period 1 January 2015 to 30 April 2019. More details on the scope and approach are in **About the Audit** at the end of the report.

Chapter 1

Payment of Old Age Pension

Findings of 2010 audit report, recommendations and implementation status

5. In the 2010 audit report, there were five recommendations under this line of enquiry for the Ministry to implement in order to improve the system for the payment of Old Age Pension. During our follow-up audit in 2019, only one recommendation was partially implemented while the other four were not implemented, as outlined in the paragraphs below.

Ministry did not comply with Pension Act

What the Audit Office found in 2010

6. The Old Age Pension Act 1944 sets out the eligibility criteria for the payment of Old Age Pension in Guyana, as follows:

- The person must have attained the age of sixty-five years.
- The person must satisfy the appropriate authority that he has been a citizen of Guyana for at least ten years immediately preceding his claim for a pension.
- The person must have been ordinary resident in Guyana during twenty years immediately preceding the claim for pension.
- The person must satisfy the appropriate authority that his monthly income as calculated under the Act does not exceed such amount as may, by order be prescribed by the Minister.

7. The Ministry did not fully comply with the eligibility criteria stated in the Act. Instead a new criterion was included, where a resident must reside in Guyana for 2 years prior to the application, instead of 20 years as stated in the Act. As such, pension paid to re-migrants based on a two - year residency was outside the scope of the Ministry's legal authority.

2010 – Initial recommendation paragraph № 1.16 (i)

The Minister and the Head of Budget Agency of the Ministry should ensure that the eligibility criteria applied for the qualification and receipt of an Old Age Pension complies with the Old Age Pension Act.

2019 Follow-up – (recommendation not implemented)

8. The Ministry took no action to have the Old Age Pension Act amended to include the current eligibility criterion being used, where a person must reside in Guyana for two (2) years prior to applying for Old Age Pension benefits. As such, the pensions paid to such persons based on a two (2) year residency is outside the legal mandate of the Ministry. Based on our review, no action was taken to implement this recommendation in aligning the Act with the current eligibility criterion being used. This has increased pension payments over the years, since in 2019 annual pension payments per book amounted to \$246,000.

2019 - Recommendation №. 1

The Minister and the Head of Budget Agency of the Ministry of Human Services should take urgent action with the Minister of Legal Affairs to have the Old Age Pension Act amended so that it can be aligned with the current eligibility criteria being used for the qualification and receipt of Old Age Pensions.

Ministry’s Response: The Ministry is preparing a formal request to align the Old Age Pension Act with the current procedures and criteria, e.g. means testing of Old Age Pension applications and the 20 years residency provision, will be sent to the Ministry of Legal Affairs for amendment and tabling at Parliament.

Pension applications were not processed on time

What the Audit Office found in 2010

9. The Ministry had an undocumented internal policy for processing Old Age Pension, which required applications to be processed within 5 days for Georgetown. We found that the Ministry did not comply with its policy for processing applications. On average, it took 12 days to process applications for Georgetown and its environs, which is more than twice the time set by the Ministry. As a result of the delays, pensioners were likely to lose benefits for each day delayed, since pension payments were not backdated.

2010 – Initial recommendation paragraph № 1.16 (ii)

The Head of the Budget Agency in collaboration with the Director of Social Services should ensure that targets set for the processing of Old Age Pension applications are met, so as to ensure that pensioners do not lose their benefits.

2019 Follow-up – (recommendation not implemented)

10. We examined 31 Old Age Pension applications in April 2019, to determine the time taken to process the applications from the dates the applications were received to the time pension books were issued. We found that it took on average 10 working days, instead of 5 days to process the applications. This is twice the time set by the Ministry to issue pension books to persons in Georgetown and its environs. Even though the processing time was reduced to 10 days, the Ministry still did not achieve its set time of 5 days for processing pension applications. As a result, pensioners will lose over \$600 per day, since pension payments are not backdated.

2019 - Recommendation №. 2

The Head of the Budget Agency in collaboration with the Director of Social Services should continue to improve the processing time for Old Age Pensions. This will provide increased efficiency and cost savings in the management of the Old Age Pension process.

Ministry’s Response: The Ministry has made several changes which have reduced the processing time of OAP applications to 10 working days. Further, the Ministry expects to reduce the processing to less than 10 working days with the operationalization of the new Social Assistance Management Information System.

Database could not generate list of immobile pensioners

What the Audit Office found in 2010

11. We reported that the Ministry was unable to provide us with a list of immobile pensioners from its Old Age Pension Database. This was because the database was not designed to identify immobile pensioners from the population of pensioners. As a result, we could not verify the number of immobile pensioners in the database.

2010 – Initial recommendation paragraph № 1.16 (iii)

The Director of Social Services in collaboration with the Database Administrator should be able to identify immobile pensioners from the population of pensioners to allow for an audit trail.

2019 Follow-up – (recommendation not implemented)

12. The Director of Social Services and the Database Administrator were unable to identify immobile pensioners from the population of pensioners, even though the Ministry had acquired and installed a new Social Assistance Management Information System for Old Age Pension. The new database still could not generate a list of immobile pensioners, since there was no field in the database to generate this list. As a result, the number of immobile pensioners and pension paid was not known.

2019 - Recommendation №. 3

The Director of Social Services in collaboration with the Database Administrator should take steps to redesign the new Social Assistance Management Information System in order to identify immobile pensioners in the database.

Ministry's Response: The new Social Assistance Management Information System will enable the Ministry to generate a separate immobile list.

Pension books not signed or thumbprints affixed

What the Audit Office found in 2010

13. We examined 113 pension books to determine whether the books were signed or thumbprints affixed by pensioners. We found that 54 percent of the books did not have the required signatures or thumbprints on the inner covers of the books. As such, verification of the identity of recipients was not complete and this increased the risk of ineligible persons receiving payments.

2010 – Initial recommendation paragraph № 1.16 (iv)

The Head of the Budget Agency and the Director of Social Services should ensure that the inner covers of pension books are signed or thumbprints affixed by pensioners.

2019 Follow-up – (recommendation partially implemented)

14. It is a requirement for pension books to be signed or a thumbprint affixed to the inner covers by pensioners upon receipt of books. Thumbprints are only affixed to the inner cover of a pension book if a pensioner is unable to write or sign his name. In April 2019, we visited three Post Offices and examined 60 pension books to verify whether the books were signed or thumbprints affixed to the inner covers by pensioners. However, 56 books had no signatures or thumbprints affixed to the inner covers. This control measure, which is used to assist in the verification of pensioners' signatures when payments are made, was not being adhered to when pension books were issued to pensioners. As a result, controls used to verify pensions signature may be weak.

2019 - Recommendation №. 4

The Director of Social Services and the Chief Probation Officer should ensure that the inner covers of pension books are signed or thumbprints affixed by all pensioners when pension books are issued to aid in the verification process.

Ministry's Response: Even though pensioners are required to sign on the inner-cover of the pension books, for the purpose of payment, emphasis is placed on matching the pensioner's signature on their national identification card with the signature on the coupon presented for payment.

Payments to hinterland pensioners poorly controlled

What the Audit Office found in 2010

15. The Ministry entrusted Village Captains in Region № 8 with monies on a quarterly basis to pay pensioners living in Hinterland Regions. However, the Ministry did not have systems in place to verify that pensioners in those areas were in receipt of their pension. Reliance was placed on the honesty and integrity of the Village Captains to distribute the correct amounts to pensioners. As a result, irregularities can occur from payments made to ineligible, deceased, or non-existent persons.

2010 – Initial recommendation № 1.16 (v)

The Head of Budget Agency in collaboration with the Director of Social Services should put systems in place to verify that pensioners in remote areas are in receipt of their Old Age Pension payments.

2019 Follow-up – (recommendation not implemented)

16. The Head of Budget Agency and the Director of Social Services did not put systems in place to verify that pensioners in remote areas were in receipt of their Old Age Pension. We were told that pensioners in Regions № 7, 8 and 9 would give the Village Captains their pension books and national identification cards to encash monthly pension coupons valued at \$20,500 on their behalf. The Village Captains were also authorized and responsible for the distribution of the monies accordingly. However, the Ministry had no control in place to verify that pensioners in those areas received their Old Age Pension and whether the correct amounts were paid to them. As a result, the Ministry could be losing millions from improper payments to ineligible, deceased, or non-existent individuals.

2019 - Recommendation №. 5

The Head of Budget Agency in collaboration with the Director of Social Services should put systems in place to ensure that pensioners in Hinterland Regions are in receipt of their Old Age Pension payments and such documentation be presented for audit verification.

Ministry's Response: The Ministry will work with agents (Toshaos) to ensure pensioners sign an issue sheet, which will be returned to the District Officer to account for books issued to representatives from hinterland communities.

Conclusion

17. The Ministry did not make satisfactory progress on commitments made in response to the observations and recommendations made in the 2010 report. The Old Age Pension Act was not amended with the current eligibility criterion being used to qualify persons for the receipt of an Old Age Pension. In addition, the new Social Assistance Management Information System did not have fields to create a list of immobile pensioners from the population of pensioners. Controls were not in place to verify payments to pensioners in remote areas, as reliance was placed on Village Captains to make payments on the Ministry's behalf. It is important for the Ministry to continue to implement the outstanding recommendations.

Chapter 2

Accuracy, Completeness and Security of the Old Age Pension Database

Findings of 2010 audit report, recommendations and implementation status

18. There were six recommendations in the 2010 audit report for the Ministry to implement in order to correct deficiencies identified. In our follow-up audit, we found that five recommendations were fully implemented and one was not implemented, as outlined in the paragraphs below.

Database updated with new pensioners

What the Audit Office found in 2010

19. The Old Age Pension database was not updated on a regular basis. In October 2009, information relating to new applicants had only been inputted to July 2009. In addition, in October 2009, death returns were received for the period January to September 2009 and the database was only updated with deceased pensioners to July 2009. As a result of the database not being updated in a timely manner with information on new applicants and deceased pensioners, the current status of pensioners in receipt of the OAP was not readily available.

2010 – Initial recommendation paragraph № 2.16 (i)

The Database Administrator should ensure that the database is promptly updated to allow for accuracy and completeness of the Ministry’s pension population.

2019 Follow-up – (recommendation fully implemented)

20. We examined 31 new applications to determine when the information was entered into the database. We found that the database was updated immediately or the same day when new applications were received. In addition, the system was updated monthly when death returns were received from the General Registrar’s Office.

Database processing department had restricted access

What the Audit Office found in 2010

21. Physical access to the rooms where the server and workstations are located were not restricted. There were no signs indicating that only authorised personnel were allowed entry. We observed unauthorized personnel entering the department without challenge, even though the area was considered restricted. We concluded that, unauthorized individuals could have access to the database.

2010 – Initial recommendation paragraph № 2.16 (ii)

The Director of Social Services should restrict access to the Database Processing Department to authorized personnel only.

2019 Follow-up – (recommendation fully implemented)

22. There was a restrictive sign on the door to the Management Information System Unit (MISU), as shown in Figure 1 below. During the audit, we observed that unauthorized persons were not allowed to enter the department, except in one instance where approval was granted to an officer who was allowed entry to clear an issue with one of the database staff.



Fig. 1 –Entrance to MISU (photographed April 2019)

Database access was restricted

What the Audit Office found in 2010

23. There was no segregation of duties among the authorised users of the Old Age Pension database. The Database Administrator and 4 Database Processing Operators had access to create, amend, or delete standing data. As a result, the lack of segregation of duties by the authorised users increased the scope for manipulation.

2010 – Initial recommendation paragraph № 2.16 (iii)

The Head of Budget Agency and Director of Social Services should review the access of users so as to reduce the risk of fraud or misuse.

2019 Follow-up – (recommendation fully implemented)

24. The Ministry took action to have segregation of duties among the authorised users. All Data Entry Clerks have login passwords, which are used to access the database. Only the System Analyst can create, amend, or delete standing data, while only the Assistant Chief Probation Officer has access to view information from the database.

Ministry’s Response: Additional restrictions are built into the new Social Assistance Management Information System.

Reports generated from the database not reviewed

What the Audit Office found in 2010

25. The Audit Office found that the Database Processing Officers generated and maintained issue sheets and stickers daily for new applicants, while reports were generated monthly. However, the monthly reports were not reviewed. As a result, reports generated may have errors.

2010 – Initial recommendation paragraph № 2.16 (iv)

The Director of Social Services in collaboration with the Database Administrator should establish a mechanism to provide evidence of all monthly reviews conducted.

2019 Follow-up – (recommendation not implemented)

26. Reports were only generated upon request by the Director and Deputy Director of Social Services. Reports generated included new applicants and deceased pensioners. However, there was no evidence that the reports were reviewed for accuracy. As a result, errors can go undetected.

2019 - Recommendation №. 6

The Director of Social Services in collaboration with the Database Administrator should ensure that all reports generated from the database are checked by authorised personnel for accuracy and kept as evidence for audit verification.

Ministry's Response: The Ministry will take the necessary steps to implement the Audit Office recommendation.

Pension database was upgraded

What the Audit Office found in 2010

27. We reported that the Ministry used a Universal Serial Bus (USB) flash drive and two external hard disk drives to store backup copies of its database off-site, which were kept by three senior officers. The external hard disk drives were frequently backed up and stored offsite. However, although there were established backup procedures in place, there was no security software on the server and workstations to detect viruses that could be transmitted by the use of USB flash drives.

2010 – Initial recommendation paragraph № 2.16 (v)

The Head of the Budget Agency in collaboration with the Database Administrator should:

- Perform automated daily backups.
- Procure antiviral software for all servers.
- Consider using higher performing servers that can easily accommodate antivirus and database software without degradation of its system performance, as these servers can carry tape drives to allow for regular full system backup.

2019 Follow-up – (recommendation fully implemented)

28. The Ministry acquired a new Social Assistance Management Information System (SAMIS) for the Old Age Pension. The database is backed up daily in the afternoon in two ways. Firstly, it is done locally on backup media and overwritten every day. Secondly, the database is backed up at an offsite location by direct connection. We noted only one officer has access to the offsite storage. In addition, SAMIS is protected by Windows Defender Antiviral.

Database sanitized monthly

What the Audit Office found in 2010

29. We reported that the General Registrar's Office issued death returns to the Ministry every 90 days. These were entered into the Ministry's database on average 41 days after receipt. Therefore, death return information on pensioners was updated into the database between 41 to 131 days.

2010 – Initial recommendation paragraph № 2.16 (vi)

The Head of Budget Agency should collect death return information on a more regular basis from the General Registrar’s Office, since this information is available monthly, so as to ensure the database is promptly sanitized.

2019 Follow-up – (recommendation fully implemented)

30. The Ministry received death returns monthly from the General Registrar’s Office via paper-base and electronic copies. The paper-based copies were retained by the Director of Social Services, while the Information System Department kept the electronic copies. At the time of the audit in April 2019, death returns were verified for the period of January to March 2019.

31. The System Analyst terminated payments to deceased pensioners. To test the system, we randomly selected 20 names from the death returns for the period January to March 2019, to verify whether payments were terminated promptly. We found that payments ceased in the months that the returns were received, indicating that there was improvement in this area.

Conclusion

32. The Ministry has made satisfactory progress on commitments in response to the observations and recommendations in the 2010 audit report. However, it is important that the Ministry continue to address the outstanding issue with regards to the review of reports generated from the database for accuracy in order to improve its operations.

Chapter 3

Security and Control of Pension Books

Findings of the 2010 audit report, recommendations and implementation status

33. In our 2010 audit report, there were five recommendations under this line of enquiry for the Ministry to implement. In our follow-up audit, we found that two recommendations were partially implemented while three were not implemented. The details are highlighted in the paragraphs below.

Contracts for printing pension books deficient

What the Audit Office found in 2010

34. The contracts for printing pension books between the Ministry and the printer were deficient, since a number of clauses were not included therein. The contracts did not include: (a) the duration of the contracts; (b) remedies for breach of contracts; (c) ownership and control of printing software; (d) minimum security standards required at the printer's facility; and (e) responsibility for the disposal of spoilt coupons. We concluded that the Ministry may be exposed to exploitation by the printers.

2010 – Initial recommendation paragraph № 3.16 (i)

The Head of the Budget Agency should ensure that all contracts entered into for the supply of pension books include contractual clauses that protect the interest of the Ministry.

2019 Follow-up – (recommendation partially implemented)

35. We examined a contract submitted for August 2018 and observed that only 3 of the 5 clauses recommended were included. It included the duration of the contract, the remedies for breach of contract and responsibility for the disposal of spoilt coupons. However, clauses relating to the ownership and control of printing software; and the minimum-security standards required at the printer's facility, were not included in the contract. As a result, there is still a lack of control over the printing software, since the software is owned by the printer who also controls the printing of the Old Age Pension books. In addition, minimum security standards required at the printer's facility were also not addressed. As a result, the Ministry was not protected from risks that could occur during the printing process.

2019 - Recommendation №. 7

The Head of the Budget Agency should take steps to ensure that all contractual clauses for the supply of pension books are included to ensure that the Ministry is fully protected and adequate security measures are in place at the printer for the printing of Old Age Pension books.

Ministry lacks control of printing software

What the Audit Office found in 2010

36. The Ministry did not design, have control nor ownership of the software used to print pension books. The supplier, who owned the printing software, also designed and printed the pension books for the Ministry.

2010 – Initial recommendation paragraph № 3.16 (ii)

The Head of the Budget Agency should take measures to obtain ownership of the software for the printing of Old Age Pension books.

2019 Follow-up – (recommendation not implemented)

37. The Ministry still did not own or have control of the software used for printing Old Age Pension books. Rather, the printer still owned and controlled the printing software. The Ministry was responsible for customizing the design of the books, while the printer designed the specimen of the book, which was approved by the Ministry. We were told that the software was also used to print items for other Agencies. So, there is a risk that unauthorized books can be printed.

2019 - Recommendation №. 8

The Head of the Budget Agency should look at options of the Ministry owning its own printing software for the printing of Old Age Pension books, so that there can be control over the use of the software and printing of pension books.

Pension books left unsecured

What the Audit Office found in 2010

38. There was lack of control over pension books and stickers issued to Probation Officers during the distribution process. Unissued pension books and stickers were stored overnight in boxes, officers' bags or brief cases, officer's residence or government vehicles where there was no District Office to secure the unissued books.

2010 – Initial recommendation paragraph № 3.16 (iii)

The Head of Budget Agency in collaboration with the Director of Social Services should review the storage and security measures in place for pension books during distribution process, in an effort to reduce the risk of theft.

2019 Follow-up – (recommendation not implemented)

39. The Head of Budget Agency and the Director of Social Services took no action to improve security measures for storing pension books overnight during distribution. The Probation/Field Officers continued to store unissued pension books and stickers in carrying cases/bags, or in vehicles, and in residences during the distribution process, where there was no District Office to secure the items. Therefore, there is a risk of pension books and stickers being stolen or damaged.

2019 - Recommendation №. 9

The Head of Budget Agency in collaboration with the Director of Social Services should take steps to review the storage and security measures in place for pension books during distribution process, to reduce the risk of theft or the books being damaged.

Pension books not issued were not returned to the stores

What the Audit Office found in 2010

40. On completion of the distribution process, unissued pension books and stickers were not returned to the stores, but were kept in the possession of the Assistant Chief Probation Officer.

2010 – Initial recommendation paragraph № 3.16 (iv)

The Head of Budget Agency and the Director of Social Services should ensure that all unissued books kept by the Assistant Chief Probation Officer are brought to account in the store's records.

2019 Follow-up – (recommendation not implemented)

41. The Ministry did not put systems in place to have unissued pension books returned to the stores. The pension books were returned to the Assistant Chief Probation Officer who kept them. At the time of the audit in April 2019, the Assistant Chief Probation had 474 unissued pension books valued at \$106.742M for the years 2015 to 2017. As a result, the stores record was not updated promptly with all unused pension books for proper accountability.

2019 - Recommendation №. 10

The Head of Budget Agency and the Director of Social Services should ensure that all unissued pension books are returned promptly and brought to account in the store's records.

Ministry's Response: The Ministry will take the necessary steps to implement the Audit Office recommendation.

Lack of quality control checks at Ministry

What the Audit Office found in 2010

42. The Ministry did not have appropriate measures in place to monitor the process for printing pension books and security of the software. In addition, the Ministry did not take responsibility for the collection of the pension books from the printing facility or disposal of spoilt pension books. Also, the Ministry did not verify the completeness and quality of pension books upon delivery. Instead, the responsibility fell on the pensioners and Post Offices representatives to detect any defect or damage coupons. As a result, printing defects were not identified in a timely manner and caused disruption in the payment process.

2010 – Initial recommendation paragraph № 3.16 (v)

The Head of the Budget Agency in collaboration with the Director of Social Services should implement quality control systems for the production and receipt of pension books.

2019 Follow-up – (recommendation partially implemented)

43. The Ministry only implemented quality control systems for the production of pension books. Spot checks were conducted at the printery when books were printed. However, quality control checks were not conducted at the Ministry for the receipt of pension books. We observed that pension books were still in sealed packages, which indicated that they were not checked upon delivery as required. As a result, undetected defective books can be issued to pensioners.

2019 - Recommendation №. 11

The Head of the Budget Agency in collaboration with the Director of Social Services should ensure that quality control checks are conducted by the Storekeeper when pension books are received from the printer to ensure that books are not defective.

Ministry's Response: The Ministry will take the necessary steps to implement the Audit Office recommendation.

Conclusion

44. The Ministry did not make satisfactory progress on commitments made in response to the observations and recommendations under this line of enquiry. It is important that the Ministry continue to address outstanding issues with regard to the verification of the quality of pension books delivered to the Ministry by the printer. In addition, the Ministry needs to improve its security measures for the overnight storage of pension books and stickers issued to Probation Officers during the distribution process. Also, there is need to ensure that there is timely update of unissued pension books in the store's records for proper accountability.

Chapter 4

Reconciliation of Pension Payments to Database

Findings of the 2010 audit report, recommendations and implementation status

45. There were three recommendations under this line of enquiry for the Ministry to implement in order to address the issues identified during the audit. In our follow-up audit, we found that only one recommendation was fully implemented, while the other two were not implemented. The details are highlighted in the paragraphs below.

Pension payments had no separate Line Item

What the Audit Office Found in 2010

46. The Ministry's approved budget did not include a separate line item for the Old Age Pension programme. Instead, the cost estimates were combined with the Social Assistance Programme costs under Line Item 6343, from which releases were obtained and expenditure incurred for both programmes.

2010 – Initial recommendation paragraph № 4.4 (i)

The Head of the Budget Agency in collaboration with Ministry of Finance should institute measures to distinctly account for Old Age Pension payments.

2019 Follow-up – (recommendation not implemented)

47. The Ministry's approved budget still could not distinctly account for Old Age Pension payments, as there was no separate Line Item to account for Old Age Pension. It continued to be accounted for with the Social Assistance Programme under Line Item 6343.

48. In addition, the Old Age Pension programme and the Social Assistance Programme shared the same bank account №. 3191. Records and reconciliations were prepared separately to account for releases and expenditure for the two programmes. Therefore, without reconciliation the Ministry would not be able to account for pensions separately.

L2019 - Recommendation №. 12

The Head of the Budget Agency should (i) engage the Ministry of Finance to distinctly account for Old Age Pension in the Estimates of Expenditure and (ii) have a separate bank account for Old Age Pension payments.

Ministry's Response: The Ministry did not respond to this finding.

Pension payments not in database

What the Audit Office found in 2010

49. The Ministry did not enter monthly pension payments in its database. Pension books serial numbers and the months coupons were paid were also not entered. The Ministry did not reconcile pensioners' payments to the database. The absence of reconciliation can lead to the Ministry being unable to detect pension payment errors.

2010 – Initial recommendation paragraph № 4.4 (ii)

The Director of Social Services should ensure that the database is updated promptly with all payment information, to allow for the detection of error or fraud.

2019 Follow-up – (recommendation not implemented)

50. The Ministry's database was not properly maintained to reflect monthly pension payment information for pensioners. Pension payments from the Guyana Post Office Corporation were still not entered in the Old Age Pension database. In addition, there was no evidence that the Ministry took steps to reconcile the information in the database with the accounting records. In the absence of reconciliation, the Ministry will be unable to detect errors and establish the total amounts paid to pensioners for any given period.

2019 - Recommendation №. 13

The Director of Social Services should put systems in place to have the database updated promptly with all pension payment information and conduct reconciliation, to allow for proper accountability and detection of errors or fraud.

Ministry's Response: Coupons are not reconciled to the pension database. However, a monthly manual reconciliation is done by the Ministry of Social Protection accounts department using the cashed coupons submitted by the Guyana Post Office Corporation against the Guyana Post Office Corporation payment statements.

Bank reconciliation and schedules of payments prepared

What the Audit Office found in 2010

51. Reimbursements cheques for the Guyana Post Office Corporation were deposited into bank account № 3191. We noted at the end of October 2009, that this account was only reconciled to February 2009. Despite preparation of the schedules of payment by the Guyana Post Office Corporation, reconciliation between this record and the Ministry's payment records was not done. As a result, the Ministry could not determine the amounts owed to, or by the Guyana Post Office Corporation.

2010 – Initial recommendation paragraph № 4.4 (iii)

The Head of Budget Agency should ensure that reconciliations for bank account №. 3191 as well as schedules of payment from the Guyana Post Office Corporation and the Ministry should be duly prepared and certified in a timely manner to enable the detection of error or fraud.

2019 Follow-up – (recommendation fully implemented)

52. The Ministry conducted monthly reconciliations with pension coupons reimbursed by the Guyana Post Office Corporation. The reconciliations were prepared by the Special Project Officer, and certified and approved by the Accountant. Reconciliations for reimbursement of paid pension coupons and account № 3191 were presented for the year 2018 and audit checks were conducted to verify the accuracy of the figures.

Conclusion

53. The Ministry did not make satisfactory progress in implementing recommendations made under this line, since only one of three recommendations were implemented. It is vital that the Ministry continue to address the outstanding issues and negotiate with the Ministry of Finance for the Old Age Pension to have its own Line Item and bank account apart from the Social Assistance Programme for separate accountability. Also, the Ministry should input monthly pension payments into the database in order to detect errors or fraud and for proper accountability of pension payments.

About the Audit

The purpose of the follow-up audit was to determine what actions were taken by the Ministry in implementing the 19 recommendations made in the 2010 audit report. Taking account of any changed circumstances or new administrative issues identified as impacting on the implementation of the recommendations.

Scope and Approach

The audit covered the period 1 January 2015 to 30 April 2019. The audit focused on the following lines of enquiry:

- Payment of Old Age Pension
- Accuracy, Completeness and Security of the Old Age Pension Database
- Security and Control of Pension Books
- Reconciliation of Pension Payments to Database

Audit Methodology

We sought to examine whether laws and regulations were followed; and whether there were monitoring and evaluation of activities by the Ministry. We conducted structured interviews with management and staff of the Ministry and staff at three Post Offices in Regions № 3 and 4. In addition, we did observation at three Post Offices when pensioners encashed their pension coupons to determine whether the inner covers of books were signed or thumbprints attached. Also, we obtained and reviewed relevant documents and records and analyzed information collected to arrive at our conclusion.

Audit Recommendations and Status

Lines of Enquiry:

Payment of Old Age Pensions

2010 RECOMMENDATIONS	STATUS		
The Audit Office recommended that the:	Fully Implemented	Partially Implemented	Not Implemented
1) Minister and Head of Budget Agency of the Ministry should ensure that the eligibility criteria applied for the qualification and receipt of an Old Age Pension complies with the Old Age Pension Act.			√
2) Head of the Budget Agency in collaboration with the Director of Social Services should ensure that targets set for the processing of Old Age Pension applications are met, so as to ensure that pensioners do not lose their benefits.			√
3) Director of Social Services in collaboration with the Data Administrator should be able to identify Immobile pensioners from the population of pensioners to allow for an audit trail.			√
4) Head of the Budget Agency and the Director of Social Services should ensure that the inner covers of pension books are signed or thumbprints affixed by pensioners.		√	
5) Head of Budget Agency in Collaboration with the Director of Social Services should put systems in place to verify that pensioners in remote areas are in receipt of their Old Age Pension payments.			√

Accuracy, Completeness and Security of the Old Age Pension Database

2010 RECOMMENDATIONS	STATUS		
	Fully Implemented	Partially Implemented	Not Implemented
The Audit Office recommended that the:			
1) Database Administrator should ensure that the database is promptly updated to allow for accuracy and completeness of the Ministry's pension population.	√		
2) Director of Social Services should restrict access to the Database Processing Department to authorized personnel only.	√		
3) Head of Budget Agency and Director of Social Services should review the access of users so as to reduce the risk of fraud or misuse.	√		
4) Director of Social Services in collaboration with the Database Administrator should establish a mechanism to provide evidence of all monthly reviews conducted.			√
5) Head of the Budget Agency in collaboration with the Database Administrator should: <ul style="list-style-type: none"> • perform automated daily backups; • procure antiviral software for all servers; and • consider using higher performing servers that can easily accommodate antivirus and database software without degradation of its system performance, as these servers can carry tape drives to allow for regular full system backup. 	√		
6) Head of Budget Agency should collect death return information on a more regular basis from the General Registrar's Office, since this information is available monthly, so as to ensure the database is promptly sanitized.	√		

Security and Control of Pension Books

2010 RECOMMENDATIONS	STATUS		
	Fully Implemented	Partially Implemented	Not Implemented
The Audit Office recommended that the:			
1) Head of the Budget Agency should ensure that all contracts entered into for the supply of pension books include contractual clauses that protect the interest of the Ministry.		√	
2) Head of the Budget Agency should take measures to obtain ownership of the software for the printing of Old Age Pension books.			√
3) Head of Budget Agency in collaboration with the Director of Social Services should review the storage and security measures in place for pension books during distribution process, in an effort to reduce the risk of theft.			√
4) Head of Budget Agency and the Director of Social Services should ensure that all unissued books kept by the Assistant Chief Probation Officer are brought to account in the store's records.			√
5) Head of the Budget Agency in collaboration with the Director of Social Services should implement quality control systems for the production and receipt of pension books.		√	

Reconciliation of Pension Payments to Database

2010 Recommendations	STATUS		
The Audit Office recommended that the:	Fully Implemented	Partially Implemented	Not Implemented
1) Head of the Budget Agency in collaboration with Ministry of Finance should institute measures to distinctly account for Old Age Pension payments.			√
2) Director of Social Services should ensure that the database is updated promptly with all payment information, to allow for the detection of error or fraud.			√
3) Head of Budget Agency should ensure that reconciliations for bank account № 3191 as well as schedules of payment from the Guyana Post Office Corporation and the Ministry should be duly prepared and certified in a timely manner to enable the detection of error or fraud.	√		



MINISTRY OF SOCIAL PROTECTION
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Tel: (592) 231-9474/223-6041

20th August, 2019

Ms. Claire James
Audit Manager
Audit Office of Guyana
High Street
Georgetown

Dear Ms. James,

Re: Responses to Old Age Pension follow-up performance audit

Please find attached the Ministry of Social Protection responses to queries from the Old Age Pension follow-up performance audit.

Yours sincerely,

ERM

Mohan Ramrattan
Deputy Permanent Secretary – Finance

Copied to: Ms. Lorene Baird, Permanent Secretary
Mr. Whentworth Tanner, Director of Social Services



RESPONSE TO THE 2010 RECOMMENDATIONS

A REVIEW OF THE OLD AGE PENSION PROGRAMME IN GUYANA

Chapter 1 – Payment of Old Age Pensions

Recommendation №. 1

The Minister and the Head of Budget Agency of the Ministry should ensure that the eligibility criteria applied for the qualification and receipt of an Old Age Pension complies with the OAP Act.

Ministry's response: The Ministry of Social Protection is preparing a formal request to align the Old Age Pension Act with the current procedures and criteria, e.g. means testing of Old Age Pension applications and the 20 years residency provision, will be sent to the Ministry of Legal Affairs for amendment and tabling at Parliament.

Recommendation №. 2

The Head of the Budget Agency in collaboration with the Director of Social Services should ensure that targets set for the processing of Old Age Pension application are met, so as to ensure that pensioner do not lose their benefits.

Ministry's response: The Ministry has made several changes which have reduced the processing time of OAP applications to 10 working days. Further, the Ministry expects to reduce the processing to less than 10 working days with the operationalization of the New Social Assistance Management Information System (SAMIS).

Recommendation №. 3

The Director of Social Services in collaboration with the Data Administrator should be able to identify shut-ins (Immibile) from its population of pensioners to allow for an audit trail.

Ministry's response: The New Social Assistance Management Information System will enable the Ministry to generate a separate shut-ins list.

Recommendation №. 4

The Head of the Budget Agency and the Director of Social Services should ensure that the inner covers of pension books are signed or thumbprints affixed by pensioners.

Ministry's response: Even though pensioners are required to sign on the inner-cover of the pension books, for the purpose of payment, emphasis is placed on matching the pensioner's signature on their national identification card with the signature on the coupon presented for payment.

It has been long standing practice for the Ministry to distribute Old Age Pension books to pensioners in November and December to facilitate pensioners being able to access their Old Age Pension benefits on the first working day of the New Year.

Recommendation №. 5

The Head of Budget Agency in Collaboration with the Director of Social Services should put systems in place to verify that pensioners in remote areas are in receipt of their Old Age Pension payments.

Ministry's response: The Ministry will work with agents (Toshaos) to ensure pensioners sign an issue sheet, which will be returned to the District Officer to account for books issued to representatives from hinterland communities.

Chapter 2 – Accuracy, Completeness and Security of the Old Age Pension Database

Recommendation №. 3

The Head of Budget Agency and Director of Social Services should review the access of users so as to reduce the risk of fraud or misuse.

Ministry's response: Additional restrictions are built into the new Social Assistance Management Information System.

Recommendation №. 4

The Director of Social Services in collaboration with the Database Administrator should establish a mechanism to provide evidence of all monthly reviews conducted.

Ministry's response: The Ministry will take the necessary steps to implement the Audit Office recommendation.

Chapter 3 – Security and Control of Pension Books

Recommendation №. 1

The Head of Budget Agency should ensure that all contracts entered into for the supply of pension books include contractual clauses that protect the interest of the Ministry.

Ministry's response: No response was received from the Ministry.

Recommendation №. 2

The Head of Budget Agency should take measures to obtain ownership of the software for printing of Old Age Pension books.

Recommendation №. 3

The Head of Budget Agency in collaboration with the Director of Social Services should review the storage and security measures in place for pension books during distribution process, in an effort to reduce the risk of theft.

Ministry's response: No response was received from the Ministry.

Recommendation №. 4

The Head of Budget Agency and the Director of Social Services should ensure that all unissued books kept by the Assistant Chief Probation Officer are brought to account in the store's records.

Ministry's response: The Ministry will take the necessary steps to implement the Audit Office recommendation.

Recommendation №. 5

The Head of the Budget Agency in collaboration with the Director of Social Services should implement quality control systems for the production and receipt of pension books.

Ministry's response: The Ministry will take the necessary steps to implement the Audit Office recommendation.

Chapter 4 – Reconciliation of Pension Payments to Database

Recommendation №. 1

The Head of Budget Agency in collaboration with the Ministry of Finance should institute measures to distinctly account for Old Age Pension payments.

Ministry's response: No response was received from the Ministry.

Recommendation №. 2

The Head of Budget Agency should ensure that reconciliations for bank account № 3191 as well as schedules of payment from the Guyana Post Office Corporation and the Ministry should be duly prepared and certified in a timely manner to enable the detection of error or fraud.

Ministry's response: Coupons are not reconciled to the pension database. However, a monthly manual reconciliation is done by the Ministry of Social Protection accounts department using the cashed coupons submitted by the Guyana Post Office Corporation against the Guyana Post Office Corporation payment statement.