

**AUDITED FINANCIAL STATEMENTS OF THE
DEMERARA HARBOUR BRIDGE CORPORATION**

**FOR THE YEAR ENDED
31 DECEMBER 2017**

**CONTRACTED AUDITORS: HLB, R. SEEBARRAN & CO.
CHARTERED ACCOUNTANTS/
BUSINESS AND FINANCIAL
SERVICES**

**AUDITORS: AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA**

AUDITED FINANCIAL STATEMENTS OF THE
DEMERARA HARBOUR BRIDGE CORPORATION
FOR THE YEAR ENDED 31 DECEMBER 2017

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Audit Office of Guyana

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34/PC: 70/2/2021

6 May 2021

Mr. Jaikarran Jagnanan
Finance Manager
Demerara Harbour Bridge Corporation
Peter's Hall
East Bank Demerara.

Dear Mr. Jagnanan,

AUDIT OF THE FINANCIAL STATEMENTS OF THE
DEMERARA HARBOUR BRIDGE CORPORATION
FOR THE YEAR ENDED 31 DECEMBER 2017

Please find attached six (6) copies of the audited financial statements, together with the report of the Auditor General, thereon.

Should you need any further explanation, please do not hesitate to contact us.

With best regards.

Yours sincerely,


NHarcourt
Nichette Harcourt
Audit Manager (ag.)
for Auditor General



Audit Office of Guyana

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AG: 50/2021

6 May 2021

REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF THE BOARD OF DIRECTORS
OF THE DEMERARA HARBOUR BRIDGE CORPORATION
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Adverse Opinion

Chartered Accountants HLB, R. Seebarran and Company have audited on my behalf the financial statements of Demerara Harbour Bridge Corporation, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 1-27.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the accompanying financial statements do not present fairly the financial position of Demerara Harbour Bridge Corporation as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

In 2017, the Corporation did not maintain adequate records and controls over the quantity of various raw materials used in the production of asphalt. No other records were available to me to verify raw materials used in the production process, production output, abnormal loss and sales.

In the absence of records to confirm the accuracy and completeness of raw materials used in the production of asphalt, abnormal loss and my inability to correlate these with the sales and to carry out alternative audit procedures to confirm same, I was unable to satisfy myself that the balance of \$980,475,000 and \$494,466,000 shown in the financial statements as income and raw material costs (used in production) respectively for the Asphalt Plant are materially correct.

The Corporation expended from the Asphalt Plant's funds, the sum of \$153,250,000 to conduct a feasibility study on the proposed new Harbour Bridge as approved by Government during the year. However, an investigation conducted by the Public Procurement Commission concluded that the sum expended on this feasibility study was in breach of the Public Procurement Act. As a result, I could not conclude that the sum expended was approved in all material respect for the business of the Corporation.

Advances to Courtney Benn Contracting Services Limited for services amounted to \$179,882,446 at 31 December 2017. Management confirmed that this balance was reduced to \$139,252,114 at the time of concluding the audit. Included in this balance are un-serviced contracts coming forward from 2012. In addition, performance and advance guarantee bonds were not renewed when expired which placed the Corporation at a credit risk of \$139,252,114 if the supplier fails to honour the contracts.

In accordance with section 4 of the Corporation Tax Act, the Asphalt Plant operation may be subject to corporation tax as it is carrying on a commercial activity. However, given that the Asphalt Plant operation was transferred by the Ministry of Public Infrastructure to Demerara Harbour Bridge Corporation which was incorporated under an Act of Parliament, management is uncertain about its tax status. This matter is still ongoing with the Guyana Revenue Authority at the time of issuing this report. Should the Corporation be required to pay corporation tax, then the amount will be material to the financial statements.

I conducted my audit in accordance with International Standards on Auditing (ISAs) issued by the International Federation of Accountants (IFAC), the International Standards of Supreme Audit Institutions (ISSAIs) and the Audit Act 2004. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Guyana, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and ISSAIs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

The financial statements comply with the Demerara Harbour Bridge Corporation Act 2003.



AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA

INDEPENDENT AUDITORS' REPORT

To the Auditor General

**On the financial statements of Demerara Harbour Bridge Corporation
For the year ended December 31, 2017**

Adverse Opinion

We have audited the financial statements of Demerara Harbour Bridge Corporation, which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 1 to 27.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying financial statements do not give a true and fair view of the financial position of Demerara Harbour Bridge Corporation as at December 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

- (1) In 2017, the Corporation did not maintain adequate records and controls over the quantity of various raw materials used in the production of asphalt. No other records were available to us to verify raw materials used in the production process, production output, abnormal loss and sales.

In the absence of records to confirm the accuracy and completeness of raw materials used in the production of asphalt, abnormal loss and our inability to correlate these with sales and to carry out alternative audit procedures to confirm same, we were unable to satisfy ourselves that the balance of \$980,475,000 and \$494,466,000 shown in the financial statements as income and raw materials costs (used in production) respectively for the Asphalt Plant are materially correct.

- (2) The Corporation expended from the Asphalt Plant's funds the sum of \$153,250,000 to conduct a feasibility study on the proposed new Harbour Bridge as approved by Government during the year. However, an investigation conducted by the Public Procurement Commission concluded that the sum expended on this feasibility study was in breach of the Public Procurement Act. As a result, we could not conclude that the sum expended was approved in all material respect for the business of the corporation.

Partners: Ramesh Seebarran-FCCA; S. Ramnarain-FCCA|MBA

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73 Canje Street & Stone Avenue, Section K, Campbellville, Georgetown, Guyana.

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(3) Advances to Courtney Benn Contracting Services Limited for services amounted to \$179,882,446 at December 31, 2017. Management confirmed that this balance was reduced to \$139,252,114 at the time of the concluding the audit. Included in this balance are un-serviced contracts coming forward since 2012. In addition, performance and advance guarantee bonds were not renewed when expired which placed the Corporation at a credit risk of \$139,252,114 if the supplier fails to honour the contracts.

(4) In accordance with Section 4 of the Corporation Tax Act, the Asphalt Plant operation may be subject to corporation tax as it is carrying on a commercial activity. However, given that the Asphalt Plant operation was transferred by the Ministry of Public Infrastructure to Demerara Harbour Bridge Corporation which was incorporated under an Act of Parliament, management is uncertain about its tax status. This matter is still ongoing with the Guyana Revenue Authority at the time of issuing this report. Should the Corporation be required to pay corporation tax, then amount will be material to the financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Guyana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The financial statements comply with the DEMERARA HARBOUR BRIDGE CORPORATION ACT 2003.

HLB, R. Seebarran & Co

HLB, R. Seebarran & Co
Chartered Accountants
73 Canje Street & Stone Avenue,
Section 'K', Campbellville,
Georgetown

February 27, 2021

DEMERARA HARBOUR BRIDGE CORPORATION

Statement of Financial Position

As at December 31, 2017

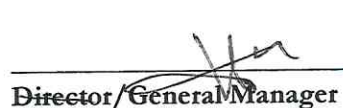
	Notes	2017 G\$000	2016 G\$000
ASSETS			
Non-current assets			
Property, plant & equipment	3	1,782,528	1,662,987
Total non-current assets		1,782,528	1,662,987
Current assets			
Inventory	4	715,400	877,008
Trade and other receivables	5	546,175	878,870
Cash and cash equivalents	6	1,210,754	963,915
Total current assets		2,472,329	2,719,793
Total Assets		4,254,857	4,382,780
EQUITY AND LIABILITIES			
Capital & reserves			
Government's contribution	7	1,886,316	2,170,053
Accumulated surplus - Asphalt Plant		1,659,197	1,610,131
Accumulated surplus-DHBC		627,059	495,412
		4,172,572	4,275,596
Current liabilities			
Trade and other payables	8	82,285	107,184
Total current liabilities		82,285	107,184
Total equity & liabilities		4,254,857	4,382,780

These financial statements were approved by the Board of Directors for issue on 03-27-2018

On behalf of the board of Directors



 Chairman



 Director/General Manager

The accompanying notes form an integral part of these financial statements

DEMERARA HARBOUR BRIDGE CORPORATION
Statement of Comprehensive Income
For the year ended December 31, 2017

	Notes	2017 G\$000	2016 G\$000
Income	9	<u>827,252</u>	<u>529,174</u>
		827,252	529,174
Less:			
Operating expenses	10	<u>512,424</u>	<u>510,371</u>
Gross surplus		314,828	18,803
Add:			
Other income	11	<u>5,567</u>	<u>25,246</u>
		320,395	44,049
Less Expenses			
Administrative	12	188,185	120,854
Directors' fee	13	<u>724</u>	<u>684</u>
		188,909	121,538
Net surplus/(deficit) for the year		131,486	(77,489)
OTHER COMPREHENSIVE INCOME			
Changes in amortization of Government reserve		161	4,883
Asphalt's Plant surplus	14	<u>49,066</u>	<u>565,111</u>
Total other comprehensive Income		49,227	569,994
Total net surplus for the year		<u>180,713</u>	<u>492,505</u>

The accompanying notes form an integral part of these financial statements

DEMERARA HARBOUR BRIDGE CORPORATION
Statement of Changes in Equity
For the year ended December 31, 2017

	Government Grant G\$000	Asphalt Plant G\$000	Accumulated surplus G\$000	Total G\$000
Balance at December, 31, 2015	2,324,048	1,045,020	568,018	3,937,086
Changes in net Government Contribution reserve	-	-	4,883	4,883
Surplus/deficit for the year	-	565,111	(77,489)	487,622
Subvention for the year	150,000	-	-	150,000
Amortization for the year	(303,995)	-	-	(303,995)
Balance at December, 31, 2016	2,170,053	1,610,131	495,412	4,275,596
Changes in net Government Contribution reserve	-	-	161	161
Surplus for the year	-	49,066	131,486	180,552
Subvention for the year	1,950	-	-	1,950
Amortization for the year	(285,687)	-	-	(285,687)
Balance at December, 31, 2017	1,886,316	1,659,197	627,059	4,172,572

The accompanying notes form an integral part of these financial statements

DEMERARA HARBOUR BRIDGE CORPORATION

Statement of Cash Flows

For the year ended December 31, 2017

	2017 G\$000	2016 G\$000
Cash flows from operating activities		
Net profit/(loss) for the year	131,486	(77,548)
Asphalt plant profit	49,066	565,111
Depreciation charge	187,527	154,204
Operating profit before changes in working capital	368,079	641,767
Changes in working capital		
(Increase)/decrease in inventory	161,608	63,631
(Increase)/decrease in trade and other receivables	332,694	(162,378)
Increase/(decrease) in trade and other payables	(24,899)	35,545
Net changes in working capital	469,403	(63,202)
Cash generated from operations	837,482	578,565
Net cash flow from operating activities	837,482	578,565
Cash flows from investing activities		
Property, plant & equipment - acquisitions	(592,594)	(517,557)
Net cash flows from investing activities	(592,594)	(517,557)
Cash flows from financing activities		
Government subvention received	1,950	150,000
Net cash flows from financing activities	1,950	150,000
Net Increase/(Decrease) in cash & cash equivalent	246,839	211,008
Cash & cash equivalents at January 01,	963,915	752,907
Cash & cash equivalents at December 31,	1,210,754	963,915
Cash & cash equivalents as shown in the statement of financial position		
Cash & cash equivalent	1,210,754	963,915
Total	1,210,754	963,915

The accompanying notes form an integral part of these financial statements

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2017

1 Incorporation and principal activity

The Corporation was incorporated through an Act of Parliament (ACT No. 2 of 2003, Demerara Harbour Bridge Act 2003) on April 30, 2003. The functions of the Corporation are (a) To collect the tolls prescribed for every vehicle for its passage on the bridge; (b) To collect the marine tolls for ocean going vessels, trawlers and coastal vessels for their passage through the Bridge; (c) To collect all fees, dues or other monies payable to the Corporation under any regulations made under the Road Act; (d) To carry on all other activities the carrying on of which appears to be requisite, advantageous or convenient for or in connection with the discharge of its functions.

In September 2013, management was directed by Cabinet of Government to manage the operations of the Asphalt Plant located at Garden of Eden. The principal activity of this entity is the manufacturing and sale of asphalt to the Ministry of Public Infrastructure and third party contractors.

Background information

The Demerara Harbour Bridge is a floating steel structure 6,074 feet in length which extends across the Demerara River from Peter's Hall on the East Bank to Pln. Meer Zorgen on the West Bank, Demerara. It was commissioned on August 2, 1978. Currently, an average of 9,000 plus vehicles traverse the bridge daily.

It is a vital link between Regions 3 and 4 and enables ready access of agricultural and manufacturing goods and product to markets and ports in Georgetown and other outlying areas. The bridge superstructure is of galvanized steel and has been in place serving the populace since 1978 (39 years). There were problems with the pontoons during the period 1988-1994. However, during the period 1995-1998, a total of 104 of the 122 pontoons were rehabilitated under the DHB Rehabilitation Project financed by the European Union at a cost of some US\$10m. Also, under this project was the Rehabilitation of the Retractor Spans which now enable them to operate more reliable and efficiently.

The Demerara Harbour Bridge operated under various Management Structure since its inception but in the Financing Agreement signed between the European Union (EU) and the Government of Guyana, it was agreed that the entity would be autonomous. In May 2003, the Government through an Act of Parliament created a Public Corporation namely the Demerara Harbour Bridge Corporation to manage and operate the bridge. The Corporation's aim is to provide a safe and reliable public service. It is managed by a Board of Directors appointed by the Minister of Public Works now the Ministry of Public Infrastructure.

2 Significant accounting policies

(a) **Basis of preparation**

These financial statements have been prepared under the historical cost convention and no account has been taken of inflation. The accounting policies conform with International Financial Reporting Standards (IFRS).

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2017

2 Significant accounting policies con't

(b) Adoption of new and revised International Financial Reporting Standards (IFRSs)

The following amendments and interpretations to published standards are effective for the current financial statements period but it has been determined that they have an immaterial impact on the financial statements or are not relevant to the corporation's operations:

New standards, interpretations and amendments adopted

- IFRS 5 Amended to add specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued (effective from January 1, 2016)
- IFRS 7 Amended to add guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements (effective from January 1, 2016)
- IFRS 9 Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective January 1, 2015).
- IFRS 10 Amendments regarding applying the Consolidation Exception and sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments effective January 1, 2016)
- IFRS 11 Amendments relating to accounting for Acquisitions of Interests in Joint Operations (effective January 1, 2016)
- IFRS 12 Amendments regarding the application of the consolidation exception (effective January 1, 2016)
- IFRS 12 Disclosure of Interests in Other Entities (effective January 1, 2017)
- IFRS 14 Regulatory Deferral Accounts (effective January 1, 2016)
- IAS 1 Disclosure Initiative (Amendments to IAS 1) (Amendments effective January 1, 2016)
- IAS 7 Disclosure Initiative (effective January 1, 2017)
- IAS 9 Amended to clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (effective from January 1, 2016)
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (effective January 1, 2017)
- IAS 16 Clarification of Acceptable Methods of Depreciation (effective January 1, 2016)
- IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27) effective January 1, 2016)
- IAS 28 Amendments regarding to the application of the consolidation exception (effective January 1, 2016)
- IAS 34 Amended to clarify the meaning of 'elsewhere in the interim report' and require a cross-reference (effective from January 1, 2016)
- IAS 38 Clarification of Amortisation method (effective January 1, 2016)

Standards and amendments issued but not yet effective

- IFRS 2 Classification and Measurement of Share-based Payment Transactions (effective January 1, 2018)
- IFRS 9 Financial Instruments: Classification and Measurement/complete version - (effective January 1, 2018)
- IFRS 15 Revenue from contracts with customers (effective January 1, 2018)
- IFRS 16 Accounting for leases (effective from January 1, 2019)

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2017

2 Significant accounting policies con't

(b) Explanation of adoption of new and revised International Financial Reporting Standards (IFRSs)

IFRS 10 : Consolidated Financial Statements

This IFRS requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The Standard identifies the principles of control and introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee.

IFRS 12: Disclosure of Interests in Other Entities

This standard requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 7: Financial Instruments: Disclosures

Amends the disclosure requirements in IFRS 7 Financial Instruments: Disclosures, to require information about all recognised financial instruments that are set off.

The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements.

The application of these amendments in IAS 32 and IFRS 7 have resulted in more disclosures being made with regard to offsetting financial assets and financial liabilities.

IAS 38: Intangible Assets

In May 2014, the IASB clarified when the use of a revenue-based amortisation method is appropriate. It introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated

Explanation of Standards and amendments issued but not yet effective

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2017

2 Significant accounting policies (continued)

(b) Explanation of adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

IFRS 9: Financial Instruments

The IASB proposed to issue this IFRS in three phases: Phase 1 (Classification and measurement of financial assets and liabilities), Phase 2 (Impairment methodology), and Phase 3 (Hedge Accounting). The first phase was issued in November 2009 and was initially required to be applied from 1 January 2013. However, new requirements were added in October 2010 and the effective dates was deferred and then removed. This standard specifies how an entity should classify and measure its financial assets and liabilities.

In December 2011, the IASB deferred the mandatory effective date of IFRS 9 which is available for application if the relevant date of initial application is before February 1, 2015. In November 2013, the IASB reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9.

In July 2014, the IASB issued the completed version of IFRS 9, incorporating requirements for classification and measurement, impairment, general hedge accounting and de-recognition. The effective date is now January 1, 2018.

The application of IFRS 9 may have significant impact on amounts reported in respect of the Company's financial assets and financial liabilities when adopted and will be disclosed.

When adopted, the standard will be applied retrospectively in accordance with IAS 8.

IFRS 11: Joint Arrangements

Amendments to IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to: (a) apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11 and (b) disclose the information required by IFRS 3 and other IFRSs for business combinations.

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2017

2 Significant accounting policies (continued)

(b) **Explanation of adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)**

IFRS 15: Revenues from Contracts with Customers

In May 2014, IFRS 15- Revenue from Contracts with Customers, was issued to replace IAS 11 and 18, IFRIC 13,15, and 18 and SIC-31. IFRS 15 provides a comprehensive framework for recognising revenue from contracts with customers. It provides a single, principles based five-steps model to be applied to all contracts with customers. The five steps are (1) Identify the contract with the customer (2) Identify the performance obligations in the contract (3) Determine the transaction price (4) Allocate the transaction price to the performance obligations in the contract and (5) Recognise revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

IFRS 15 was supposed to be effective from January 1, 2017, however in September 2015, the IASB passed an amendment to differ the effective date to January 1, 2018.

IFRS 16: Leases

This new standard replaces IAS 17 and provides guidance on recognition, measurement, and disclosures of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

(d) **Critical accounting judgments and key sources of estimation uncertainty**

In the application of the corporation's accounting policies, which are described in note 2, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation and uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the financial statements:

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2017

2 Significant accounting policies (continued)

i) Useful lives of Property, plant and equipment

Management reviews the estimated useful lives of property, plant and equipment at the end of each year to determine whether the useful lives should remain the same.

ii) Impairment of financial assets

Management makes judgement at the end of each reporting period to determine whether financial assets are impaired. Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

(e) Derecognition of financial assets

The corporation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the corporation recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

(f) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(g) Income Recognition

Income is dealt with in these financial statements on the accrual basis. Income comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the corporation's activities.

(h) Expenses Recognition

Expenses are recognised on the accrual basis.

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2017

2 Significant accounting policies (continued)

(i) Reporting Currency

These financial statements are stated in Guyana dollars. Foreign currency transactions during the year are translated at the exchange rates prevailing at the date of the transaction. At the end of the reporting period, assets and liabilities denominated in foreign currencies are translated into Guyana dollars at the exchange rates ruling at that date. Gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the Statement of Comprehensive Income for the period, except for exchange differences arising on non-monetary assets and liabilities where the change in fair value are recognised in the statement of comprehensive income.

(j) Non - Current Assets

Property, plant & equipment.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight line method. A full year's depreciation is charged in the year of acquisition and none in the year of disposal. The following annual rates are used:

Buildings	5%
Motor Vehicles	25%
Office furniture/fittings	15%
Electronic equipment (computers etc)	33.33%
Equipment (office, mechanical, electrical, etc)	15%
Bridge components	
(i) End post/junction post, sheaves etc	25%
(ii) pontoons	6.67%
(iv) Chains	25%

(k) Impairment of tangible assets

At each reporting date, management reviews the carrying amounts of the tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the management estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognized immediately in the profit and loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2017

2 Significant accounting policies (continued)

(l) Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or administrative decisions.

(m) Inventory

Inventory comprised mainly of deck plates, chains, spares and consumables, sand, stone, bitumen, fuel, etc which are stated at the lower of cost and net realizable value. Cost is calculated based on invoice values plus duty and freight and any other direct costs. Inventory is issued using the first in first out method.

(n) Trade and other receivables

The corporation's income is on a cash basis except in a few instances where credit is allowed. The Asphalt Plant's operation is on a credit basis. Trade and other receivables are recognised initially at fair value and without interest charge.

(o) Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments. These are readily convertible to known amounts of cash, with maturity dates of three (3) months or less.

(p) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) Provisions

Provisions are recognised when the corporation has a present obligation (legal or constructive) as a result of a past event, if it is probable that the corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation.

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2017

2 Significant accounting policies (continued)

(r) Taxation

The corporation is not subject to taxation on income generated from the Bridge operation.

(s) Operating segment - IFRS

An operating segment is a component of an entity:

- (a) That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity).
- (b) Whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- (c) For which discrete financial information is available

The Asphalt Plant's operation is considered as an operating segment of the DHBC. Consequently, its financial statements are consolidated with the operation of the DHBC.

DEMERARA HARBOUR BRIDGE CORPORATION
Notes to the Financial Statements
For the year ended December 31, 2017

	EU funded		Operational										Asphalt's plant Assets									
	Funded by Government of Guyana		Rehabilitation /Development Works	Rehabilitation /Development Works	Vehicles	Equipment and Machinery	Rehabilitation /Development Works	Buildings	Furnitures & Fixtures	Vehicles	Equipment and Machinery	Electronic Equipment	Plant & Scale	Building	Vehicles	Equipments	Office Equipment	Furniture	Total			
	G\$000	G\$000	G\$000	G\$000	G\$000	G\$000	G\$000	G\$000	G\$000	G\$000	G\$000	G\$000	G\$000	G\$000	G\$000	G\$000	G\$000	G\$000	G\$000			
3 Costs																						
At January 1, 2017	1,380,135	4,529,503	4,481	10,338	417,988	128,841	17,477	103,913	97,372	124,752	59,611	42,633	21,073	154,037	21,193	6,134	7,119,480					
Additions	-	283,680	-	-	225,076	10,069	1,380	-	20,299	21,053	-	9,648	3,600	9,775	7,023	994	592,597					
Transfer of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
At December 31, 2017	1,380,135	4,813,183	4,481	10,338	643,064	138,910	18,857	103,913	117,671	145,805	59,611	52,281	24,673	163,812	28,216	7,128	7,712,077					
Accumulated Depreciation																						
At January 1, 2017	1,380,135	3,320,947	4,481	10,338	320,189	27,218	11,837	96,252	67,298	109,247	23,910	7,666	7,871	57,035	9,782	2,286	5,456,492					
Depreciation charged for the year	-	285,525	-	-	81,363	6,916	1,823	4,673	11,758	15,994	8,226	2,614	5,868	40,266	6,747	1,283	473,056					
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
At December 31, 2017	1,380,135	3,606,472	4,481	10,338	401,552	34,134	13,660	100,925	79,056	125,241	32,136	10,280	13,739	97,301	16,529	3,569	5,929,548					
Net Book Value																						
At January 1, 2017	-	1,208,555	-	-	97,799	101,623	5,639	7,660	30,074	15,505	35,700	34,966	13,202	97,001	11,410	3,848	1,662,987					
At December 31, 2017	-	1,206,710	-	-	241,512	104,776	5,196	2,987	38,615	20,564	27,474	42,000	10,934	66,510	11,686	3,559	1,782,528					

DEMERARA HARBOUR BRIDGE CORPORATION
Notes to the Financial Statements
For the year ended December 31, 2017

	Operational													Total G\$000		
	Funded by Government of Guyana						Asphalt's plant Assets									
	Development / Works G\$000	Rehabilitation /Development Works G\$000	Vehicles G\$000	Equipment and Machinery G\$000	Rehabilitation /Development Works G\$000	Buildings G\$000	Furnitures & Fixtures G\$000	Vehicles G\$000	Equipment and Machinery G\$000	Electronic Equipment G\$000	Plant & Scale G\$000	Building G\$000	Vehicles G\$000	Equipments G\$000	Office Equipment G\$000	Furniture G\$000
3 Costs																
At January 1, 2016	1,380,135	4,205,553	4,481	10,338	390,935	115,003	15,148	103,913	93,747	105,170	51,563	42,633	8,010	56,423	14,191	4,681
Additions	-	323,950	-	-	27,053	13,838	2,329	-	3,625	19,582	8,048	-	13,063	97,614	7,002	1,453
Transfer of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At December 31, 2016	1,380,135	4,529,503	4,481	10,338	417,988	128,841	17,477	103,913	97,372	124,752	59,611	42,633	21,073	154,037	21,193	6,134
Accumulated Depreciation																
At January 1, 2016	1,380,135	3,021,835	4,481	10,338	267,178	20,805	10,013	86,571	57,354	94,347	15,684	5,535	2,603	20,496	4,489	1,311
Depreciation charged for the year	-	299,112	-	-	53,011	6,413	1,824	9,681	9,944	14,900	8,226	2,131	5,268	36,539	5,293	975
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At December 31, 2016	1,380,135	3,320,947	4,481	10,338	320,189	27,218	11,837	96,252	67,298	109,247	23,910	7,666	7,871	57,035	9,782	2,286
Net Book Value																
At January 1, 2016	-	1,183,717	-	-	123,757	94,198	5,134	17,341	36,393	10,823	35,878	37,097	5,407	35,926	9,701	3,370
At December 31, 2016	-	1,208,555	-	-	97,799	101,623	5,639	7,660	30,074	15,505	35,700	34,966	13,202	97,001	11,410	3,848

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2017

4 Inventory

The composition of inventory is as follows:

	<u>2017</u> <u>G\$000</u>	<u>2016</u> <u>G\$000</u>
<i>DHBC</i>		
Deck plates, spares & consumables etc	618,688	800,204
<i>Asphalt Plant</i>		
Raw materials and consumables	96,712	76,804
	<u>715,400</u>	<u>877,008</u>

5 Trade and other receivables

The balance shown as trade and other receivables includes monies owed by customers, Government agencies, and advances to suppliers. The composition is as follows:

<i>DHBC</i>			
Trade receivables		223	308
Other receivables	(a)	2,387	40,942
Prepayments	(b)	201,381	309,408
<i>Asphalt Plant</i>			
Trade receivables	(c)	312,216	485,967
Prepayments		25,749	42,245
Loan receivable		4,219	-
		<u>546,175</u>	<u>878,870</u>

(a) This balance concern amounts owed by the Ministry of Public Works for services provided.

(b) This amount represents advances made to contractors for servicing and construction of pontoons and other assets. The major contractor is

Courtney Benn Contracting Services Limited.	<u>179,882</u>	<u>258,119</u>
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(c) This balance concerns amount owed by customers of the Asphalt Plant for asphaltic concrete supplied. Included in this balance are the following amounts:

Ministry of Public Infrastructure	190,171	366,873
Courtney Benn Contracting Services Limited	32,728	44,129
	<u>222,899</u>	<u>411,002</u>

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2017

6 Cash & cash equivalents

Cash and cash equivalent are comprised of cash on hand and cash at bank as follow:

	2017 G\$000	2016 G\$000
<i>DHBC:</i>		
Cash on hand	298	278
Cash at bank	119,656	71,991
	<u>119,954</u>	<u>72,269</u>
<i>Asphalt Plant:</i>		
Cash on hand	200	200
Cash at bank	848,972	688,701
Fixed deposit	241,628	202,745
	<u>1,090,800</u>	<u>891,646</u>
	<u><u>1,210,754</u></u>	<u><u>963,915</u></u>

7 Government contribution

All contributions received from the Government of Guyana are amortised by the depreciation of the assets funded by the subvention received.

Balance at January 1	2,170,052	2,324,047
Amortisation for the year	(285,686)	(303,995)
Amount received during the year	2,000	150,000
Refund to the consolidated fund	(50)	-
	<u>(283,736)</u>	<u>(153,995)</u>
Balance at December 31,	<u><u>1,886,316</u></u>	<u><u>2,170,052</u></u>

The amount stated as Government's subvention is represented by the following assets:

	2017 G\$000	2016 G\$000	Changes G\$000	Changes G\$000
Inventory	482,520	659,194	(176,674)	(97,228)
Equipment, vehicles and machinery	1,206,710	1,208,555	(1,845)	24,838
to	197,086	302,303	(105,217)	(81,605)
	<u><u>1,886,316</u></u>	<u><u>2,170,052</u></u>	<u><u>(283,736)</u></u>	<u><u>(153,995)</u></u>

DEMERARA HARBOUR BRIDGE CORPORATION
Notes to the Financial Statements
For the year ended December 31, 2017

Government contribution (continued)

	2017 G\$000	2016 G\$000
Changes in amortisation of reserve		
Amortisation of government subvention	285,686	303,995
Depreciation on assets relating to subvention	(285,525)	(299,112)
	<u>161</u>	<u>4,883</u>

This balance concern changes in items in the Government's subvention reserve recognised in the statement of Comprehensive Income

8 Trade and other payables

The amount shown as trade and other payables represents monies owed to suppliers and advance received . The details are as follow:

DHBC

Trade payables and accruals - DHBC	26,471	14,533
Refund outstanding to the consolidatde fund	-	9,987

Asphalt Plant

Trade payables and accruals	38,851	29,099
Advance from contractors (a)	16,963	53,565
	<u>82,285</u>	<u>107,184</u>

(a) This balance concern advances received from contractors for asphaltic concrete which were supplied in 2017.

9 Income by segment

Vehicular toll	800,346	500,577
Marine toll	22,358	20,698
Special crossing	1,600	6,500
Truck scale	2,948	1,399
	<u>827,252</u>	<u>529,174</u>

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2017

		2017 G\$000	2016 G\$000
10 Operating expenses			
Traffic management services	(a)	132,738	123,565
Structural maintenance services	(b)	78,297	126,852
Electro/mechanical services	(c)	123,693	100,764
Dredge operation services	(d)	19,941	14,018
Labour contract		31,985	33,601
Contractual works		3,243	15,794
Depreciation		122,527	95,777
		512,424	510,371
(a) Traffic management services			
Advertisement		6,341	3,715
Bank charges		684	910
Cleaning and sanitation		2,436	874
Contractual works		1,670	4,490
Electricity		18,424	18,640
Employment costs		74,894	65,101
Fuel & Lubricants		1,025	952
Gifts/donations		-	48
Gratuity		10,817	9,867
Licence and legal fees		3,217	565
Rental of equipment		24	-
Repairs and maintenance		5,078	8,699
Stationery and general expense		7,268	9,155
Telephone		412	218
Compensation		448	331
		132,738	123,565
(b) Structural maintenance services			
Bridge maintenance		10,885	41,753
Contractual works		5,757	5,826
Employment costs		37,903	35,367
Fuel & lubricants		1,030	1,022
Gratuity		5,470	5,886
Repairs and maintenance		3,527	2,349
Rental of equipment		2,895	19,236
Stationery and general expense		7,888	8,893
Severance pay		2,942	6,520
		78,297	126,852

DEMERARA HARBOUR BRIDGE CORPORATION
Notes to the Financial Statements
For the year ended December 31, 2017

	2017 G\$000	2016 G\$000
(c) Electro/Mechanical services		
Bridge maintenance	3,910	3,059
Employment costs	81,838	68,362
Fuel & lubricants	5,719	3,597
Gratuity	12,533	11,352
Repairs and maintenance	10,652	7,906
Stationery and general expense	8,835	6,370
Telephone Charges	206	118
	123,693	100,764
(d) Dredge operation services		
Employment costs	13,879	11,154
Fuel & Lubricants	1,767	737
Gratuity	1,568	1,399
Repairs and maintenance	2,247	446
Stationery and general expense	480	282
	19,941	14,018
11 Other income		
Contractual Work (bridge repairs)	2,100	23,765
Penalty fine	220	40
Sale of tender documents	90	69
Settlement of damages	210	1,086
Towing charges	137	164
Other revenue	1,437	122
Light house	1,373	-
	5,567	25,246

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2017

	2017 G\$000	2016 G\$000
12 Administrative		
Employment costs	87,341	77,763
Gratuity	11,292	10,854
Repairs and maintenance	4,452	2,533
Stationery and general expense	12,117	14,180
Fuel & lubricants	2,284	1,789
Telephone charges	2,284	1,703
Advertisement	254	79
Electricity	4,606	4,660
Gifts/donations	3,747	6,051
Bank charges	812	454
Contractual works	26	788
Oversea travelling	1,766	-
Irrecoverable debts	57,204	-
	<u>188,185</u>	<u>120,854</u>

13 Directors' fee

Fees paid to the directors of the Corporation for the year are as follows:

Shabir Hussain	96	144
Joseph Holder	168	120
Claudette Rogers	150	120
Rafeza Hussein	150	120
Mandy Sukhdeo	10	120
Aslim Singh	150	60
	<u>724</u>	<u>684</u>

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2017

	2017 G\$000	2016 G\$000
14 Operating segment - Asphalt Plant		
Income		
Ministry of Public Works/Public Infrastructure	637,468	1,158,417
Private Contractors	332,808	518,722
Fixed deposit interest	1,382	1,413
Rental of equipment/drying sand	4,532	-
Cold mix	192	-
Adjustements for prior year receivables	4,113	-
	<u>980,495</u>	<u>1,678,552</u>
Expenditure		
Raw materials - Aggregates	161,890	269,657
Raw materials - Bitumen	260,884	470,226
Raw materials - Kerosene	71,692	50,829
Fuel and lubricants	4,176	8,714
Transportation	13,308	26,090
Repair and maintenance services	28,606	39,773
Other administrative	172,865	158,398
Duty	-	19,311
Inventory adjustment	(558)	12,011
Feasibility study for New Bridge	153,250	-
Irrecoverable debts	312	-
Depreciation	65,004	58,432
	<u>931,429</u>	<u>1,113,441</u>
Operating profit	<u><u>49,066</u></u>	<u><u>565,111</u></u>

15 Key management personnel

The key management personnel of the corporation are as follow:

Rawlston Adams - General Manager
 Jaikaran Jagnanan - Finance/Admin Manager
 Brion Singh - Traffic Manager
 Christopher Grannum - Maintenance Engineer

Gross remuneration paid to the key management personnel for the year which is included in employment cots is as follow:

Gross remuneration and gratuity	25,557	25,043
	<u><u>25,557</u></u>	<u><u>25,043</u></u>

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2017

16 Taxation

In September 2013, management was directed through an approval by the Cabinet of Government to manage the operations of the Asphalt Plant located at Garden of Eden. In the absence of a contractual arrangement, they are uncertain as to whether the profit generated are subject to taxation. At the time of finalising these financial statements, management was in the process of seeking clarity from the Guyana Revenue Authority.

17 Pending litigations

There is no pending litigation at the time of the audit.

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2017

18 Analysis of financial assets and liabilities by measurement basis

	Loans & receivable G\$000	Other Financial assets and liabilities at amortised cost G\$000	Total G\$000
December 31, 2017			
ASSETS			
Inventories	-	715,400	715,400
Trade and other receivables	546,175	-	546,175
Cash and cash equivalents	-	1,210,754	1,210,754
	546,175	1,926,154	2,472,329
LIABILITIES			
Trade and other payables	-	82,285	82,285
	-	82,285	82,285
December 31, 2016			
ASSETS			
Inventories	-	877,008	877,008
Trade and other receivables	878,870	-	878,870
Cash and cash equivalents	-	963,915	963,915
	878,870	1,840,923	2,719,793
Liabilities			
Trade and other payables	-	107,184	107,184
	-	107,184	107,184

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2017

19 Financial Risk Management

Financial risk management objectives

The Corporation's management monitors and manages the financial risks relating to the operations of the corporation on an ongoing basis. These risks include market risk (currency risk, and price risk), credit risk and liquidity risk.

The corporation seeks to minimise the effects of these risks by the use of techniques that are governed by management's policies on foreign exchange risk, and credit risk which are approved by the Board.

(a) Market risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors (such as interest rate risk, and foreign currency risk) affecting all securities traded in the market.

The corporation's exposure to market risk arises from its financial assets and liabilities. Management continually identifies, evaluates, and diversifies risks in order to minimise the total cost of carrying such risk.

(i) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The corporation risks that are associated with the effects in interest rates is considered minimal.

(ii) Currency risk

The Corporation's exposure to the effects of fluctuations in foreign currency exchange rates arise mainly from foreign currency transactions with its suppliers. The currency which the Corporation is mainly exposed to is United States Dollars. The effect of this risk is considered minimal.

(b) Liquidity risk

Liquidity risk is the risk that the corporation will encounter difficulty in raising funds to meet its commitments associated with financial instruments.

The Corporation manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form.

The following table shows the distribution of assets and liabilities by maturity:

DEMERARA HARBOUR BRIDGE CORPORATION
Notes to the Financial Statements
For the year ended December 31, 2017

19 Financial Risk Management (continued)

Liquidity risk

	2017		
	<1 years G\$000	1 to 5 years G\$000	Total G\$000
Assets			
Trade and other receivables	-	546,175	546,175
Cash and cash equivalents	1,210,754	-	1,210,754
	1,210,754	546,175	1,756,929
Liabilities			
Trade and other payables	82,285	-	82,285
	82,285	-	82,285
Net assets/(liabilities)	1,128,469	546,175	1,674,644
	2016		
	<1 years G\$000	1 to 5 years G\$000	Total G\$000
Assets			
Trade and other receivables	-	878,870	878,870
Cash and cash equivalents	963,915	-	963,915
	963,915	878,870	1,842,785
Liabilities			
Trade and other payables	107,184	-	107,184
	107,184	-	107,184
Net assets/(Liabilities)	856,731	878,870	1,735,601

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2017

19 Financial Risk Management (continued)

(c) Credit risk

Credit risk is the risk that financial loss may arise from the failure of customers or counterparties to meet their contractual obligations. The credit risk arises principally from cash resources, and receivables.

Cash and bank include balances held at financial institutions. These banks have been assessed by the Directors as being credit worthy, with strong capacity to meet their obligations as they fall due. The related risk is therefore considered very low.

For receivables, the corporation has adopted a policy of offering limited credits to approved customers (companies). The major risk of credit exposure is advances paid to suppliers as shown under trade and other receivables.

The corporation's exposure to credit risk are continuously being monitored by managements to ensure that amounts/services are recovered on a timely basis and that bad debts are minimized. The corporation is significantly exposed to credit risk from a single supplier who is being paid advances for services to be received over more than one accounting period. The corporation does not hold any security from this customer.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements.

The table below shows the Corporation's maximum exposure to credit risk.

	2017 G\$000	2016 G\$000
Gross maximum exposure:		
Trade and other receivables	546,175	878,870
Cash and cash equivalents	1,210,754	963,915
Total credit risk exposure	<u>1,756,929</u>	<u>1,842,785</u>

Where financial instruments are recorded at fair value the amounts shown above represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

20 Capital risk management

The Corporation manages its capital structure to ensure that it will be able to continue as a going concern while maximising its returns through the optimisation of Contributions received and equity (retained earnings) balance. The Corporation's overall strategy remains unchanged to date.

The capital structure of the Corporation consists of cash equivalents and equity comprising contribution received and retained earnings.

February 24, 2021

The Board of Directors
Demerara Harbour Bridge Corporation
Peters Hall,
East Bank Demerara.

Dear Sirs,

Re: Management letter for the year ended December 31, 2017

We have concluded the audit of Demerara Harbour Bridge Corporation for the year ended December 31, 2017.

Our examination included a review of the accounting records and procedures adopted by the company in compliance with International Standards on Auditing, Income Tax Act, and the Harbor Bridge Corporation Act. During the course of our examination, we noted certain matters relating to procedures and controls of the company which we consider should be brought to your attention.

You will appreciate that our normal audit procedures are designed primarily to enable us to express an opinion on the true and fair view of the financial statements of the company. Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls, and therefore our comments do not include all possible improvements in internal controls which might result from a special review.

The matters being reported are limited to those deficiencies which came to our attention during the course of our audit and which we consider are of sufficient importance to merit the attention of those charged with governance of the company.

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Partners: Ramesh Seebarran-FCCA; S. Ramnarain-FCCA|MBA

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The matters raised on the following pages have been discussed with management, and their comments on each matter raised have been included in this letter.

Please note that this letter has been provided for the purposes of those charged with governance, and therefore it may not be suitable for other purposes.

Finally, we would like to record our appreciation of the courtesy and co-operation extended to us by management.

We look forward to a continuing mutually beneficial relationship with you.

Yours sincerely,



R. Seebarran

1. Trade Receivables

Reporting matter

- (a) We again noted that Performance and Advance Guarantee Bonds have not been renewed when they expired. As reported in **Appendix 1**, the performance and advance bonds for outstanding work totaled \$139,252,114 as at October, 2019 have all expired.

We had verified letters sent to the suppliers to refund their advances for the years 2008-2012 and request for their remaining bonds to be renewed. However, no refunds were received to date and neither have the bonds been renewed. This is a significant and a serious weakness in the administration of contracts.

- (b) Several advance payments were made to suppliers for services and the supply of inventory which amounted to \$197,086,446 at December 31 2017. Included in this balance is \$179,882,446 which was advanced to Courtney Benn Contracting Services Limited (CBCSL) for services/ inventory which was partially completed at the time of this audit. It is clear that CBCSL is using Government funds without proper approval.
- (c) The Transport and Harbour Department owed the Corporation \$28,385,116. This balance has gradually increased from 2013 to the end of 2015 for works done. In 2016, this balance has remained the same as \$28,385,116. This amount has not been received to date as confirmed by management.
- (d) In addition, an amount of \$17,204,000 was advance to MARAD in 2008. While the Corporation is claiming that the work was not received to date, MARAD has indicated that more documentation is required for them to confirm this balance as being payable to the Corporation.

Potential Effect

Trade and other receivables balance is overstated by these amounts in the financial statements as they may not be recoverable.

Recommendation

- (a) Management should ensure that securities/prepayment bonds are renewed when they fall due.

In addition, the Corporation should provide advances only when the services and inventory are required so as to avoid significant cash advances for very long time lapse. Example, when the pontoons are about to be constructed or advance on account based on satisfactory work done based on progress reports.

- (b) We strongly recommend that management assess the recoverability of advance payments made to Courtney Benn Contracting Services Limited (C.B.C.S.L) given that some of the advance payments were made since 2012.
- (c) We would appreciate management comments on how and when this amount will be recovered by the Corporation.
- (d) Management should pursue this balance. If the amount is not recoverable then the amount should be written off.

Management comments

(a,b & c) CBCSL indebtedness as at 23rd December, 2019 was **\$139,252,114** (reduced from \$179,882,446 as at 31-12-2017). After consultations, the Ministry of Public Infrastructure has being engaging this contractor to accelerate the progress of the remaining works and the contractor is still committed to complete these works which are still on going.

(d) Noted

2. Fixed Assets

Reporting matter

- (a) There are several assets which are being used by the corporation but have no net book value. In accordance with the Conceptual Framework, particularly the 'Matching Concept', revenue earned is required to be matched against the corresponding expenses to have a realistic view of performance. In the corporation's case, there are other assets with no value that are being used to generate revenue while there is no corresponding depreciation cost to match against the revenue earned.

We were advised by management that a revaluation was done solely on motor vehicles on April 8, 2018. The Ministry of Public Infrastructure had appointed a valuation officer named Mr. Leslie Sobers and vehicles registered prior 2005 now have a NBV (Net Book Value) and this will be reflected in 2018 year-end financial statements.

- (b) We have looked at management's impairment review which was done and discussed at the Board level on February 21, 2017 in response to our 2014 management letter. This verification shows a significant number of fixed assets that is unserviceable and may have to be written off. However, a decision is still pending as the Board has expired and an appointment of a new Board is pending.
- (c) Assets that are no longer working have not being disposed; instead they are logged in a book referred to as the "Logged Book". The Log book does not have any asset ID code assigned to the assets and as a result, we cannot verify them to the assets register to ensure that depreciation is not charged.

Potential Effects

- (a) It could not be ascertained as to whether all of the assets are in accordance with the Conceptual framework. Assets which do not have book value may be understated.
- (b) The amount shown as plant, property and equipment may be overstated.

Recommendation

- (a) We recommend that management consider when revaluing the assets to reflect their carrying values. Management should also relook at the depreciation rates to determine whether they are appropriate to write off the assets over their expected useful lives. This may avoid assets being written off whilst still being in use.
- (b) We recommend that management take action to ensure the impairment review is use as a basis to update the register as soon as possible.
- (c) The Board should review the assets recorded in the 'logged book' and approve them for disposals to ensure that the assets register includes assets that are in good working condition and that the depreciation charges are appropriate taking into consideration the lives of the assets.

Management comments

(a & b) This will be reviewed as recommended.

(c) Noted

3. Payroll

Reporting matter

During the audit, tests on payroll for both monthly and fortnightly during which, we were unable to verify the salary for twenty one (21) employees to their personal files since the files were not updated with their salary increases or a letter to this effect or memorandums issued by the Government.

In addition, the employee's contracts were not renewed timely to agree with the salary being paid.
See appendix 2.

Potential Effect

We were unable to confirm the amounts stated on the payrolls to the amount in the employees' personnel files.

Recommendation

Management should ensure that staffs are informed of increases in salary and copy of the correspondences placed in their files.

Management comments

The Human Resources Department was established in 2017. Presently all staff are being informed of increases in salaries and copy of the correspondences are retained in their respective files.

4. Journals Passed with no supporting evidence

Reporting matter

We noted that a substantial amount of journals processed during the year without adequate controls over them. For example: a file with the evidence supporting the journals, the reason for them, or who prepared and approved them was not available.

Recommendation

Management should prepare a journal file with the evidence supporting the journals, the reason for the journals, or who prepared and approved the journals.

Management comments

A journal file with the journals and their supporting documents is available.

5. Bank reconciliations

Reporting matter

In reviewing bank reconciliations prepared, we could not determine whether they were reconciled and reviewed on a timely basis by the responsible staff since there was no evidence as to when the bank reconciliation was being prepared, reviewed and approved.

Potential effect

Control procedures not being followed may result in errors and discrepancies going unnoticed.

Recommendation

Management should ensure that control procedures are being followed consistently.

Management comments

A bank reconciliation statements file is available.

6. Toll income

Reporting matter

It was noted that the two monthly sales report done in excel being selected for audit fieldwork did not agree to the QuickBooks when compared. Please see below for table showing the differences:

<i>Month selected for audit testing</i>	<i>QuickBooks report (G\$)</i>	<i>Excel report (G\$)</i>	<i>Difference (G\$)</i>
May	70,071,810	69,706,290	\$365,520
December	74,388,840	73,919,092	\$469,748
		<i>Total differences:</i>	<i>\$835,268</i>

Potential effect

Reported income for the period maybe understated.

Recommendation

Management should review accounts monthly to ensure all income is being captured.

Management comments

For May, 2017, the difference is \$50,780 (and not \$365,520) which represents deficits that were recovered from staff wages.

For December 2017 differences, this is currently being reviewed.

7. Trade and other payables

Reporting matter

We noted that management continues to recognise expenses on a cash basis. For example we observed that bills/invoices totaling \$3,532,716 which represent expense incurred in 2017 were posted in 2018 when the payments were made.

Recommendation

In accordance with the features of QuickBooks which is in line with the accrual concept of accounting, expenses must be posted on the date the expenses incurred, that is the date on the bills/invoices.

Management comments

The accrual concept of accounting is being adhered to and this transaction may have occurred inadvertently due to staff movement.

8. Inventories

Reporting matter

- (a) We noted instances where we noted that the Corporation's accounting policy for inventory was incorrectly applied. While the costing for purchasing of inventories are accurately done, we are uncertain how the costs of issuing are done. For example, in the snap below shows that the average cost of inventories were changed from \$2,408 to \$2,406.35 and then \$2,404.5 although no further receipts of inventories were made.

The unit costs should have remained at \$2,408 until further receipts of inventories were made.

Type	Date	Name	Num	Qty	Cost	On Hand	Calculated Avg	Asset Value
A0013 (Amrorall Protectant)								
Item Receipt	01-03-2017	Sankar's Autoworks	SRN # 19506	12.00	28,728.00	18.00	2,408.00	43,344.00
Inventory Adjust	01-06-2017		34922	-1.00		17.00	2,406.35	40,908.00
Inventory Adjust	01-06-2017		34921	-1.00		16.00	2,404.50	38,472.00
Inventory Adjust	01-09-2017		34929	-1.00		15.00	2,404.50	36,067.50
Inventory Adjust	01-17-2017		34691	-1.00		14.00	2,404.50	33,663.00

- (b) Another example below shows that average costs mover from \$495 to \$458.26 although they were receipts of inventories to change the unit costs

B0255 (Battery Torch Light)

Check	01-11-2017	ARK Enterprise	2017/01/26	24.00	11,880.00	24.00	495.00	11,880.00
Inventory Adjust	01-17-2017		35101	-6.00		18.00	492.93	8,872.78
Inventory Adjust	03-08-2017		35650	-2.00		16.00	491.69	7,867.10
Inventory Adjust	04-07-2017		36058	-2.00		14.00	490.10	6,861.42
Inventory Adjust	04-26-2017		35843	-2.00		12.00	487.98	5,855.74
Inventory Adjust	04-27-2017		35844	-2.00		10.00	485.01	4,850.06
Inventory Adjust	05-18-2017		36454	-2.00		8.00	480.55	3,844.38
Inventory Adjust	06-15-2017		36286	-2.00		6.00	473.12	2,838.70
Inventory Adjust	06-26-2017		36858	-2.00		4.00	458.26	1,833.02
Check	07-06-2017	ARK Enterprise	2017/07/09	24.00	11,880.00	28.00	489.75	13,713.02
Inventory Adjust	07-28-2017		37170	-2.00		26.00	489.26	12,720.78
Inventory Adjust	09-05-2017		36847	-2.00		24.00	488.69	11,728.54
Inventory Adjust	10-16-2017		37897	-2.00		22.00	488.01	10,736.30
Inventory Adjust	11-07-2017		37727	-6.00		16.00	484.97	7,759.58
						16.00		7,759.58

Recommendation

We recommend that management review its costing system in line with its accounting policy.

Management comments

QuickBooks uses an average method of valuing inventories based on the remaining quantities. This will be reviewed as recommended.

9. Managing stock card

Reporting matter

(a) We noted that a quantity of 300 10ft deck plates were modified into 5ft deck plates during the year. According to the stock ledger for 10ft deck plates the value of the 300 plates issued for

modification was \$88,912,500. The cost for modification was \$11,745,000 based on payment certification.

This means that the total value of the modified 300 10ft deck plates should have been \$100,657,500 (88,912,500+11,745,000). However, the value included in the stock ledger for the 5ft deck plates was \$97,047,714 a difference of \$3,609,786.

- (b) In addition, the modification costs were paid from the account of the Corporation since no funds were received from the Government for this work. As such, the modification cannot be included in the cost of the inventories funded by the Government if the corporation intends to continue manage the inventories funded by the Government separately.
- (c) Further, when reviewing the stock card for the 5ft Deck plates and the stock ledger we noted that issuing and receiving date of inventories in the stock ledger differ from the stock card, for example the 600 modified deck plates were received in the stock card on July 30, 2017 but posted to the stock ledger on November 30, 2017.

The effect of this as stated below is that inventories quantity and value on hand was in negative between the periods August to November 2017.

Type	Date	Num	Qty	Cost	On Hand	Calculated Avg	Asset Value
Inventory Adjust	08-02-2017	37185	-1.00		-1.00	148,188.00	(148,188)
Inventory Adjust	08-04-2017	37193	-1.00		-2.00	148,188.00	(296,376)
Inventory Adjust	08-04-2017	37197	-1.00		-3.00	148,188.00	(444,564)
Inventory Adjust	08-09-2017	37213	-2.00		-5.00	148,188.00	(740,940)
Inventory Adjust	08-17-2017	37236	-4.00		-9.00	148,188.00	(1,333,692)
Inventory Adjust	08-23-2017	37309	-1.00		-10.00	148,188.00	(1,481,880)
Inventory Adjust	08-28-2017	37333	-1.00		-11.00	148,188.00	(1,630,068)
Inventory Adjust	08-30-2017	37341	-2.00		-13.00	148,188.00	(1,926,444)
Inventory Adjust	09-05-2017	37564	-1.00		-14.00	148,188.00	(2,074,632)
Inventory Adjust	09-07-2017	37571	-2.00		-16.00	148,188.00	(2,371,008)
Inventory Adjust	09-12-2017	37585	-2.00		-18.00	148,188.00	(2,667,384)
Inventory Adjust	09-13-2017	37587	-1.00		-19.00	148,188.00	(2,815,572)
Inventory Adjust	10-12-2017	37887	-1.00		-20.00	148,188.00	(2,963,760)
Inventory Adjust	10-16-2017	37893	-4.00		-24.00	148,188.00	(3,556,512)
Inventory Adjust	10-17-2017	38003	-1.00		-25.00	148,188.00	(3,704,700)
Inventory Adjust	10-17-2017	38002	-3.00		-28.00	148,188.00	(4,149,264)
Inventory Adjust	10-25-2017	38027	-2.00		-30.00	148,188.00	(4,445,640)

Inventory						
Adjust	10-26-2017	38034	-3.00	-33.00	148,188.00	(4,890,204)
Inventory						
Adjust	10-31-2017	38053	-1.00	-34.00	148,188.00	(5,038,392)
Inventory						
Adjust	11-15-2017	38255	-1.00	-35.00	148,188.00	(5,186,580)
Inventory						
Adjust	11-16-2017	38257	-1.00	-36.00	148,188.00	(5,334,768)
Inventory						
Adjust	11-23-2017	38280	-2.00	-38.00	148,188.00	(5,631,144)
Inventory						
Adjust	11-30-2017	2017/8/11M	600.00	562.00	161,746.19	90,901,356
Inventory						
Adjust	12-12-2017	39028	-3.00	559.00	161,764.42	90,426,313
Inventory						
Adjust	12-19-2017	39048	-2.00	557.00	161,776.69	90,109,618
Inventory						
Adjust	12-21-2017	38456	-2.00	555.00	161,789.05	89,792,923
Inventory						
Adjust	12-27-2017	38462	-2.00	<u>553.00</u>	161,801.50	<u>89,476,228</u>
Total GOG P0195 (Deck Plate 5 Ft)				553.00		89,476,228

(d) Moreover, while they were no further receipts of inventories after the 600 receipts, the unit costs continues to increase with every issue from \$161,746.19 to \$161,801.50 as noted above. This is not in line with the Corporation accounting policy which is the average costs method of valuing inventories.

Recommendation

We recommend that management relook at the accounting procedures and the accounting policy for issuing and valuing of inventories.

Management comments

This will be reviewed as recommended

10. IFRS 9 Implementation

Reporting Matter

Management should take note that the implementation of International Financial Reporting Standards 9 is effective for the financial reporting period January 1, 2018. This standard outlines the following **two options** in replacing IAS 39 classification and measurement of financial assets:

- (a) Financial assets measured at amortised costs
- (b) Financial assets measured at fair value – Gains/losses are either recognised in the profit and loss statement or other comprehensive income (certain conditions apply)

This standard also provide for a 12 months expected credit loss or Lifetime expected credit loss where significant risk arise since initial recognition occurs. This means that the corporation receivables that are long overdue will be required to be written off.

Recommendation

Management should assess the impact of this standard on its trade and other receivables and the impairment that will be required.

Management comments

This is noted and will be reviewed

11. Refund to the consolidation fund

Reporting matter

During the year the Corporation refunded the amounts of \$9,397,600 to the consolidated fund, which represent the balance of received in the year 2015 and remains unspent. However, in accordance with the Fiscal Management and Accountability Act Chapter 73:02, Section 43, this amount should have been refunded in 2015.

Recommendation

We recommend that management ensure full compliance with Fiscal Management and Accountability Act in refunding unspent subsidies received.

Management comments

The majority of this sum relates to a tender for the supply of wire ropes which was subsequently cancelled due the tenderer sample not meeting the requisite technical specifications.

12. Employment cost

Observation

Based on the reconciliation done between the amounts stated in the financial statements as employment cost compared to the amount stated on the employer's return, an unreconciled difference of \$53.8m was noted.

	2017 G\$	Total G\$
Employment Cost in Financial Statements		327,480,594
Less: NIS -Employer's Group contribution	17,832,238	
Employees contribution group	1,711,385	(19,543,623)
		<u>307,936,971</u>
Stated in the FORM 2A Employers return		254,046,407
Difference between FORM 2A & Employment costs:		<u><u>53,890,564</u></u>

Recommendation

Management should ensure that the amount stated as employment cost agrees to information submitted on the employer's return.

Management comments

The total 2017 employment costs is \$321.6m which is inclusive of both taxable and non-taxable costs. The amounts stated on Form 2A represents the taxable costs that was verified by GRA.

Appendices

Appendix 1:

YEAR	Payment Voucher #	PAYEE	Description of Contract	Contract Sum	Value of Contract Completed	Value of Works Outstanding	Remarks
2012	02-10-12	CBCSL	Supply and Driving of Cluster Piles	52,330,800	-	52,330,800	Bond Expired
2014	2014/09/09	CBCSL	Rehabilitation of eighteen (18) pontoons	117,225,000	63,208,332	54,016,668	Bond Expired
2016	2016/12/04	CBCSL	Fabrication of 10 pontoons	61,925,540	29,020,894	32,904,646	Bond Expired
			TOTAL	231,481,340	92,229,226	139,252,114	

Appendix 4

<u>Monthly Staff</u>	<u>Basic salaries / Wages</u>	<u>Findings during the audit</u>
Andre Crowder	\$253,372	In accordance to his Employment contract, it states "The person engaged shall be paid at a rate of \$239,030 per month with effect from 11 September, 2017. This person is receiving this amount since January 2017. The person is not being paid in accordance to his contract with the Corporation.
Diane Lopes	\$283,556	According to the Employment Contract, it stated \$283,556 per month with effect from 1st September 2017. The Corporation is paying her this amount effective since January 2017. It is evidential in the payroll testing done.
Christopher Grannum	\$369,902	Payroll states he is being paid \$369,902 for January 2017. However, his Contract states "The person engaged shall be paid a salary at a rate of \$369,902 per month with effect from 29 th September, 2017.
Ayanna Williams	\$198,689	She is being paid \$198,689 stated in the December payroll. Her Contract of Agreement states "with effect from 1 st March 2018, this person shall be paid \$198,687 per month".
Koomal Daywati	\$214,915	Payroll for January she is being paid \$214,915, however, her increment letter states \$214,915 per month with effect from 1st September, 2017.
Brion Singh	\$352,288	According to the Employment contract, it stated " the person shall be paid at a rate of G\$352,288 per month with effect from 28 th August, 2016
Ryan Arjune	\$206,637	According to his contract with the Corporation, it states "shall be paid at the rate of \$206,637 per month with effect from 26 th September 2017. This is not so in the

		case due to Corporation is paying him since in January 2017.
Hemraj Persaud	\$198,689	His contract is not in accordance with the payroll at the time of the audit. His contract states “ \$198,689 per month effect from 4 th July 2018” and his payroll in December shows \$198,689.
Fortnightly staff		
Andy Wilson	\$29,494	His contract is effected from 14 th February 2017 and shall be paid \$29,494. This is not in accordance with his employment contract. In this case, this has been paying to employee effective from January 2017.
Kelvin Griffith	\$30,726	This is not in accordance with his Employment contract with the Corporation. The Corporation is paying him this amount since January 2017.
Padmore Tony	\$30,158	Contract of Employment states \$30,158 shall be paid with effect from January 1 st 2018. In this case, this has been paying to employee effective from December 2017.
Germaine Wharton	\$31,854	Contract of Agreement states “the person shall be paid at a rate of \$31,854 per month with effect from 12 th February 2018. The Corporation has being paying this individual since in December 2018.
Roman Pollard	\$34,147	Contract of Employment states “ <i>The person engaged shall be paid a salary at the rate of \$73,986 per month (fortnight \$34,147) with effect from 13th October 2018.</i> This person has being receiving pay since in December 2017.
Vernon Jordan	\$53,759	This employee is being paid \$53,759 in December 2017 payroll. His Agreement with Corporations states “shall be paid a salary of \$53,759 with effect from 14 th Jan, 2018.
Anthony Ron	\$42,908	Contract of Agreement states “the person shall be paid at a rate of \$42,908 per month with effect from 7 th

		May 2017. This person is being receiving pay of this amount since in January 2017.
Stewart Patricia	\$32,209	This employee is being paid \$32,209 from January 2017. The Contract of Agreement states "the person shall be paid at a rate of \$32,209 with effect from April 2 nd , 2017.
Munroe Karen	\$33,256	His contract states " <i>shall be paid a salary at the rate of \$72,055 per month /Forthnight \$33,256) with effect from 9th October 2017. However, this is not in accordance. The Corporation is being paying him since January 2017.</i>
Majeed Bazilo	\$69,874	Employee contract states \$69,878 with effect from 11 th March, 2017. However, the Corporation has being paying this employee the amount since January 2017.
Dodson Joel	\$41,997	Employee contract states " shall be paid at the rate of \$38,886 with effect from 23 rd January 2017. There was no incremental increase or any senior management report stating his increase of \$41,997.
Sinclair Rockel	\$35,916	The Corporation is paying this individual since December 2017 and his contract states " <i>The person engaged shall be paid a salary at the rate of 435,916 fortnight with effect from 6th August 2018</i> "
Gennel Hicks	\$38,438	Employment contract states " <i>The person engaged shall be paid a salary at the rate of \$83,282 per month or \$38,438 fortnight</i>). This is not in accordance with the payroll. She is being paid this amount since in January 2017.

February 24, 2021

Board of Directors
Demerara Harbour Bridge Corporation - Asphalt Plant Operations
Peters Hall
East Bank Demerara.

Dear Sirs,

Re: Management letter for the year ended December 31, 2017

We have concluded the audit of Asphalt Plant operations which is under the control of the Demerara Harbour Bridge Corporation for the year ended December 31, 2017.

Our examination included a review of the accounting records and procedures adopted by the company in compliance with International Standards on Auditing, Income Tax Act, and the Demerara Harbor Bridge Corporation Act 2003. During the course of our examination, we noted certain matters relating to procedures and controls of the company which we consider should be brought to your attention.

You will appreciate that our normal audit procedures are designed primarily to enable us to express an opinion on the true and fair view of the financial statements of the company. Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls, and therefore our comments do not include all possible improvements in internal controls which might result from a special review.

The matters being reported are limited to those deficiencies which came to our attention during the course of our audit and which we consider are of sufficient importance to merit the attention of those charged with governance of company.

All comments we have made are those where we consider improvements to systems and processes will benefit the company.

The matters raised on the following pages have been discussed with management of the company, and their comments on each matter raised have been included in this letter.

Please note that this letter has been provided for the purposes of those charged with governance, and therefore it may not be suitable for other purposes.

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Finally, we would like to record our appreciation of the courtesy and co-operation extended to us by management.

We look forward to a continuing mutually beneficial relationship with you.

Yours sincerely,


R. Seebarran

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1. Production & Sales

During the 2013 audit, production books were kept in sequential order which showed the date of production, time of production, production output and the quantity of various raw materials used in production.

However, with effect from 2014 this procedure ceased, which resulted in no records being kept of raw materials used in production except for an excel workbook maintained at the Asphalt Plant. This workbook includes an estimate of the raw materials used in production. They are no independent controls over this workbook and as such we could not have placed audit reliance on it.

Notwithstanding these limitations, we were able to verify daily production report which shows the quantity and delivery of asphalt. However, the correlation of this production to adequate reports of raw materials could not have been established. Consequently, we could not analyse the costs of production to the production output (asphalt), and to sales. In addition, we could not have ascertained the level of efficiency through normal /abnormal loss in production.

Alternative audit procedures

In adopting alternative audit procedures to confirm the reasonableness of production costs, output and sales, the following were noted:

- (a) There continues to be various standards for mixture and measurement of raw materials used in production.
- (b) The Corporation supplies two course of Asphalt which uses different standards for mixture of raw materials.

We attended and witness a sample of production on May 30, 2018 where raw materials were weighed before and after production. The result is shown in the table below "Raw materials per a tonne of Asphalt".

Raw Materials	U/M	Raw materials per a tonne of Asphalt	Production quantity for the year	Total quantity for the year G\$	Average cost per unit G\$	Total costs of production G\$000	Cost provided by mgt G\$000	Variance G\$000
Sand	Ton	0.29	26,022	7,425	1,000	7,425	9,450	(2,024)
Stone	Ton	0.29	26,022	7,546	8,741	65,963	63,350	2,613

Sifting	Ton	0.53	26,022	13,829	7,403	102,378	89,091	13,287
Bitumen	Ltr	51.30	26,022	1,334,930	156	208,249	260,884	(52,635)
Kersoine & Diesel Mixture	Ltr	12.41	26,022	322,933	158	51,023	71,692	(20,669)
						<u>435,039</u>	<u>494,467</u>	<u>(59,428)</u>

As noted from the above table, the variance is \$59.4m or 12% of total production costs reported by management which is material to the financial statements.

We further attempted to carryout alternative audit procedures using management's best estimates which resulted in the cost of production being lower than actual by \$26.2m or 5.3% when compared to financial statements as noted below.

Raw Materials	U/M	Raw materials per a tonne of Asphalt	Production quantity for the year	Total quantity used for the year	Average price per unit G\$	Total costs of production G\$000	Cost provided by mgt G\$000	Variance G\$000
Sand	Ton	0.36	26,022	9,450	1,000	9,450	9,450	0
Stone	Ton	0.28	26,022	7,386	8,741	64,562	63,350	1,212
Sifting	Ton	0.47	26,022	12,199	7,403	90,311	89,091	1,220
Bitumen	Ltr	65.55	26,022	1,705,665	156	266,084	260,884	5,200
Kersoine & Diesel Mixture	Ltr	9.19	26,022	239,142	158	37,784	71,692	(33,908)
						<u>468,192</u>	<u>494,467</u>	<u>(26,275)</u>

We noted from Board minutes for 2017 that the Directors took a decision to implement a system where raw materials were being weighted and a report prepared and submitted to the Board monthly. However, this process was ended on June 12, 2017 as a result of trucking costs in the sum of \$7m incurred for the period.

Effect

In the absence of records and adequate information, we were unable to verify the accuracy of the costs of production and the completeness of sales in relation to production.

We were also unable to carry out further alternative audit procedure to satisfy ourselves that the amount shown as production costs and output were complete and accurate.

Recommendation

As previously recommended, daily reports should be prepared for raw materials purchased, usage, variances to standard production and matched to sales. These reports should be reviewed and approved by management continuously as a measure of effective internal controls.

Management comments

This matter will be addressed to have daily sheets prepared and approved to show engineers best estimate of materials consumed in production. Installation of our new asphalt plant will produce exact quantities of materials consumed for each batch of production will be generated and be approved and kept by management. Current limitations of the present scale installed at the Asphalt Plant does not allow for daily comparisons to sales, as some larger trucks will be weighed at the Harbour Bridge's scale in Peter's Hall and may take some time for information to be passed to Garden of Eden.

2. Costing of raw materials

Observation

Management is now using QuickBooks for the recording and valuing of inventories which is done through the average cost method.

We have tested the costing of the inventory report and noted the following:

- (a) While the costing for purchasing of raw materials is accurately done, we are uncertain how the costs of issuing are done. For example, in the snap below which shows that issue for

Bitumen for the month of January 2017 was \$136 when the average cost was \$150 per liters. This means that the costing is understated by 10% or \$14.

Type	Date	Name	Num	Qty	Cost	On Hand	Avg Cost	Asset Value	Amount
						31,446		5,904,911	
100 (Bitumen)						31,446		5,904,911	
Item Receipt	01-04-2017	SOL Guyana Inc	SRN# 2846	9,092	1,500,180	40,538	183	7,405,091	1,500,180
Item Receipt	01-04-2017	SOL Guyana Inc	SRN# 2847	9,092	1,500,180	49,630	179	8,905,271	1,500,180
Check	01-06-2017	SOL Guyana Inc	SRN# 2017/01/10	18,184	3,273,120	67,814	180	12,178,391	3,273,120
Item Receipt	01-11-2017	SOL Guyana Inc	SRN# 2848	4,546	750,090	72,360	179	12,928,481	750,090
Item Receipt	01-11-2017	SOL Guyana Inc	SRN# 2850	9,092	1,500,180	81,452	177	14,428,661	1,500,180
Check	01-11-2017	SOL Guyana Inc	SRN# 2017/01/25	18,184	3,796,819	99,636	183	18,225,480	3,796,819
Item Receipt	01-21-2017	SOL Guyana Inc	SRN# 2937	18,184	3,796,819	117,820	187	22,022,299	3,796,819
Item Receipt	01-23-2017	SOL Guyana Inc	SRN# 2939	9,092	1,898,410	126,912	188	23,920,709	1,898,410
Item Receipt	01-23-2017	SOL Guyana Inc	SRN# 2938	9,092	1,898,410	136,004	190	25,819,119	1,898,410
Item Receipt	01-24-2017	SOL Guyana Inc	SRN# 2940	9,092	1,898,410	145,096	191	27,717,529	1,898,410
Item Receipt	01-24-2017	SOL Guyana Inc	SRN# 2941	4,075	850,860	149,171	192	28,568,389	850,860
Item Receipt	01-26-2017	Termcotank	SRN# 3002	351,042	46,256,412	500,213	150	74,824,801	46,256,412
Inventory Adjust	01-31-2017		1	(181,863)		318,351	136	43,450,673	(31,374,127)
Item Receipt	02-01-2017	Termcotank	SRN# 3008	31,913	4,205,128	350,264	136	47,655,801	4,205,128
Inventory Adjust	02-28-2017		1	(175,864)		174,400	130	22,656,815	(24,998,986)
Item Receipt	03-01-2017	SOL Guyana Inc	SRN# 3165	18,184	3,796,819	192,584	137	26,453,634	3,796,819
Inventory Adjust	03-31-2017		1	(86,033)		106,551	131	13,931,290	(12,522,344)
Item Receipt	04-26-2017	SOL Guyana Inc	SRN# 3202	9,092	1,917,503	115,643	137	15,848,793	1,917,503
Item Receipt	04-26-2017	SOL Guyana Inc	SRN# 3203	9,092	1,917,503	124,735	142	17,766,296	1,917,503
Item Receipt	04-28-2017	SOL Guyana Inc	SRN# 3206	9,092	1,917,503	133,827	147	19,683,799	1,917,503
Item Receipt	04-28-2017	SOL Guyana Inc	SRN# 3207	9,092	1,865,678	142,919	151	21,549,477	1,865,678
Inventory Adjust	04-30-2017		1	(102,383)		40,536	145	5,870,953	(15,678,524)
Item Receipt	05-06-2017	SOL Guyana Inc	SRN# 3215	9,092	1,917,503	49,628	157	7,788,456	1,917,503

Another example below shows that the issue costs on February 28, 2017 to May 31, 2017 continues to decline on each issue although no receipts of inventories were done to change the unit costs.

Type	Date	Name	Num	Qty	Cost	On Hand	U/M	Avg Cost	Asset Value
						1,603			13,347,889
102 (Stone 1/2) Item						1,603			13,347,889
Receipt Item	01-19-2017	Toolsie Persaud Quarries Inc	SRN# 2649	83	685,414	1,686	ton	8,324	14,033,303
Receipt Item	01-20-2017	Toolsie Persaud Quarries Inc	SRN# 2650	206	1,711,543	1,892	ton	8,321	15,744,846
Receipt Item	01-20-2017	Toolsie Persaud Quarries Inc	SRN# 3101	41	341,213	1,933	ton	8,321	16,086,059
Receipt Item	01-21-2017	Toolsie Persaud Quarries Inc	SRN# 3102	55	453,761	1,988	ton	8,320	16,539,820
Receipt Item	01-23-2017	Toolsie Persaud Quarries Inc	SRN# 3103	193	1,599,991	2,181	ton	8,319	18,139,811
Receipt Item	01-24-2017	Toolsie Persaud Quarries Inc	SRN# 3104	11	95,035	2,192	ton	8,318	18,234,846
Receipt Item	01-24-2017	Toolsie Persaud Quarries Inc	SRN# 3105	12	102,671	2,204	ton	8,318	18,337,517
Inventory Adjust Item	01-31-2017		2	(723)		1,482	ton	8,327	12,340,767
Receipt Item	02-21-2017	Toolsie Persaud Quarries Inc	SRN# 3106	167	1,258,767	1,649	ton	8,248	13,599,534
Receipt Item	02-22-2017	Toolsie Persaud Quarries Inc	SRN# 3107	121	911,071	1,770	ton	8,200	14,510,605
Receipt Item	02-22-2017	Toolsie Persaud Quarries Inc	SRN# 3108	181	1,554,278	1,950	ton	8,237	16,064,883
Receipt Item	02-24-2017	Toolsie Persaud Quarries Inc	SRN# 3109	119	1,025,722	2,070	ton	8,258	17,090,605
Receipt Item	02-24-2017	Toolsie Persaud Quarries Inc	SRN# 3110	76	651,880	2,145	ton	8,270	17,742,485
Receipt Item	02-27-2017	Toolsie Persaud Quarries Inc	SRN# 3111	224	1,928,120	2,370	ton	8,301	19,670,605
Inventory Adjust Item	02-28-2017		5	(708)		1,662	ton	8,346	13,869,435
Inventory Adjust Item	03-31-2017		4	(216)		1,446	ton	8,350	12,074,372
Inventory Adjust Item	04-30-2017		5	(325)		1,121	ton	8,360	9,369,300
Inventory Adjust Item	05-31-2017		6	(380)		741	ton	8,381	6,206,729
Receipt Item	06-02-2017	Toolsie Persaud Quarries Inc	SRN# 3115	12	103,544	753	ton	8,384	6,310,273

(b) In addition, raw materials are issued once at the end of each month, consequently the average costs method will not be effective and realistic when the purchase price of materials varies during the respective month.

(c) In addition, the costing does not take into consideration transportation which is expensed immediately.

Recommendation

We recommend that management review its costing method of valuing raw materials.

Management comments

- (a) QuickBooks uses an average cost method of valuing inventory items. This is the same method used for the issuing of raw materials to production. A review of this method has shown that average costs are being calculated using prices as early as 2016. This is the reason for the differences in costs of items when issued.
- (b) Management has reviewed the Average Cost method and Last in First out Method as a means of determining cost when issued to production and has concluded that due to the difference between costing methods and limitations within Quickbooks Software, Average costs method will be adopted from the last half of 2019.
- (c) Costing will now include transportation from the second half of 2019, rather than having it expensed immediately.

3. Trade Receivables

Reporting matter

- (a) Several debtors had no movements to their balances at December 31, 2017 up to the time of our audit in October 2019. See attached **Appendix 1**.
- (b) The Asphalt Plant currently does not have a credit policy which defines credit limits, approval required for granting credits, procedures for managing debts such as sending statements, reminders, etc. This was recommended in our 2015/2016 ML, which management indicated would have been done in second half of 2018.
- (c) We noted that credits were approved by the GM. However, there was no evidence to verify that the customers' balances were checked before credits were granted.
- (d) Up to the time of finalizing this report, no confirmation was received from customers with balances owed to the Corporation.

Potential Effect

- (a) The amount stated as receivables is overstated or understated by the amount stated in **Appendix 1**.
- (b) The accuracy and existence of the receivables' and payables' ledger is affected.
- (c) In the absence of a receivables policy, debts may not be pursued in a timely manner and would eventually become irrecoverable.

Recommendation

- (a) We recommend that management review the debts in appendix 1 and consider impairment in accordance with IAS 32.
- (b) We recommend that a receivables' policy be implemented as soon as possible.
- (c) Credit limits should be included in the Corporation's credit policy when implemented. Checks should be carried out each time asphalt is requested to ensure that the limit is not exceeded.

Management comments

- (a) Management has recently concluded a reconciliation of their receivable balances as at 31st December, 2018 and has sent out statements and payment requests on 19th February, 2019 to all customers with balances over \$20,000. Reminders were sent on 2nd April, 2019 to all customers who would have received statements and notices but haven't responded.

As such, customers with outstanding balances would have begun to make payments on their account which are not reflected in the external auditor's schedule. Management has taken the decision in December 2019 to now begin legal action against long overdue receivables, relevant information was passed to the company's lawyer to begin the process.

Management has also prepared a list of all irrecoverable receivable balances under \$20,000 as at 31st December 31, 2017 considered to be impaired according to IAS 32 for approval to be written off. The total balance to be written off is \$312,320 for 50 customers.

- (b) Receivables policy will be established in 2020. Credit limits were set to be 200 tons of asphalt (\$7,900,000) based on customers eligibility and DHBC will explore registering with Credit Bureau of Guyana.
- (c) Currently the credit policy has already been implemented and checks are being made to ensure customers are not approved new credit with any previous outstanding balances and a formal approval process was established to the approval of credit.

4. EPA (Environmental Protection Act)

Reporting Matter

The Asphalt Plant is not in compliance with the environmental laws as set out by the EPA through Act No. 11 of 1996. At the time of concluding the audit management was in the process of completing requirements for the application to the EPA for the new asphalt plant which is in transit.

Recommendation

We recommend that management treat this matter with urgency.

Management comments

This matter is of utmost importance to management as we have recently received of our new Batch Mix Plant. The plant specifications are being gathered and a project summary is being prepared to be submitted to EPA. Management is working together with EPA to comply with Act No. 11 of 1996. This process was completed in the last half of 2019.

With the purchase of the New Asphalt Plant, EPA has been engaged for environmental permit and all their requirements are currently being fulfilled to ensure the issuance of the permit. Management has decided to phase out the old Asphalt Plant once the New plant is installed and operational.

5. Insurance Coverage

Reporting Matter

We observed at the time of the audit the Asphalt Plant does not have any insurance for its buildings and contents as confirmed by management. In addition, there was no public liability insurance.

Potential effects

The corporation has left itself vulnerable to potential liabilities due to accidents/disasters which may lead to extensive losses.

Recommendation

We strongly recommend management to investigate into this matter.

Management comments

Management will engage our Insurance Company and address this matter in 2020.

6. Payroll

Reporting matter

- (a) From a review of a sample of personal files, we observed that they were not updated with wages and salary information. **See Appendix 2.**
- (b) We noted that NIS contributions were paid late for the months of April and June to August, 2017.

Potential effect

- (a) We are unable to verify the amounts stated on the payroll as being the amounts agreed to be paid to the employee.

Recommendation

- (a) Employee files should be updated with their salary or wages information.
- (b) Management should ensure deductions are remitted on a timely basis.

Management comments

- (a) Our Human Resources Department only came into existence from 2017 and efforts were made to ensure all employees at DHBC would've had personnel files. Updates to all employees' files to ensure that correct and adequate information are retained began in 2019, an exercise which was completed recently. All files has been subsequently updated as at December 2019.
- (b) Noted

7. Taxation

Observation

Based on discussion with management during the 2015, 2016 and 2017 audits, there is uncertainty as to whether the Asphalt Plant operations are subject to taxation. The administration of the Asphalt Plant was transferred by the Ministry of Public Infrastructure to the DHBC. Management had previously indicated that advice is being sought from the GRA and a meeting was held at the DHBC with the previous Accountant in 2018. We are unsure of what progress has been made in addressing this situation.

Section 4 of the Corporation Tax Act states:

“Subject to this Act, corporation tax shall be payable for each year of assessment corporation tax at the rate specified in section 10, upon the profits of any company accruing in or derived from Guyana or elsewhere, and whether received in Guyana or not in respect of –

(a) any trade or business for whatever period of time the trade or business may have been carried on;”

Recommendation

We recommend that management review this matter with a view to ascertain its tax compliance status.

Management comments

Noted.

8. Internal Audit

Observation

In our discussion with the Internal Auditor (IA), we were informed that no audit work was carried out in relation to reconciliation of raw materials to production and sales and receivables. These are critical areas and should have been given priority to identify the issues and systems which can be implemented to avoid the issues and any recurrence. We would have identified some in our previous management letters with possible recommendation for management consideration

At the time of our audit for 2017, the IA advised that no work was done on production costs and no improvements were made to the existing systems, since our last ML reporting for the 2016 audit.

Recommendation

We recommend that areas of concerns form part of the mandate for the Internal Audit Department.

Management comments

Our New Asphalt Plant will become operational in February 2020 and as such our internal auditor will establish systems and controls to test production accuracy and ensure their effective monitoring. All other issues are currently being addressed by the Internal Auditor as at December 2019.

9. Procurement of raw materials

Observation

At the time of our audit there was no documented procurement policy which establishes the basis for acquiring raw materials. Management advised that availability, prices and locations for the mobile plant are key factors taken into consideration for purchases.

We also observed in the minutes of Board meetings for 2017, that discussion were held on development and approving a procurement policy. However, they were differences of opinion between management and directors and no policy were approved during 2017.

Recommendation

We recommend that when the requisitions are made, an evaluation is completed explaining the reasons to buy at higher/lower prices compared. In addition, management should have a documented procurement policy.

Management comment

Evaluations for price comparisons will be addressed in 2020.

Due to the unpredictable demand for asphalt from Ministry of Public Infrastructure, our main customer, a document procurement plan will be difficult to establish and maintain throughout the year.

10. Employment costs

Reporting matter

The Asphalt employed and paid eight employees as listed below, who are second to the Ministry of Public Infrastructure.

No.	Employee	Designation	Where Seconded & Date employed	Employment costs paid in 2017
1	Stephan Cheong	Civil Engineer	Design Dep't., MPI 21 July 2014	2,748,373
2	Imran Baksh	Civil Engineer	Design Dep't., MPI 06 June 2015	2,748,373
3	Jorge Linton	Civil Engineer	Design Dep't., MPI 4 Jan 2016	2,539,382
4	Desilon Daniels	Public Relations Officer	Minister Patterson's Office 23 Oct 2015	2,858,744
5	Dionne Amsterdam	Transportation Engineer	CTPU,, MPI, 5 Sept 2016	4,122,273
6	Ronald Sampson	Economist	CTPU,, MPI, 01 May 2016	2,655,695
7	Romona Duncan	Economist	CTPU,, MPI, 03 Jan 2017	2,531,713
8	Rickford Garrett	Driver	Office of the P.S., MPI , 27 Feb 2017	893,215
				21,097,768

In the absence of an agreement between the Asphalt Plant and the Ministry of Public Infrastructure we cannot assert that the costs incurred by Corporation are being used to generate revenue. Consequently, the financial statements will be misleading where employment costs are overstated by the amount noted in the table above.

The Demerara Harbour Bridge Corporation Act does not provide for such arrangement as the power to manage is vested in the Board of Directors.

Based on the reconciliation done between the amount stated in the financial statements as employment cost to the amount stated on the employer's return, an unreconciled difference of \$22.2m was noted.

	2017 G\$	Total G\$
Employment Cost in Financial Statements		128,596,619

Less:	NIS -Employer's Group contribution	6,542,725	
	Employees contribution group	440,440	(6,983,165)
			<u>121,613,454</u>
	Stated in the FORM 2A Employers return		99,316,043
	Difference between FORM 2A & Employment costs:		<u><u>22,297,411</u></u>

Recommendation

We recommend that management ensure that such arrangement is approved by Board in the interest of the Corporation and in compliance with the Demerara Harbour Bridge Corporation Act.

Management comments

Noted. As at November 2019. Ministry of Public Infrastructure has taken over three of the employees listed (Dionne Amsterdam, Imran Baksh and Stephan Cheong). Discussions are ongoing to hand over remaining personnel seconded to MPI and completely remove from Asphalt Plant's payroll.

11. Payments on behalf of Ministry of Public Infrastructure

Reporting matter

During the year payments were made to Courts Guyana Inc and Singers for furniture and other household items as instructed by the Ministry of Public Infrastructure. These transactions were not minutes at the Board level although there was an active Board in 2017.

Consequently, the amount stated in the financial statements for Donation is overstated by \$2,763,350 which represents the total value paid on behalf of the Ministry in 2017

Recommendation

The Demerara Harbour Bridge Corporation Act does not allow for arrangements. We recommend that management ensure that the Corporation's Act is complied with in the future.

Management comments

Noted.

12. Compliance with the Fiscal Management and Accountability Act

Reporting matter

The Corporation's budget for 2016, 2017 and 2017 were approved in accordance with Section 79 of the Fiscal Management and Accountability Act 2003 and amendments. This was also presented in accordance with Section 79(6) of the said Act to Parliament in Government budget estimates for 2017. However, the operation of the Asphalt Plant was not included although it is controlled and managed and the authority for such was approved by Cabinet.

Recommendation

We recommend that management reviews its procedures of reporting its budget to the Ministry and provide an explanation to us on why the Asphalt Plant operation was not included.

Management comments

Asphalt Plant's budget has always been submitted as part of the corporation's budget to MPI.

13. Variation work

Reporting matter

The Ministry of Public Infrastructure Department Tender Board approves a contract for the construction of an Inventory store at the Asphalt Plant in the sum of \$9,648,023. However, variation work was done in the sum of \$4,351,727 which is 45% of the original contract sum. This variation was carried out without any approval, although the original contract sets out procedures how variation work will be done and valued. This amount was eventually approved after it was noted that the work was completed and the variation payment was due to the contractor.

The total sum payable was \$13,999,750. It should be noted that the approval limit of the Ministry Tender Board was \$14,000,000.

Recommendation

We recommend that management comply with the terms and conditions of future contracts and proper approval be sought for variation work before it is actually done.

Management comments

Due to critical nature of works being done, approval before execution was unlikely due to time constraints in the approval process. Variations of such nature are not regular occurrences.

14. Operation Manual

Reporting matter

We recognised from the Board minutes that the Chairman approved procedures for Material Purchasing, Sale of Asphalt, and materials requested for the Asphalt Production. However, during our audit in 2019 management was not aware of these procedures, since the Accountant during that period had resigned.

In addition, the asphalt plant does not have a manual outlining the procedures for the operations at the Plant.

Recommendation

We recommend that management consider implement and operation manual which includes all systems, procedures and forms required in the operation at the Plant.

Management comments

New Plant will be installed in February 2020, system will be reviewed once operation commences.

15. IFRS 9 Implementation

Reporting Matter

Management should take note that the implementation of International Financial Reporting Standards 9 is effective for the financial reporting period January 1, 2018. This standard outlines the following **two options** in replacing IAS 39 classification and measurement of financial assets:

- (a) Financial assets measured at amortised costs

(b) Financial assets measured at fair value – Gains/losses are either recognised in the profit and loss statement or other comprehensive income (certain conditions apply)

This standard also provide for a 12 months expected credit loss or Lifetime expected credit loss where significant risk arise since initial recognition occurs. This means that the corporation receivables that are long overdue will be required to be written off.

Recommendation

Management should assess the impact the of this standards on its trade and other receivables

Management comments

Will be reviewed for consideration and implementation.

16. Bitumen loaned

Reporting matte

The Plant loaned a container of bitumen in the value of \$4,219,081 to Suresh Jaghmohan during 2017. According to management this amount was received in 2018, however no records or evidence were available to prove that this asphalt was indeed received.

Recommendation

We recommend that any such transactions in the future should be minuted at the Board of Directors Meeting. In addition, such transaction should have document for example by a goods received note and kept in the contractor's file

Management comments

Noted. A system was developed and implemented to address these issues in 2019. Transfer sheets are prepared detailing all necessary information and approved by the General Manager.

17. Procurement (Feasibility study)

Demerara Harbour Bridge Corporation Act 2003

The Demerara Harbour Bridge Corporation was established under the Demerara Harbour Bridge Corporation Act 2003, as a Public Corporation as outlined by Section (3), (1) noted below:

"There is hereby established a public corporation to be known as the Demerara Harbour Bridge Corporation"

In addition, Section (3), (2) state:

"The Corporation shall be managed by a Board of Directors constituted in accordance with section 5."

This Board provides direction to management of the Corporation as noted in Section (5), (1)

"There shall be a General Manager of the Corporation. (2) The General Manager shall, subject to the general direction and control of the Board, be responsible for implementing the decisions of the Board and the efficient discharge of the functions of the Corporation"

Further Section (2), clarify that:

"The Board and its employees together shall be known as the Demerara Harbour Bridge Corporation hereinafter referred to as the "Corporation"."

This therefore means that the Corporation is incomplete in the absence of a Board of Directors to provide Direction to the General Manager and the employees which this Act provides for.

This Act does not provide for the Minister or Cabinet to manage or direct its functions in the absence of a Board. In fact the Act only makes provision for:

- (a) The Minister to Appoint a Chairman and Deputy Chairman and nomination other members to the Board as outlined by Section 7(1) of this Act.
- (b) The Minister to make subsidiary legislation that is necessary for the Administration of this Act as outlined by Section (9).

The Minister responsible for the functioning of this Act fulfills his responsibility as set out in Section 7(1) to appoint a Chairman. However, for the year 2018 and 2019, no Board was appointed,

thereby rendering the Corporation non-functional in making critical decision in the interest of the Corporation.

In addition, although there was an active Board in 2017, the decision to undertake the feasibility study without the procurement process was made by Cabinet and the contract signed by the General Manager. This was done despite concerns expressed by the Directors as recorded in the Board Minutes. We noted that certain questions were put forward to the Junior Minister of Public Infrastructure but no response was recorded in the minutes reviewed.

Obligation to Parliament

The Corporation is required in accordance with section 346, Sub-Sections 1 and 2 of the Companies Act of 1991, which requires that a Government Company, shall not later than six (6) months after the end of each calendar year submit to the Minister its audited financial statements.

In addition, a copy of these financial statements together with the auditors' report shall be printed and laid before the National Assembly not later than nine months after each calendar year.

Further, the Corporation annual budget is presented in Parliament under the heading "Budgets of Constitutional Agencies & Statutory Bodies – Details of Revenue Expenditure".

These clearly show the Corporation's obligation to public accountability.

Fiscal Management and Accountability Act 2003

The Corporation's budget for 2017 was approved in accordance with Section 79 of the Fiscal Management and Accountability Act 2003 and amendments. This was also presented only for the Bridge in accordance with Section 79(6) of the said Act to Parliament in Government budget estimates for 2017. The associated costs for feasibility Study for the New Demerara Harbour Bridge Corporation was not included and approved by Parliament.

The budget estimates for 2017 was not amended in accordance with Section 7(1),(c) of the same Act which gives the Minister responsible for this Act the authority to present such amendment to the National Assembly.

Procurement Act 2003/Procurement Regulations 2004

Section 25(1) of the Procurement Act 2003 state that Public Tendering is mandatory except for other methods allowed for under Section 25(2) and which includes single sourcing. However, Section 28 of the same Act limits single sourcing to certain conditions when it is to be adopted.

The procurement of the consultant contracted was not executed through the National Procurement and Tender Administration Board (NPTAB) but instead through the Ministry of Public Infrastructure.

The documentations to support single sourcing and to allow for our assessment of compliance in accordance with Section 28 of the Procurement Act 2003 was not available for our review.

EXTRACT FROM THE INVESTIGATION OF THE PUBLIC PROCUREMENT COMMISSION

4.0 Conclusions

4.1 The MPI executed the initial tender process to select a consultant for the project in accordance with provisions of the Procurement Act, starting with the advertisement for Expressions of Interest and concluding with the annulment of the tender.

4.2 The MPI did not retender the project as approved by NPTAB. No advertisement was placed in the National Newspapers in this regard and there is no evidence that any restricted procurement process was undertaken for this consultancy. There is also no evidence in NPTAB's files or the records of the MPI that a request was made by the MPI for approval of a single source award.

4.3 The MPI's request dated November 03, to the Ministry of Finance for the approved budgeted sum for the consultancy to be re-allocated within the Ministry's current year programme indicated that the MPI was no longer interested in pursuing the project in the current year. The PPC concludes that effective procurement planning would have avoided this outcome.

4.4 In spite of the opinion expressed by the PS, MPI, that the project was regarded as a project of the MPI, the fact that funding for the Consultancy was provided by the DHBC and the contract described the "Client" as the Demerara Harbor Bridge Corporation, it must be concluded that this was a project of the DHBC.

4.5 In view of the admission of the General Manager, DHBC that this entity, in practice, follows the provisions of the Procurement Act in the conduct of its procurement transactions, the PPC concluded that, particularly in respect of procurement activities, the DHBC continued to function in a similar fashion to that of a Department of the MPI.

4.6 Section 17 subsection 1 of the Procurement Act states that NPTAB is responsible for exercising jurisdiction over tenders, which exceed the amounts prescribed in the procurement Regulations. The Regulations state that, for the MPI, Consultancy projects that cost in excess of five million Guyana dollars (GYD\$5 million) must be administered by the NPTAB.

4.7 Based on practice, this award of a contract for the value of G\$148 million to LIEVENSECSO ENGINEERING CONTRACTING BV, by the DHBC, should have been administered by the NPTAB. If, indeed, the MPI had considered that this project was under its purview, the same requirements would have been applicable.

4.8 Examination of the procurement files and documents relating to this tender, and further discussions with officials of the NPTAB, DHBC and MPI indicate that the procurement procedure used to select LIEVENSEO ENGINEERING CONTRACTING BV to execute the contract did not meet the requirements of any of the methods described in the Procurement Act. There is no procedure that defines how a procuring entity should deal with

“unsolicited proposals”, such as the one reportedly received from LIEVENSECSO ENGINEERING CONTRACTING BV.

4.9 The Procurement Act at Section 54.(1) states that ‘The Cabinet shall have the right to review all procurements the value of which exceeds fifteen million Guyana dollars. The Cabinet shall conduct its review on the basis of a streamlined tender evaluation report to be adopted by the Authority mentioned in section 17(2)’. In this particular procurement, since there is no evidence that the “Authority” (the NPTAB) prepared this report, the submission by the Minister of Public Infrastructure directly to Cabinet was in breach of the Procurement Act. The Procurement Act and Regulations make no provision for the Minister of Public Infrastructure to submit a procurement request directly to Cabinet for approval of award of a contract.

5.0 Recommendations

5.1 The Procurement Act specifically describes the roles of the Procuring Entities, NPTAB and Cabinet in the administration of tenders. The Act also describes in detail the procurement methods and procedures that must be used for the award of contracts for goods, consultancies and

execution of works. Officials engaged in public procurement at all levels must ensure that they execute their functions in accordance with all provisions of the Procurement Act, Cap.73:05.

5.2 The MPI must ensure that procurement planning, particularly with respect to large capital projects, is effective and all risks are taken into consideration so that funds approved for a particular budget year are efficiently utilized.

5.3 The members of the Board of DHBC must ensure that they oversee the operations of the Corporation as outlined in the relevant Act.

Conclusion

Based on the above work carried out, we conclude:

- (a) That the power vested in the Board of Directors by the Demerara Harbour Bridge Corporation Act 2003 was override when Cabinet decides to undertake the feasibility study for the new Demerara Harbour Bridge and the contract signed by the General Manager based on instruction of the Ministry.
- (b) From minutes of Directors Meeting, we noted that the Board had no input and questions were posed to the Junior Minister in this regard.
- (c) The project did not follow the procedures of the National Procurement and Tender Administration Board and the Procurement Act and regulations and concluded by the Public Procurement Commission. Consequently, we cannot conclude that the Corporation would have received value for money (VFM).

Recommendation

We recommend the following in this regard:

- (a) The Corporation should follow the recommendation of the Public Procurement Commission
- (b) All critical decisions are to be approved by the Board of Directors as described in the Demerara Harbour Bridge Corporation Act 2003 and minuted.

Mansaram Ramsarran	5,530	31-01-16	Date of last transaction
RP Construction Agency	4,740	31-03-16	Date of last transaction
Pooran Manman	17,655	31-05-16	Date of last transaction
Macsood Ahamad	8,295	31-07-16	Date of last transaction
Quommy Edwards	1,185	31-07-16	Date of last transaction
STP Investments	26,860	31-08-16	Date of last transaction
Gupta Engineering Services	8,295	31-10-16	Date of last transaction
BML Architects and Engineers	4,345	30-12-16	Date of last transaction
C. King Construction	790	30-12-16	Date of last transaction
Keyon Stoute	3,950	30-12-16	Date of last transaction
Naresh Gooool	10,270	30-12-16	Date of last transaction
Kurt Cumberbatch	2,984,225	31-01-17	Date of last transaction
Triple T Construction	3,160	31-01-17	Date of last transaction
Williams Hallow Blocks & Const.	413,565	31-01-17	Date of last transaction
Daily Bread	2,765	28-02-17	Date of last transaction
Clive Chapman	395	31-03-17	Date of last transaction
J. Bovell	5,925	31-03-17	Date of last transaction
JPM's General Construction Services	65,570	31-03-17	Date of last transaction
JR Edmondson Building Works	1,975	31-03-17	Date of last transaction
Navin & Sons Construction	11,455	31-03-17	Date of last transaction
Demerara Distillers Ltd	4,345	30-04-17	Date of last transaction
Stacey Bakker	2,450	30-04-17	Date of last transaction
H.Nauth and Sons	14,220	31-05-17	Date of last transaction
Alvin Chowramootoo	790	30-06-17	Date of last transaction
B. Harry Construction Services	3,682,100	23-08-17	Invoice pending since this date
E. Cush	201,985	31-08-17	Invoice pending since this date
Elroy Adams & Sons	2,765	31-08-17	Date of last transaction
Million Mountain Engineering	5,135	31-08-17	Date of last transaction
MB Construction Service	5,925	30-09-17	Date of last transaction
S. Maraj Contracting Services	1,185	07-12-17	Date of last transaction
Brenco Shipping & Trading Comp. Ltd	790	23-12-17	Date of last transaction
Bardon Construction Services	538,965	31-12-17	Invoice pending since this date
Compustruct Engineering	3,852,040	31-12-17	Date of last transaction
Eron Lall Civil Engineering		31-12-17	Invoice pending since this

	787,235		date
Ganesh & Nancy	30,530	31-12-17	Date of last transaction
Handel Garnett Construction	21,914,100	31-12-17	Invoice pending since this date
M.Odit/ M& B Construction	231,380	31-12-17	Date of last transaction
NABI Construction Inc.	20,935	31-12-17	Date of last transaction
Puran Bros Disposal Inc.	258,054	31-12-17	Date of last transaction
Shereaz Bacchus	667,065	31-12-17	Invoice pending since this date
Total	36,788,384		

Appendix 2

Fortnightly Staff	Basic wages	Audit findings
Sophie Bowen	\$33,196	Contract seen stating wages of \$33,196 effective March 2, 2017 but was paid this amount in February, 2017. No letter seen for the wages increase prior to the contract.
Claude Wiltshire	\$38,202	Contract seen stating wages of \$38,202 effective August 1, 2017 but was paid this amount since February, 2017. No letter seen for the wages increase prior to the contract.
Michael Archer	\$30,726	Contract seen stating wages of \$30,726 effective August 1, 2017 but was paid this amount since February, 2017. No letter seen for the wages increase prior to the contract.
Jermaine Brandt	\$29,902	Contract seen stating wages of \$26,812 effective May 6, 2016 and contract seen stating wages of \$29,902 effective May 6, 2017. No updated wages information seen for February, 2017 wages of \$29,493.
Colin Daniels	\$38,202	Contract seen stating wages of \$38,202 effective August 1, 2017 but was paid this amount since February, 2017. No letter seen for the wages increase prior to the contract.
Cheryl Sampson	\$33,196	Contract seen stating wages of \$33,196 effective August 13, 2017 but was paid this amount since February, 2017. No letter seen for the wages increase prior to the contract.