

**AUDITED FINANCIAL STATEMENTS OF THE  
GUYANA WATER INCORPORATED**

**FOR THE YEAR ENDED  
31 DECEMBER 2017**

**CONTRACTED AUDITORS: MAURICE SOLOMON  
& COMPANY  
92 ORONOQUE ST.  
QUEENSTOWN  
GEORGETOWN**

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

AUDITED FINANCIAL STATEMENTS OF THE  
GUYANA WATER INCORPORATED  
FOR THE YEAR ENDED 31 DECEMBER 2017

TABLE OF CONTENTS

	PAGE
Transmittal Letter	i
Auditor's Opinion on the Financial Statements	ii – iv
Chartered Accountants Opinion on the Financial Statements	1 - 3
Audited Financial Statements	4 – 29
Management Letter	1- 21



## *Audit Office of Guyana*

*P.O. Box 1002, 63 High Street, Kingston, Georgetown, Guyana  
Tel: 592-225-7592, Fax: 592-226-7257, <http://www.audit.org.gy>*

46/PC:80/1/2021

17 February 2021

Mr. Ramesh Dookhoo  
Chairman - Board of Directors  
Guyana Water Incorporated  
Vlissengen Road and Church Street,  
Bel Air Park  
Georgetown.

Dear Mr. Dookhoo,

AUDIT OF THE BOOKS AND ACCOUNTS OF THE  
GUYANA WATER INCORPORATED  
FOR THE YEAR ENDED 31 DECEMBER 2017

Please find attached four (4) 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,





## *Audit Office of Guyana*

*P.O. Box 1002, 63 High Street, Kingston, Georgetown, Guyana  
Tel: 592-225-7592, Fax: 592-226-7257, <http://www.audit.org.gy>*

AG:4/2021

17 February 2021

REPORT OF THE AUDITOR GENERAL  
TO THE MEMBERS OF THE BOARD OF DIRECTORS OF THE  
GUYANA WATER INCORPORATED  
ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

### *Qualified Opinion*

Chartered Accountants Maurice Solomon & Company Chartered Accountants have audited on my behalf the financial statements of Guyana Water Incorporated (GWI), which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss, 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 4 to 29.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Guyana Water Incorporated 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 Qualified Opinion*

For the year under review overpayments amounting to \$87,921,215 to a contractor were identified by the Works and Structures Department of the Audit Office of Guyana from a sample of three contracts selected for physical verification of works. The auditors assessed works to the value of \$26,150,400 on 10 June 2020 compared to total payments of \$114,071,615 to the contractor.

This overpayment resulted in multiple advance payments made to the contractor and the schedule of works for this project in my opinion was poorly managed. I observed several letters were written to the contractor on significant delays whilst interim payments continued to be made to the contractor.

In this regard, GWI failed to terminate this contractor or apply liquidated damages within the validity period of the Performance Bond (i.e. 14 March 2020).

GWI reported the sum of \$916,701,833 as inventories at year end in the statement of financial position. Included in this amount was the sum of \$73,059,747 relating to chemicals which could not be counted by the statutory auditor, storekeepers and internal auditors to determine the quantities on hand due to these items not being packed in an orderly manner to facilitate the stock-taking at GWI locations.

Further, GWI reported the sum of \$49,789,097 as Grants Clearing in the statement of financial position under note 12 payables and accruals for the year. These balances remained long outstanding.

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 Institution (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 GWI 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 the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 International Financial Reporting Standards, and the Companies Act 1991 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 GWI'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 GWI or to cease operations, or has no realistic alternative but to do so.

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

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

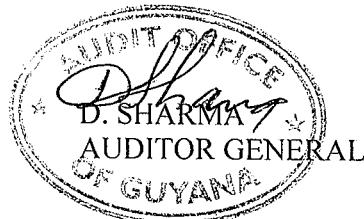
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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 judgment and maintain professional skepticism 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 GWI'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 GWI'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 GWI 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.



AUDIT OFFICE  
63 HIGH STREET  
KINGSTON  
GEORGETOWN  
GUYANA



MSC002/2021

**REPORT OF THE CHARTERED ACCOUNTANTS  
MAURICE SOLOMON & CO.  
TO THE AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF  
GUYANA WATER INCORPORATED.  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**Report on the Audit of the Financial Statements**

**Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view, in all material respects of the financial position of Guyana Water Incorporated as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

We have audited the accompanying financial statements of Guyana Water Incorporated which comprise the Statement of Financial Position as at 31 December 2017, the Statement of Profit or Loss, Statement of Changes in Equity and the 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 in pages 8 to 29.

**Basis for Qualified Opinion**

For the year under review overpayments amounting to \$87,921,215 to contractor were identified by the Works and Structures Department of the Audit Office of Guyana from a sample of three contracts selected for physical verification of works. The auditors assessed works to the value of \$26,150,400 on June 10, 2020 compared to total payments of \$114,071,615 to the contractor.

This overpayment resulted in multiple advance payments made to the contractor and the schedule of works for this project in our opinion was poorly managed. We observed several letters were written to the contractor on significant delays whilst interim payments continued to be made to the contractor.

In this regard, Guyana Water Incorporated failed to terminate this contractor or apply liquidated damages within the validity period of the Performance Bond (i.e. March 14, 2020).

The company reported the sum of \$916,701,833 as inventories at year end in the statement of financial position. Included in this amount was the sum of seventy three million fifty nine thousand seven hundred and forty seven dollars (\$73,059,747) relating to chemicals which could not be counted by the statutory auditor, storekeepers and internal auditors to determine the quantities on hand due to these items not being packed in an orderly manner to facilitate the stock-taking at the GWI locations.

Further, the company reported the sum of \$49,789,097 as Grants Clearing in the statement of financial position under note 12 Payables and Accruals for the year. These balances remained long outstanding.

We conducted our audit in accordance with International Standards on Auditing. 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 Guyana Water Incorporated in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 International Financial Reporting Standards, Companies Act 1991 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

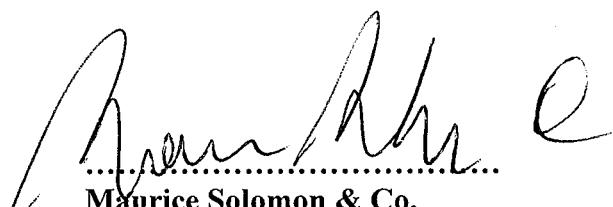
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatement 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 International Standards on Auditing, 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 Authority'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 Company'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 Authority 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.



.....

**Maurice Solomon & Co.  
Chartered Accountants**  
**January 26, 2021**

**GUYANA WATER INC.**  
**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2017**

	NOTE	2017 G\$	2016 G\$
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS:</b>			
Property, plant and equipment	3	22,460,066,873	23,492,494,021
Intangible assets	4	8,430,735	13,972,812
Capital work in progress	5	6,285,098,285	3,861,307,361
Fixed deposit investments	9	767,960,173	1,206,857,990
<b>Total Non-Current Assets:</b>		<b>29,521,556,066</b>	<b>28,574,632,184</b>
<b>CURRENT ASSETS</b>			
Inventories	6	916,701,833	1,118,833,405
Receivables and prepayments	7	3,088,047,205	4,841,729,149
VAT receivables	8	-	127,824,932
Cash and cash equivalents	9	1,264,592,672	657,868,903
<b>Total Current Assets</b>		<b>5,269,341,710</b>	<b>6,746,256,389</b>
<b>TOTAL ASSETS</b>		<b>34,790,897,776</b>	<b>35,320,888,573</b>
<b>EXTERNAL FUNDINGS</b>			
External Funding - Government of Guyana Counterpart	10	15,284,641,659	14,782,011,399
External Funding - Department for International Development	10	367,890,031	396,229,695
External Funding - World Bank	10	2,091,754,660	2,233,257,604
External Funding - Inter- American Development Bank	10	7,959,299,902	6,178,227,796
External Funding - European Union	10	7,842,104	8,754,884
External Funding - Japan International Cooperation Agency	10	1,626,339,109	1,794,976,546
<b>Total External Funding</b>		<b>27,337,767,465</b>	<b>25,393,457,924</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	8,825,300	8,825,300
Additional share capital	11	3,372,346,395	3,372,346,395
Revaluation reserve		1,892,206,079	1,892,206,079
Retained earnings		(1,941,510,883)	1,055,887,843
<b>Total Shareholders' Equity</b>		<b>3,331,866,891</b>	<b>6,329,265,617</b>
<b>TOTAL EXTERNAL FUNDING AND SHAREHOLDERS' EQUITY</b>		<b>30,669,634,356</b>	<b>31,722,723,541</b>
<b>NON CURRENT LIABILITIES:</b>			
Deferred income from other funding sources		<b>129,183,747</b>	<b>307,468,582</b>
<b>CURRENT LIABILITIES:</b>			
Payables and Accruals	12	1,814,432,952	1,308,573,284
VAT Payable	8	338,219	-
Deferred billings	13	76,829,600	77,988,597
Taxation payable	14	2,100,478,902	1,904,134,569
<b>Total Current Liabilities</b>		<b>3,992,079,673</b>	<b>3,290,696,450</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>34,790,897,776</b>	<b>35,320,888,573</b>

The Board of Directors approved these financial statements for issue on

Chairman

Frank Ameen  
 DIRECTOR

The notes on pages 8 to 29 form an integral part of these financial statements.

**GUYANA WATER INC.**

**STATEMENT OF PROFIT OR LOSS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>NOTE</b>	<b>2017</b> <b>G\$</b>	<b>2016</b> <b>G\$</b>
<b>OPERATING INCOME</b>			
Measured water supply	15	2,416,406,113	2,123,067,191
Unmeasured water supply	15	1,275,522,027	1,315,471,419
<b>Total Operating Income</b>		<b>3,691,928,140</b>	<b>3,438,538,610</b>
<b>OPERATING EXPENSES</b>			
Employment costs	16	1,961,148,083	1,554,190,375
Depreciation and amortisation		1,655,492,292	1,351,747,300
Directors' fees	17	2,059,000	1,056,000
Administrative expenses	18	357,093,898	294,318,926
Audit and professional fees		8,806,940	8,253,665
Premises costs	19	3,721,565,313	3,133,526,473
Rates and taxes		7,034,013	529,078
Bad debts written off		1,479,459,293	-
Adjustment to prior year income	20	509,809,261	336,960,471
Transport costs	21	118,215,349	112,128,564
Supplies and services costs	22	1,173,388,099	1,259,352,889
<b>Total Operating Expenses</b>		<b>10,994,071,541</b>	<b>8,052,063,741</b>
<b>Operating Loss For The Year</b>		<b>(7,302,143,401)</b>	<b>(4,613,525,131)</b>
Other income	23	3,195,900,829	2,513,958,221
Loss on disposal of assets		(85,269)	(237,033)
(Increase) / Reduction in the provision for bad debts		167,582,960	(35,936,789)
Interest income		50,508,729	49,044,571
Withholding tax		(10,101,744)	(9,809,064)
Deferred income -amortisation of government grants	10	1,097,283,502	1,158,190,921
<b>Net Loss Before Taxation</b>		<b>(2,801,054,394)</b>	<b>(938,314,304)</b>
Taxation		(196,344,332)	(229,034,090)
Loss for the year		<b>(2,997,398,726)</b>	<b>(1,167,348,394)</b>
<b>Loss Per Share</b>	<b>24</b>	<b>(340)</b>	<b>(132)</b>

The notes on pages 8 to 29 form an integral part of these financial statements.

**GUYANA WATER INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 G\$	2016 G\$
<b>OPERATING ACTIVITIES:</b>		
Loss for the year	(2,801,054,394)	(1,167,348,394)
<i>Adjustments to reconcile loss to net cash provided by operating activities:</i>		
Depreciation and amortisation	1,655,492,292	1,351,747,300
Loss on disposal of property and equipment	85,269	237,033
Adjustment of receivables	-	336,960,471
Increase / (decrease) in the provision for bad debts	(167,582,960)	35,936,789
Government subsidy for electricity charges (Guyana Power & Light Inc.)	(2,228,756,004)	(1,838,610,100)
Amortisation of government grants	(1,097,283,502)	(1,158,190,921)
Interest income	(50,508,729)	(49,044,571) ✓
<b>OPERATING LOSS BEFORE WORKING CAPITAL CHANGES</b>	<b>(4,689,608,028)</b>	<b>(2,488,312,393)</b>
<b>WORKING CAPITAL CHANGES:</b>		
Decrease in inventories	202,131,572	92,267,942
(Increase) / decrease in accounts receivables	1,921,264,904	(420,240,992)
Decrease in Vat payables	128,163,151	-
Increase in trade and other payables	504,700,671	395,423,807
<b>CASH ABSORBED FROM OPERATIONS</b>	<b>(1,933,347,730)</b>	<b>(2,420,861,636)</b>
<b>NET CASH OUTFLOWS FROM OPERATING ACTIVITIES</b>	<b>(1,933,347,730)</b>	<b>(2,420,861,636)</b>
<b>INVESTING ACTIVITIES:</b>		
Interest income	50,508,729	47,893,722 ✓
Acquisition of non-current assets	(617,608,337)	(509,552,346)
Investment in capital work in progress	(2,423,790,924)	(1,321,490,637)
Investment / maturity of certificate of deposit	438,897,817	(30,000,847)
<b>NET CASH OUTFLOWS FROM INVESTING ACTIVITIES</b>	<b>(2,551,992,715)</b>	<b>(1,813,150,108)</b>
<b>FINANCING ACTIVITIES:</b>		
Contribution from Government of Guyana	1,133,413,923	1,157,623,000
Contribution from Inter-American Development Bank	1,908,179,122	94,169,334
Government subsidy for electricity charges (Guyana Power & Light Inc.)	2,228,756,004	1,838,610,100
Increase / (Decrease) in deferred income from other sources	(178,284,835)	2,064,302
<b>NET CASH INFLOWS FROM FINANCING ACTIVITIES</b>	<b>5,092,064,214</b>	<b>3,092,466,736</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>606,723,769</b>	<b>(1,141,545,008)</b>
<b>NET CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR</b>	<b>657,868,903</b>	<b>1,799,413,911</b>
<b>NET CASH AND CASH EQUIVALENTS AS AT END OF YEAR</b>	<b>1,264,592,672</b>	<b>657,868,903</b>

The notes on pages 8 to 29 form an integral part of these financial statements.

GUYANA WATER INC.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital G\$	Additional Paid in- Capital G\$	Retained Earnings G\$	Revaluation Reserve G\$	Total
<b>For the year ended December 31, 2017</b>					
As at beginning of year	8,825,300	3,372,346,395	1,055,887,843	1,892,206,079	6,329,265,617
Loss for the year	-	-	(2,997,398,726)	-	(2,997,398,726)
As at end of year	<u>8,825,300</u>	<u>3,372,346,395</u>	<u>(1,941,510,883)</u>	<u>1,892,206,079</u>	<u>3,331,866,891</u>
 <b>For the year ended December 31, 2016</b>					
As at beginning of year	8,825,300	3,372,346,395	2,223,236,237	1,892,206,079	7,496,614,011
Loss for the year	-	-	(1,167,348,394)	-	(1,167,348,394)
As at end of year	<u>8,825,300</u>	<u>3,372,346,395</u>	<u>1,055,887,843</u>	<u>1,892,206,079</u>	<u>6,329,265,617</u>

The notes on pages 8 to 29 form an integral part of these financial statements.

# **GUYANA WATER INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2017**

### **1. INCORPORATION AND PRINCIPAL ACTIVITY**

The Guyana Water Incorporation was incorporated in Guyana on May 30, 2002 under the Companies Act, 1991 and is wholly owned by the Government of Guyana. The Company was formed out of a merger between the Guyana Water Authority (GUYWA) and the Georgetown Sewerage and Water Commissioners (GS & WC). The principal activities of the company are as follows:

- The supply of potable water to the citizens of Guyana.
- The provision of sewerage disposal services to the residents of Central Georgetown.
- Operation and maintenance of the water and underground sewerage system in Guyana.
- Customer billing and collection of tariffs for the services provided.

**The Company's registered office is located at Vlissengen Road, Bel Air Park, Georgetown, Guyana.**

### **2. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented.

#### **2.1 Basis of Preparation**

The financial statements have been prepared in accordance with and comply with the International Financial Reporting Standards (IFRSs). The financial statements have been prepared under the historical cost convention except for the measurement at fair value revaluation of property, plant and equipment and financial instruments. Historic cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best judgment at the date of the financial statements.

#### **2.2 Foreign Currencies**

##### **(i) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Guyana Dollars, which is the Company's functional currency.

# GUYANA WATER INC.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.2 Foreign Currencies (Cont'd)

##### (ii) Transactions and balances

Transactions involving foreign currencies are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

#### 2.3 Property, Plant and Equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation and impairment losses. Freehold land is not depreciated. Expenditure on assets, which will benefit the company economically for a period greater than the current reporting year, is capitalised and written off over the useful life of the assets.

Individual assets or groups of items making up a single identifiable asset of value less than fifty thousand dollars (G\$50,000) are not capitalised but are expensed in the accounting year which the costs are incurred.

The capitalized asset value of purchased assets are measured at the full cost of bringing the asset to working condition for the intended use. Self constructed assets are stated at the accumulated cost of purchased elements together with the element of internal cost incurred in constructing the asset. These elements include materials, labor, consultancy fees, overheads (direct and indirect) and other additional costs. Finance costs that are directly attributable to the construction of tangible assets are capitalized as part of the cost of those assets. Capitalisation of finance cost ceases when the asset is brought into use.

Subsequent expenditure on existing assets are capitalised where the expenditure provides an enhancement of the economics benefits of the asset in excess of the previously assessed standard of performance.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit or loss. Repairs and renewals are charged to the statement of profit or loss when incurred.

# GUYANA WATER INC.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.3 Property and Equipment (Cont'd)

Depreciation on all property, plant and equipment is charged on a straight-line basis. The rates used are expected to write off the value of the assets over their useful economic lives. The annual depreciation rates are as follows:

	Estimated Life (Years)	Depreciation Rate (%)
Land	Unlimited	-
Buildings	10-50	2 - 10
Mechanical and electrical plant	10	10
Motor vehicles and mobile plant	5	20
Furniture and fixtures	5 - 7	14.3 - 20
Infrastructure water	5 - 40	2.5 - 20
Infrastructure sewerage	40	2.5
Computer hardware	3 - 5	20 - 33.3
Intangible Assets	3 - 5	20 - 33.3

Depreciation is not charged on land and work in progress. The useful life of assets capitalised from work in progress commences when the assets have been completed and are put into use in the company. Depreciation is charged in the year of capitalisation.

#### 2.4 Intangible Asset (Computer Software)

The costs of acquiring and installing computer software are capitalised and amortised over their estimated useful economic life of three years on a straight line basis. Costs associated with maintenance of computer software are expensed as incurred.

#### 2.5 Income Recognition

Operating income is recognised to the extent that the economic benefit will flow to the company and the revenue can be reliably measured.

##### (i) Measured and unmeasured water and sewerage income

Operating income comprise of sales of metered and unmetered water and sewerage services to customers. Income is measured at fair value of the consideration received or receivable. Measured and unmeasured water are recognised when the water has been delivered to the customers. Income is increased or reduced for estimated invoices by issuance of adjustments for the current year income where appropriate.

# **GUYANA WATER INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2017**

### **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **2.5 Income Recognition (Cont'd)**

##### **(ii) Current year billing adjustments**

Income is increased or reduced for estimated billings by issuance of adjustments for the current year income where appropriate.

##### **(iii) Prior years billing adjustments**

Operating income discovered as being overstated as a result of billing anomalies for prior accounting period(s) are reconciled. The results of the reconciliation are adjusted by reducing or increasing the receivables as appropriate by a financial adjustment which is recognise as an expense in the current year statement of profit or loss.

##### **(iv) Interest income**

Interest income is recognised when it is probable that the economic benefit will flow to the company and the amount can be measured reliably. Interest is accrued on a timely basis by reference to the investment and at the effective rate applicable.

### **2.6 Trade and Other Receivables**

Trade and other receivables - Trade and other receivables are recognize when due and are measured on initial recognition at the fair value at the consideration received or receivables. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest rate method. The carrying value of accounts receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable with the impairment loss recorded in the statement of profit or loss.

#### **(i) Allowance for Doubtful Receivables**

Provision is made in these Financial statements for amounts included in the accounts receivables of which the eventual cash realisation is considered remote. Provision is based on the company's Financial Regulations and is disclosed in the statement of profit or loss.

# GUYANA WATER INC.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.7 Impairment of Non-Financial Assets

Intangible assets with definite useful economic lives and property, plant and equipment are reviewed for impairment at each reporting date to determine whether there is any indication that those assets may have suffered from an impairment loss. The recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the fair value less cost to sell and value in use.

#### 2.8 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events; it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount that is shown as provision is the best estimate of the consideration required to settle the obligation at the end of the reporting year.

#### 2.9 Significant Accounting Policies

Standards, amendments and interpretations that are not yet effective in current year and either not relevant or may have no or minimal impact on the Company's financial reporting when it becomes effective.

IAS 19 - Employee Benefits: Amendments regarding plan amendments, curtailments or settlements (effective on or before January 01, 2019)

IAS 23 - Borrowing Costs eligible for capitalisation (effective on or before January 01, 2018)

IAS 28 - Investments in Associates and Joint Ventures: Amendments regarding long term interests in associates and joint ventures (effective on or before January 01, 2019)

IAS 40 - Investment Property: Amendments to clarify transfers of property to, or from, investment property (effective on or before January 01, 2018)

IFRS 1-First time adoption of IFRS: Removing short term exemptions (effective on or before January 01, 2018)

IFRS 2 - Share Based Payments: Definition of vesting condition (effective on or before January 01, 2018)

IFRS 3 - Business Combinations: Remeasurement of previously held interest (effective on or before January 01, 2019)

IFRS 4 - Insurance Contracts: Amendments regarding the interaction of IFRS 4 & IFRS 9 (effective on or before January 01, 2018)

IFRS 9 - Financial Instruments: Classification and measurement, impairment, general hedge accounting and derecognition (effective on or before January 01, 2018)

IFRS 11 - Joint Arrangements: Remeasurement of previously held interest (effective on or before January 01, 2019)

IFRS 12 - Disclosure of Interest in Other Entities: Clafifying scope (effective on or before January 01, 2017)

IFRS 15 - Revenue from Contracts with Customers (effective on or before January 01, 2018)

IFRS 16 - Leases (effective on or before January 01, 2019)

IFRS 17 - Insurance Contracts (effective on or before January 01, 2021)

# GUYANA WATER INC.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.10 Inventories

##### Materials and Supplies

Inventories consists of materials and supplies and are stated at the lower of cost, as determined on a weighted average basis, and net realizable value. Provision is made for obsolete, slow moving and defective stock.

#### 2.11 Employee Benefits

##### Pension Plans

Guyana Water Incorporated (GWI) operates a Defined Contribution Plan with Assuria Life (Guyana) since January 2015. The Pension Plan is funded by contribution from GWI (5% of gross salary) and its eligible employees (5% of gross salaries). The fund is paid into a separate (legal) entity and GWI will have no legal or constructive obligations to pay future contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service. The contributions are recognised as employee benefit expense when they are due monthly.

The Company also operates a Defined Contribution Plan whereby the cost of monthly pension and one off gratuities are paid to employees who would have attained pensionable age. The costs are charged to the statement of profit or loss monthly and ceases upon an employee death. There are no other cost that are borne by the Company. The employees benefitting are not members of the Company's Defined Contribution Plan.

#### 2.12 Government Subvention - IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

The company has adopted IAS 20 - Government Grants and Disclosure of Government Assistance which is recognised in the statement of profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related cost for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income.

##### (i) Grants Related to Expense: Energy Cost supplied by the Guyana Power and Light Inc.

Government Subvention is recognized only when received and is treated as other income to offset against the electricity liability of Guyana Power and Light Incorporated.

##### (ii) Contributions/Grants Related to Capital Works

Government contributions and grants from other funding agencies are recognised when there are reasonable assurance that the company will comply with the conditions attached to the contributions and grants received. The amounts received are recognised as other income corresponding with depreciation of assets capitalized.

#### 2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with banks and saving accounts.

# GUYANA WATER INC.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

### 2.14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

#### (i) Financial Instruments

Financial instruments include cash and cash equivalents, fixed deposit investments trade and other receivables including Value Added Tax (VAT) and trade and other payables.

#### (ii) Recognition

Financial instruments are measured initially at fair value, directly attributable costs are added to or deducted from the carrying value of those financial instruments that are not subsequently measured at fair value through the statement of profit or loss.

#### (iii) Derecognition

Financial liabilities are removed from the statement of financial position when the related obligation is discarded, cancelled or expired and measured at fair value through the statement of profit or loss. Financial assets are removed from the statement of financial position when the rights to the cash flows from the asset expired or when the risks and rewards of ownership transferred.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments, available for sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial liabilities are classified as either financial liabilities held at "FVTPL" or held at amortized cost.

#### (iv) Valuation techniques and assumptions applied for the purpose of measuring fair value:

Trade receivables, Value Added Tax (VAT) and other assets are net of provision for impairment. The fair value of trade receivables is based on other expected realisation of outstanding balances taking into account the Company's history with respect to delinquencies.

#### Categories of Financial Instruments

	2017	2016
	G\$	G\$
<b>Financial Assets:</b>		
Cash and cash equivalents	1,264,592,672	657,868,903
Fixed deposit investments	767,960,173	1,206,857,990
Trade receivables	3,088,047,205	4,841,729,149
Vat receivable	257,742,492	127,824,932
<b>Total Financial Assets:</b>	<b>5,378,342,542</b>	<b>6,834,280,974</b>
<b>Financial Liabilities</b>		
Trade and other payables	1,788,930,932	1,277,126,835
Provision	25,502,020	28,489,429
Taxation payable	2,100,478,902	1,904,134,569
<b>Total Financial Liabilities</b>	<b>3,914,911,854</b>	<b>3,209,750,833</b>

## **GUYANA WATER INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2017**

#### **2.14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)**

##### **(i) Financial Risk Management**

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates, credit risk, liquidity risk and interest rate risk. Management sees to minimise potential adverse effects on the financial performance of the Company by applying procedures to appropriately identify, evaluate and manage these risks.

##### **(ii) Foreign Currency Risk**

Foreign currency risk is the risk that the value of a monetary asset or liability fluctuate because of changes in foreign exchange rates. Management accepts the risk and would take the gain or loss on the transaction to the statement of profit or loss.

##### **(iii) Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge and obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to its trade and other receivable. The amounts presented in the Statement of Financial Position are net of allowances of impairment. High risk accounts are monitored and pursued to maximize collection.

##### **(iv) Liquidity Risk**

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meet its commitment. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the management of the Company aims at maintaining flexibility in funding by keeping committee lines of credit available. All financial asset and liabilities as shown on the Statement of Financial Position. The Company also receive subvention funds from the Government to settle liabilities as they fall due.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

# GUYANA WATER INC.

## NOTES TO THE FINANCIAL STATEMENTS

**31 DECEMBER 2017**

### **2.14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)**

The table below analyses major financial assets and liabilities of the Company into relevant grouping based on the remaining period to the maturity dates.

**December 31, 2017**

	Up to One Year G\$	Over 1- Five Years G\$	Over Five Years G\$	Total G\$
<b>Assets</b>				
Fixed deposit investments	767,960,173	-	-	767,960,173
Cash and cash equivalents	732,148,227	532,444,445	-	1,264,592,672
Accounts receivables	97,360,392	721,002,194	2,269,684,619	3,088,047,205
<b>Total Assets</b>	<b>1,597,468,792</b>	<b>1,253,446,639</b>	<b>2,269,684,619</b>	<b>5,120,600,050</b>
<b>Liabilities</b>				
Trade and other payables	1,814,432,952	-	-	1,814,432,952
Taxation payable	2,100,478,902	-	-	2,100,478,902
<b>Total Liabilities</b>	<b>3,914,911,854</b>	-	-	<b>3,914,911,854</b>
<b>Net Liquidity Gap</b>	<b>(2,317,443,062)</b>	<b>1,253,446,639</b>	<b>2,269,684,619</b>	<b>1,205,688,196</b>

**December 31, 2016**

	Up to One Year G\$	Over 1- Five Years G\$	Over Five Years G\$	Total G\$
<b>Assets</b>				
Fixed deposit investments	1,206,857,990	-	-	1,206,857,990
Cash and cash equivalents	157,868,902	500,000,001	-	657,868,903
Accounts receivables	4,841,729,149	-	-	4,841,729,149
Vat receivable	-	127,824,932	-	127,824,932
<b>Total Assets</b>	<b>6,206,456,041</b>	<b>627,824,933</b>	-	<b>6,834,280,974</b>
<b>Liabilities</b>				
Trade and other payables	1,308,573,284	-	-	1,308,573,284
Taxation payable	1,904,134,569	-	-	1,904,134,569
<b>Total Liabilities</b>	<b>3,212,707,853</b>	-	-	<b>3,212,707,853</b>
<b>Net Liquidity Gap</b>	<b>2,993,748,188</b>	<b>627,824,933</b>	-	<b>3,621,573,121</b>

# GUYANA WATER INC.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

### 2.14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

#### (e) Interest Rate Risk

##### Interest Rate Sensitivity Analysis

The Company's interest rate risk arises primarily from its interest bearing investments with commercial banks.

The sensitivity analysis below is based on the exposure of interest rates for financial instruments at the end of the reporting period. A positive number indicates an increase in profits where the interest rates appreciate by 1% and 0.5% for the Certificate of Deposits and Save and Prosper account. For a decrease in the interest rate, this would have an equal and opposite effect on profit, and the balances below would be negative.

	Increase / (Decrease) in interest rates	Increase / (Decrease) in profits	Increase / (Decrease) in profits	
			2017	2016
Certificate of Deposits	+1% / -1%	+ / -	7,679,602	+ / -
Save and Prosper Account	+0.5% / -0.5%	+ / -	1,366,307	+ / -
			<u>9,045,909</u>	<u>5,896,575</u>

GUYANA WATER INC.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

3. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Mechanical & Electrical Plant	Motor Vehicles	Mobile Plant	Furniture, Fixtures & Equipment	Infrastructure Water	Sewerage	Computer Hardware	Total
Cost	G\$	G\$	G\$	G\$	G\$	G\$	G\$	G\$	G\$	G\$
As at January 01 2017	820,007,897	2,078,173,323	5,727,938,662	357,185,007	195,721,284	30,896,955,843	1,246,898,403	346,889,128	41,669,769,547	
Additions	-	2,620,551	70,160,735	22,662,699	14,930,934	204,011,484	29,519,622	29,681,415	373,587,440	
Capitalisation	-	19,429,379	14,776,386	-	-	198,975,615	-	-	233,181,380	
Disposals	-	-	-	(3,000,000)	(464,457)	-	-	-	(3,464,457)	
As at December 31 2017	820,007,897	2,100,223,253	5,812,875,783	376,847,706	210,187,761	31,299,942,942	1,276,418,025	376,570,543	42,273,073,910	

*Accumulated Depreciation*

	Land	Buildings	Mechanical & Electrical Plant	Motor Vehicles	Mobile Plants	Furniture, Fixtures & Equipment	Infrastructure Water	Sewerage	Computer Hardware	Total
Cost	G\$	G\$	G\$	G\$	G\$	G\$	G\$	G\$	G\$	G\$
As at January 01 2017	-	615,394,014	4,193,572,622	253,474,891	129,925,416	12,554,842,281	151,640,874	278,425,429	18,177,275,527	
Charges	-	100,805,729	260,812,387	37,453,281	17,945,591	1,183,092,939	29,647,625	9,353,146	1,639,110,698	
Disposals	-	-	-	(3,000,000)	(379,188)	-	-	-	(3,379,188)	
As at December 31 2017	-	716,199,743	4,454,385,009	287,928,172	147,491,819	13,737,935,220	181,288,499	287,778,575	19,813,007,037	

*Net Book Value*

	Land	Buildings	Mechanical & Electrical Plant	Motor Vehicles	Mobile Plants	Furniture, Fixtures & Equipment	Infrastructure Water	Sewerage	Computer Hardware	Total
Cost	G\$	G\$	G\$	G\$	G\$	G\$	G\$	G\$	G\$	G\$
As at January 01 2016	820,007,897	2,059,312,543	5,601,932,415	317,297,103	160,284,201	30,392,890,220	1,246,898,403	295,096,199	40,893,718,982	
Additions	-	1,592,760	120,073,179	39,887,904	42,362,642	252,541,934	-	53,095,359	509,553,778	
Capitalisation	-	17,268,020	5,934,500	-	-	251,523,689	-	-	274,726,209	
Disposals	-	-	(1,432)	-	(6,925,559)	-	-	(1,302,430)	(8,227,989)	
Transfers	-	-	-	-	-	-	-	-	(1,432)	
As at December 31 2016	820,007,897	2,078,173,323	5,727,938,662	357,185,007	195,721,284	30,896,955,843	1,246,898,403	346,889,128	41,669,769,548	

*Accumulated Depreciation*

	Land	Buildings	Mechanical & Electrical Plant	Motor Vehicles	Mobile Plants	Furniture, Fixtures & Equipment	Infrastructure Water	Sewerage	Computer Hardware	Total
Cost	G\$	G\$	G\$	G\$	G\$	G\$	G\$	G\$	G\$	G\$
As at January 01 2016	-	515,870,278	3,941,955,517	221,325,067	123,080,220	11,723,157,047	122,254,614	255,761,699	16,903,404,442	
Charges	-	99,523,736	251,617,105	32,149,824	13,578,589	831,685,234	29,386,260	23,921,293	1,281,862,041	
Disposals	-	-	-	-	(6,733,393)	-	-	(1,257,563)	(7,990,956)	
As at December 31 2016	-	615,394,014	4,193,572,622	253,474,891	129,925,416	12,554,842,281	151,640,874	278,425,429	18,177,275,527	

*Net Book Value*

	Land	Buildings	Mechanical & Electrical Plant	Motor Vehicles	Mobile Plants	Furniture, Fixtures & Equipment	Infrastructure Water	Sewerage	Computer Hardware	Total
Cost	G\$	G\$	G\$	G\$	G\$	G\$	G\$	G\$	G\$	G\$
As at December 31 2016	820,007,897	1,462,779,309	1,534,366,040	103,710,116	37,203,980	18,669,733,174	1,095,257,529	68,463,699	23,492,494,021	

**GUYANA WATER INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**

	2017 G\$	2016 G\$
<b>4. INTANGIBLE ASSET</b>		
Computer Software		
<i>Cost</i>		
As at January 01	767,211,701	767,211,701
Additions	10,839,517	-
As at December 31	<u>778,051,218</u>	<u>767,211,701</u>
<i>Accumulated Amortisation</i>		
As at January 01	753,238,889	683,353,633
Charges	16,381,594	69,885,256
As at December 31	<u>769,620,483</u>	<u>753,238,889</u>
<i>Net Book Value</i>		
<b>As at December 31</b>	<b><u>8,430,735</u></b>	<b><u>13,972,812</u></b>

**5. CAPITAL WORK IN PROGRESS (WIP)**

	Inter-American Development Bank	World Bank	Government of Guyana	Guyana Water Inc.	Total
	G\$	G\$	G\$	G\$	G\$
<i>Cost</i>					
As at January 01 2017	654,826,202	54,230,039	2,402,567,414	749,683,706	3,861,307,361
Write Off	-	-	(22,122,486)	(124,448,823)	(146,571,309)
Additions	<u>1,169,251,999</u>	<u>-</u>	<u>1,087,821,755</u>	<u>546,469,859</u>	<u>2,803,543,613</u>
<b>As at December 31 2017</b>	<b><u>1,824,078,201</u></b>	<b><u>54,230,039</u></b>	<b><u>3,468,266,683</u></b>	<b><u>1,171,704,742</u></b>	<b><u>6,518,279,665</u></b>
<i>Less: Capitalisation</i>					
Buildings	-	-	19,429,379	-	19,429,379
Mechanical & Electrical Plant	-	-	14,776,386	-	14,776,386
Infrastructure Water	-	-	198,236,443	739,172	198,975,615
<i>Total Capitalisation</i>	<u>-</u>	<u>-</u>	<u>232,442,208</u>	<u>739,172</u>	<u>233,181,380</u>
<b>As at December 31 2017</b>	<b><u>1,824,078,201</u></b>	<b><u>54,230,039</u></b>	<b><u>3,235,824,475</u></b>	<b><u>1,170,965,570</u></b>	<b><u>6,285,098,285</u></b>

✓ 180 + 2 (182)

**GUYANA WATER INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2017**

**5. CAPITAL WORK IN PROGRESS (CONT'D)**

	Inter-American Development Bank G\$	World Bank G\$	Government of Guyana G\$	Guyana Water Inc. G\$	Total G\$
<b>Cost</b>					
As at January 01 2016	651,138,451	54,230,039	1,675,619,314	433,555,129	2,814,542,933
Additions	3,687,751	-	937,731,540	380,071,346	1,321,490,637
As at December 31 2016	<b>654,826,202</b>	<b>54,230,039</b>	<b>2,613,350,854</b>	<b>813,626,475</b>	<b>4,136,033,570</b>
<b>Capitalization</b>					
Buildings	-	-	12,858,630	4,409,390	17,268,020
Mechanical and Electrical Plant	-	-	5,934,500	-	5,934,500
Infrastructure Water	-	-	191,990,310	59,533,379	251,523,689
<b>Total Capitalisation</b>	<b>-</b>	<b>-</b>	<b>210,783,440</b>	<b>63,942,769</b>	<b>274,726,209</b>
<b>As at December 31 2016</b>	<b>654,826,202</b>	<b>54,230,039</b>	<b>2,402,567,414</b>	<b>749,683,706</b>	<b>3,861,307,361</b>

**6. INVENTORIES**

	2017 G\$	2016 G\$
Chemicals	52,160,233	86,886,136
Equipment	271,729,507	553,873,127
Materials	508,259,323	503,564,177
Others	755,146	529,129
<b>Total</b>	<b>832,904,209</b>	<b>1,144,852,569</b>
<i>Provision for slow moving stock consists of the following:</i>		
Beginning provision	81,038,384	81,038,384
Movement for the Year	(2,180,512)	-
Ending provision	<b>78,857,872</b>	<b>81,038,384</b>
<b>Net Inventories</b>	<b>754,046,337</b>	<b>1,063,814,185</b>
Good in Transit	162,114,493	54,470,166
Others	541,003	549,054
<b>Total Inventories</b>	<b>916,701,833</b>	<b>1,118,833,405</b>

# GUYANA WATER INC.

## NOTES TO THE FINANCIAL STATEMENTS

**31 DECEMBER 2017**

	2017	2016
	G\$	G\$
<b>7. RECEIVABLES</b>		
Accounts receivables	5,508,353,564	6,010,126,740
Less Direct Write-offs	(1,479,459,293)	(69,067,807)
Provision for doubtful debts	<u>(1,038,207,458)</u>	<u>(1,205,790,418)</u>
Net receivables	2,990,686,813	4,735,268,515
Other receivables	97,360,392	106,460,634
<b>Total</b>	<b><u>3,088,047,205</u></b>	<b><u>4,841,729,149</u></b>
<i>Provision for doubtful debts consists of:</i>		
Beginning provision	1,205,790,418	1,169,853,629
Charge for the year	-	35,936,789
Reduction in provision	(167,582,960)	-
<b>End provision</b>	<b><u>1,038,207,458</u></b>	<b><u>1,205,790,418</u></b>

There is an ongoing exercise to examine customer database, which will result in a more accurate gross receivables and reduce the need for large provisioning for bad and doubtful accounts.

	2017	2016
	G\$	G\$
<b>8. VALUE ADDED TAX (VAT)</b>		
Vat Input	257,742,492	127,824,932
Vat Output	<u>(258,080,711)</u>	-
<b>Vat Recoverable / (Payable)</b>	<b><u>(338,219)</u></b>	<b><u>127,824,932</u></b>

**GUYANA WATER INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**

**9. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on hand, balances with banks and investments. Cash and cash equivalents included in the Statement of Financial position comprise of the following:

	<b>2017</b> G\$	<b>2016</b> G\$
Cash on hand	3,844,364	2,883,126
Project funds	753,057,082	249,064,262
* Investment and savings accounts	273,261,447	307,232,989
Current and bill payment accounts	234,429,779	98,688,526
	<b>1,264,592,672</b>	<b>657,868,903</b>

\* Investment with New Building Society Limited

This investment in the New Building Society represents a Saving and Prosper account and earns 2.75% interest quarterly compounded.

**Fixed deposit investments**

Investments represent two Certificate of Deposits held with Citizens Bank Guyana Inc. and earn 3% and 4% respectively.

Investments with maturity dates over three months	<b>767,960,173</b>	<b>1,206,857,990</b>
---	--------------------	----------------------

**The Company placed a lien on its Fixed Deposit no.14212 to the sum \$170,000,000 for a Overdraft Facility at Citizens Bank Limited effective December 17th 2018.**

**10. EXTERNAL FUNDINGS**

The Company has fully adopted IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance in 2012. Non - refundable grants contributed by the Government of Guyana and loans from the Inter-American Development Bank which are repaid by the Government of Guyana in respect of capital works are under the Coastal, Linden, Hinterland, Urban and the Georgetown Sewerage are credited to income which is amortised over the same period that the related assets are depreciated.

In accordance with the accounting policy described in the note above, the following capital contributions received from the Government of Guyana and the Inter-American Development Bank are amortised over the period related assets are depreciated.

	<b>2017</b> G\$	<b>2016</b> G\$
<b>GOVERNMENT OF GUYANA COUNTERPART</b>		
Balance as at January 01	14,782,011,399	14,253,440,896
<b>Payments made under the following program:</b>		
Coastal	597,514,924	585,863,000
Linmine	100,000,000	103,253,938
Hinterland	200,000,000	195,400,000
Urban	250,000,000	226,100,000
Linden Water Supply Rehabilitation Program	-	47,006,062
Clerks of Works	(14,101,002)	-
	<b>15,915,425,321</b>	<b>15,411,063,896</b>
Amortisation of deferred income	(630,783,662)	(629,052,497)
Balance at December 31	<b>15,284,641,659</b>	<b>14,782,011,399</b>

# GUYANA WATER INC.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

10. EXTERNAL FUNDINGS (CONT'D)	2017 G\$	2016 G\$
<b>INTER-AMERICAN DEVELOPMENT BANK</b>		
Balance as at January 01	6,178,227,796	6,233,191,217
Linden Water Supply Rehabilitation Program (LWSRP)	-	94,169,334
Water Supply and Sanitation Infrastructure Improvement Program (WSSIIP)	<u>1,930,834,955</u>	-
	<u>8,109,062,751</u>	<u>6,327,360,551</u>
Amortisation of deferred income	(127,107,015)	(149,132,755)
Georgetown Sanitation Improvement	(22,655,834)	-
<b>Balance at December 31</b>	<u>7,959,299,902</u>	<u>6,178,227,796</u>

2017 G\$	2016 G\$
-------------	-------------

**Linden Water Supply Rehabilitation Program (LWSRP)**  
Total disbursements received under the LWSRP program

<u>94,169,334</u>
-------------------

Contract No.2535/BL-GY between Inter-American Development Bank "Bank" and Government of Guyana "Borrower". Agreement constitutes a loan between the bank and borrower, where Guyana Water Inc. is the executing agency. The total cost of the program, US\$12.3M, will be disbursed over a period of five (5) years from date on the agreement and shall be repaid by the borrower.

2017 G\$	2016 G\$
-------------	-------------

**Water Supply and Sanitation Infrastructure Improvement Program**  
Total disbursements received under the WSSIIP program

<u>1,930,834,955</u>	-
----------------------	---

The program, executed by the Guyana Water Inc., is financed by an agreement between the Government of Guyana and the Inter-American Development Bank and the European Union under Loan Contract Nos. 3242/OC-GY and 3243/BL-GY respectively, and Non Reimbursable Financing Agreement No.GRT/EX-14520-GY.

The loan of US\$16,832,250 and the Non Reimbursable Financing Agreement (NRFA) of €10,675,000/US\$14,838,250 will be disbursed over a five years period.

The parties agree that the amount of the resources from the NRFA, up to the equivalent of US\$7,500,000, shall be distributed on a pari-passu basis.

The Programme was extended to December 31st 2020.

**GUYANA WATER INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2017**

<b>10. EXTERNAL FUNDINGS (CONT'D)</b>	<b>2017</b>	<b>2016</b>
	<b>G\$</b>	<b>G\$</b>
<b>DEPARTMENT FOR INTERNATIONAL DEVELOPMENT (DFID)</b>		
<b>Balance as at January 01</b>	396,229,695	462,083,631
Amortisation of deferred income	(28,339,664)	(65,853,936)
<b>Balance at December 31</b>	<b><u>367,890,031</u></b>	<b><u>396,229,695</u></b>
<b>WORLD BANK (WB)</b>		
<b>WATER SECTOR CONSOLIDATION PROJECT GRANT #H180-0-GUA</b>		
<b>Balance as at January 01</b>	2,233,257,604	2,379,009,207
Amortisation of deferred income	(141,502,944)	(145,751,603)
<b>Balance at December 31</b>	<b><u>2,091,754,660</u></b>	<b><u>2,233,257,604</u></b>
World Bank Grant H180-0-GUA. Water Consolidation Program Development Grant agreement for the construction and rehabilitation of water treatment facilities at Anna Regina, Parika and Rosignol equivalent to US\$11.3M.		
<b>EUROPEAN INVESTMENT BANK</b>		
<b>GUYANA ROSEHALL WATER SUPPLY PROJECT</b>		
<b>Balance as at January 01</b>	8,754,884	9,668,420
Amortisation of deferred income	(912,780)	(913,536)
<b>Balance at December 31</b>	<b><u>7,842,104</u></b>	<b><u>8,754,884</u></b>
<b>JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)</b>		
<b>Balance as at January 01</b>	1,794,976,546	1,963,613,986
Amortisation of deferred income	(168,637,437)	(168,637,440)
<b>Balance at December 31</b>	<b><u>1,626,339,109</u></b>	<b><u>1,794,976,546</u></b>
<b>Summary of Government Grant Amortised</b>		
External Funding - Government of Guyana Counterpart	630,783,662	627,901,651
External Funding - Department for International Development	28,339,664	65,853,936
External Funding - World Bank	141,502,944	145,751,603
External Funding - Inter- American Development Bank	127,107,015	149,132,755
External Funding - European Investment Bank	912,780	913,536
External Funding - Japan International Cooperation Agency	168,637,437	168,637,440
<b>Total Amortised</b>	<b><u>1,097,283,502</u></b>	<b><u>1,158,190,921</u></b>

**GUYANA WATER INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**

	2017	2016
	G\$	G\$
<b>11. AUTHORISED &amp; ISSUED CAPITAL</b>		
<b>Authorised</b>		
1,000,000 ordinary shares at an issue price of G\$100 each	100,000,000	100,000,000
<b>Issued and fully paid shares</b>		
88,253 ordinary shares at G\$100 each	<u>8,825,300</u>	<u>8,825,300</u>

The Company is authorised to issue a maximum of 1,000,000 ordinary shares at a minimum issue price of G\$100 each. All issued shares are held by the Government of Guyana.

<b>Additional share capital</b>	<u>3,372,346,395</u>	<u>3,372,346,395</u>
---------------------------------	----------------------	----------------------

Additional share capital represents the net assets as a result of the merger of Guyana Water Authority (GUYWA) and the Georgetown Sewerage and Water Commissioners.

	2017	2016
	G\$	G\$
<b>12. PAYABLES AND ACCRUALS</b>		
Accounts payables	147,089,770	201,473,342
Payroll liabilities	52,166,192	2,920,879
Retention payables	44,628,395	38,039,236
Other accruals and payables (note a)	1,329,003,771	779,681,574
Rates and taxes payable	216,042,804	255,011,804
Provision for legal settlement	<u>25,502,020</u>	<u>31,446,449</u>
	<u>1,814,432,952</u>	<u>1,308,573,284</u>

**note a.** Included in this amount is the balance for:

Guyana Power & Light Incorporated	1,028,920,678	515,422,703
-----------------------------------	---------------	-------------

<b>13. DEFERRED BILLING</b>	<u>76,829,600</u>	<u>77,988,597</u>
-----------------------------	-------------------	-------------------

Unmetered billings are done in advance for services that has not yet been provided. This is treated as Deferred Billings. After the service has been provided the amount is recognised as Unmetered Billings in the respective period.

# GUYANA WATER INC.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

### 14. TAXATION

Taxation expense represents the sum of the statutory tax currently payable.

#### (i) Property Tax

The Company continues to make provision for Property Taxes.

#### (ii) Corporation Tax

The Company has been making operating losses and therefore Corporation Tax has not been provided for in the financial statements.

#### (iii) Deferred Tax

Deferred Tax has not been recognised as a result of the company making significant operating losses and it is not forecasted that an operating profit would be made within the short term.

	2017	2016
	G\$	G\$
<b>15. INCOME</b>		
Measured water supply	2,416,406,113	2,123,067,191
Unmeasured water supply	<u>1,275,522,027</u>	<u>1,315,471,419</u>
	<b><u>3,691,928,140</u></b>	<b><u>3,438,538,610</u></b>

### 16. EMPLOYMENT COSTS

Salaries	1,294,416,994	1,009,335,734
Overtime	136,318,585	105,803,424
Employers' NIS	100,784,401	75,795,572
Leave passage	80,364,286	62,122,182
Pension & gratuity	103,770,905	85,957,932
Pension contribution	15,438,574	11,108,533
Allowances	191,801,244	124,365,164
Other employment costs	<u>38,253,094</u>	<u>79,701,834</u>
	<b><u>1,961,148,083</u></b>	<b><u>1,554,190,375</u></b>

Guyana Water Incorporated (GWI) operates a Defined Contribution Plan with Assuria Life (Guyana) since January 2015. The Pension Plan is funded by contribution from GWI (5% of gross salary) and its eligible employees (5% of gross salaries). The fund is paid into a separate (legal) entity and GWI will have no legal or constructive obligations to pay future contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service. The contributions are recognised as employee benefit expense when they are due monthly.

The number of staff contributed to the plan as of December 31, 2017 was 235 (2016 - 168). During the year the total contribution to the Pension Scheme was \$30,317,828 (\$21,706,546- 2016) which was equally contributed by the company and employees.

# GUYANA WATER INC.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

	2017 G\$	2016 G\$
<b>17. DIRECTORS' FEES</b>		
Clifton Nigel Hinds - Chairman	-	150,000
Patricia Chase- Green - Vice Chairman / Chairman	273,000	144,000
Emil Mc Garrell	225,000	110,000
David Dewar	241,000	110,000
Ryan Belgrave	225,000	110,000
Charles Ceres (note iii)	-	70,000
Sherie Samantha Fedee	225,000	120,000
Savitree Singh- Sharma	225,000	120,000
Carol Smith Joseph (note iv)	40,000	122,000
Dhanwanti Sukhdeo-Metivier Ali	185,000	-
Gavin Todd	185,000	-
Mavin Benn	185,000	-
Jeffrey Thomas	50,000	-
<b>Total</b>	<b>2,059,000</b>	<b>1,056,000</b>

note i: The new Board was published in the Official Gazette of March 10th 2017. The Board's life is effective from March 1st 2017 to February 28th 2019.

	2017 G\$	2016 G\$
<b>18. ADMINISTRATIVE EXPENSES</b>		
Stationery	36,131,456	43,271,928
Internet and telephone	54,232,859	40,551,001
Local and overseas travel	36,945,323	32,299,184
Training	45,331,230	39,598,656
Health and safety	20,004,724	20,716,320
Entertainment and accommodation	44,441,608	12,441,278
Agency fees	19,281,108	14,404,122
Insurance	11,291,609	7,222,742
Legal settlement	21,230,941	1,575,000
Freight and custom duty	7,356,173	9,292,466
Meals	34,022,890	21,094,658
Cleaning	12,375,541	14,418,639
Other administrative costs	14,448,436	37,432,932
<b>Total</b>	<b>357,093,898</b>	<b>294,318,926</b>

**GUYANA WATER INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2017**

	<b>2017</b>	<b>2016</b>
	<b>G\$</b>	<b>G\$</b>
<b>19. PREMISES COSTS</b>		
Electricity	3,191,524,440	2,660,585,045
Repairs and maintenance	400,516,931	404,268,026
Fuel & Diesel	83,505,120	30,127,030
Rental	26,240,000	16,000,000
Weeding and cleaning	14,867,986	14,799,406
Other costs	4,910,836	7,746,966
	<b><u>3,721,565,313</u></b>	<b><u>3,133,526,473</u></b>
<b>20. ADJUSTMENTS PRIOR YEAR</b>		
Metered adjustments	199,685,048	168,120,029
Unmetered adjustments	310,124,213	168,840,442
	<b><u>509,809,261</u></b>	<b><u>336,960,471</u></b>
<b>21. TRANSPORT COSTS</b>		
Vehicle repairs	13,773,724	11,974,781
Fuel and diesel	28,313,006	18,597,373
Hired rental vehicles and mobile plant	70,703,766	65,884,182
Other transport costs	5,424,853	15,672,228
	<b><u>118,215,349</u></b>	<b><u>112,128,564</u></b>
<b>22. SUPPLIES AND SERVICES COSTS</b>		
Water quality - chemicals usage and filter media	478,967,750	479,962,488
Leak repairs	214,422,544	195,446,620
Disconnection & reconnection	76,415,907	77,780,500
Security	119,751,370	103,382,016
Professional fees	72,228,618	51,323,968
Hired outside services	22,821,981	176,960,945
Stock adjustment	(1,232,902)	1,504,756
Public relations and advertising	58,204,269	45,902,162
Other supplies and services cost	131,808,562	127,089,434
	<b><u>1,173,388,099</u></b>	<b><u>1,259,352,889</u></b>

**GUYANA WATER INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**

	2017 G\$	2016 G\$
<b>23. OTHER INCOME</b>		
Government subsidy for electricity charges from the Guyana Power & Light Incorporated.	2,228,756,004	1,838,610,100
Other operating income	123,040,276	128,633,299
Other non-operating other income	844,104,549	546,714,822
	<b><u>3,195,900,829</u></b>	<b><u>2,513,958,221</u></b>

**24. LOSS PER SHARE**

Basic loss per share are calculated by dividing the loss after tax with the weighted average number of ordinary shares outstanding during the year.

	2017 G\$	2016 G\$
<b>Basic loss per share</b>		
Loss for the year attributable to shareholder's equity	(2,997,398,726)	(1,167,348,394)
Weighted average number of outstanding ordinary shares	8,825,300	8,825,300
<b>Basic loss per share</b>	<b>(340)</b>	<b>(132)</b>

**25. RELATED PARTY TRANSACTIONS**

The following related party transactions occurred during the year.

The following information is presented only in respect of those employees of the Company who would be considered as key management personnel, as defined under IAS 24 (Related Party Disclosures). At December 31, 2017, the number of key management personnel was 12 (2016 - 14).

**Compensations of key management personnel**

The remuneration of key management during the year was as follows:

	2017 G\$	2016 G\$
Short-term benefits	98,122,894	95,765,149
Post-employment benefits	2,355,652	1,177,106
<b>Total</b>	<b><u>100,478,546</u></b>	<b><u>96,942,255</u></b>

## **Background**

Ga Water Incorporated was incorporated in Guyana on May 30, 2002 under the  
Act 1991 and is wholly owned by the Government of Guyana. The Company was  
the merger between the Guyana Water Authority (GUYWA) and the Georgetown  
Water Commissioners (GS&WC). The principal activities of the company are as

to supply water to the citizens of Guyana.

to manage disposal services to the residents of Central Georgetown  
and to manage the operation and maintenance of the water and underground sewerage system in Guyana  
and to determine the level of tariffs for services provided

## **Methodology**

Office examined in such manner as we deemed  
necessary to ascertain whether:

to be prepared in accordance with applicable  
laws and regulations and the functions and affairs of Guyana Water

to secure effective  
and valuation and

use or

## **FINDINGS AND RECOMMENDATIONS**

### **PRIOR YEAR MATTERS NOT RESOLVED**

#### **1. GRANT CLEARING ACCOUNT (#2108)**

##### **Finding**

Audit examination of this general ledger account revealed there are long outstanding items coming forward since 2015 totaling \$107,137,785 which continue to remain in this account. The auditors sought an explanation for reason (s) why this account is not cleared on timely basis and at the time of this report, the Project Accountant could not provide a proper justification. This matter was mentioned in our previous report.

##### **Effect**

Payables were overstated in the financial statements.

##### **Recommendation**

We recommend that measures are put in place to reconcile this account as soon as possible and appropriate adjustments made to the respective accounts.

##### **Management's Response**

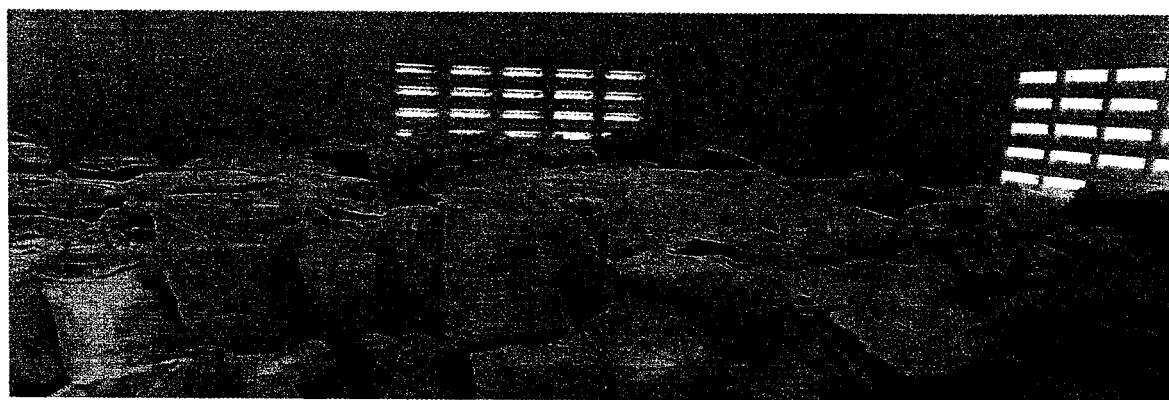
A review was done and the sum of \$58,584,310 was identified as retention for measured works for period 2011 and 2012. No request was made for payment to be release. The remaining balance is currently being reviewed and appropriate action will be taken as required.

#### **2. STORAGE OF INVENTORIES**

##### **Finding**

During our stocktaking exercise conducted on January 4, 2018 at Shelterbelt compound located at Vlissengen Road, it was observed that chemical lime used for treatment of water was stored poorly in containers at the said location. In light of the above, we were unable to complete the physical count of the chemical as result of poor storage and handling making it difficult to determine quantity and value of such losses. Our concerns were expressed at the level of management who had given an assurance that such incidents should not re-occur. *See Fig 1-4*

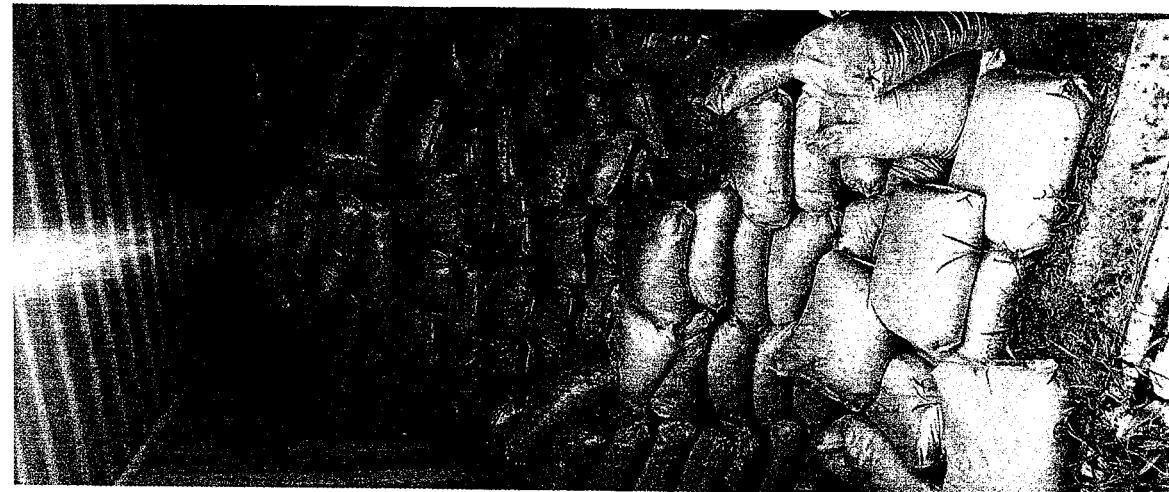
**Fig 1- Ruimveldt**



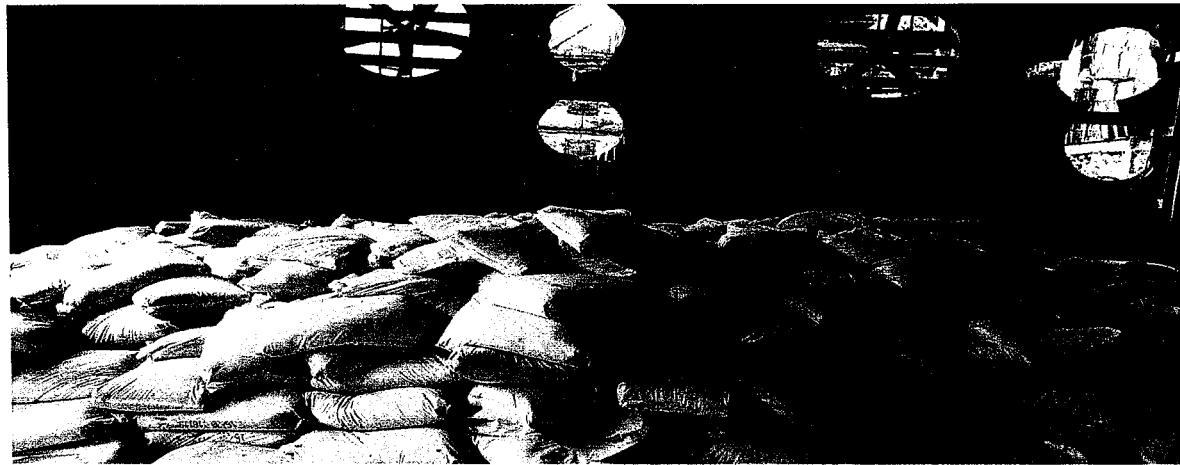
**Fig 2- Georgetown**



**Fig 3- Ruimveldt**



**Fig 4- Linden**



It should be noted, adequate measures were not in place as promised by management with similar occurrences verified by the auditors at the most recent stock taking exercise at year end of 2019. This matter occurred at the Shelter Belt and Ruimveldt compounds notwithstanding that other branches of the company use and store this chemical for water treatment.

**Effect**

Lack of proper storage has resulted in the company suffering losses over the years.

**Recommendations**

- i. Management should review the procedures for these special stores and ensure that persons given responsibilities for storage, carry out their duties effectively.
- ii. Disciplinary actions should be taken by management for person(s) in charge of the operations of the Stores at the respective location.
- iii. Review the packaging of the chemical lime to identify whether inferior packaging materials were being used and discuss this matter with the approved supplier to resolve this situation.

## **Management's Response**

Management acknowledge the deficiencies. The problem stems from main areas of operations space constraints in the storage bonds. Management will implement an effective warehousing, which will lead to these items properly stored, packed and will allow for ease of counting.

### **3. OTHER DEBTORS**

#### **Finding**

The company reported the sum of twenty one million six hundred and fifty thousand six hundred and seventy six dollars (\$21,650,676) representing Other Debtors as at year end. Included in this amount, the sum of fifteen million eighty two thousand seven hundred and fifty five dollars (\$15,082,755) was coming forward since 2011 which indicate that efforts were unsuccessful to recover the outstanding amounts owed to the company as shown in the table below.

<b>Date</b>	<b>Name</b>	<b>Amount (\$)</b>	<b>Reference</b>
July 22, 2014	Curtis McKinnon	292,000	950011207
July 16, 2014	Peter Greaves	211,340	950011117
August 31, 2011	C&N Trading	8,775,000	Litigation: Judgment
December 31, 2011	Kynwil International Trading	4,930,681	Litigation
December 13, 2013	Amar Samaroo Investments	873,734	Sale of Scrap metal
<b>Total</b>		<b>15,082,755</b>	

#### **Effect**

There is a breakdown of the control system as regards the collection and clearance of monies owed to the company resulting in these debts becoming hardcore and uncollectable.

#### **Recommendations**

- i. We recommend that management ensure when judgment is awarded to the company for outstanding sums through litigation the Legal and Corporate Department along with the Finance Department should pursue vigorously the sums outstanding to ensure payments are made promptly according to the contractual arrangements.
- ii. For collection of other outstanding sums, the Finance Department should also pursue these vigorously to ensure payments are received on a timely manner.

## **Management's Response**

Management has taken corrective action. The amount of \$6,307,755 is to be written off, since it is uncollectable. Curtis McKinnon decease, was not paid final benefit awaiting letter of administration. Peter Greaves decease, superannuation benefit already paid and no deduction made for advance given. Lynwil International Trading, suppliers no longer exist. Amar Samaroo Investments, migrated without settling indebtedness. The remaining amount of \$4,930,681 for C & N Trading, where an arrest warrant was issued and will expire in 2021. Management is still pursuing the principal to recover same.

## **4. SITE ADVANCES**

### **Finding**

Our audit examination revealed there were seven (7) advances received during the year 2016 totaling eight hundred and seventy six thousand, nine hundred and ninety two dollars (\$876,992) as shown in table below. These remained outstanding as at the time of our audit.

<b>Date of advance taken</b>	<b>Name</b>	<b>Amount\$</b>	<b>Reference #</b>
March 14, 2016	Duane Tobin	232,088	950019507
April 20, 2016	Desiree Bostwick	100,000	950020135
July 20, 2016	Kameel Bacchus	58,000	950021896
October 19, 2016	Natesha Alfred	50,000	950023442
October 25, 2016	Ramchand Jailall	415,800	950023572
November 16, 02016	Ramchand Jailall	21,104	950023975
<b>Total</b>		<b>876,992</b>	

### **Effect**

This is a breach of internal controls surrounding the issuing and clearance of site advances and in non- compliance of the company's policy and procedures governing advances.

### **Recommendations**

- i. We recommend that management ensure that the controls are working effectively and company's policies and procedures are adhered to at all times by employees.
- ii. For disbursements and subsequent clearance of site advances, the Finance Department together with Heads of Departments that approved the initial site advance should ensure advances are cleared prior to the approval and issuance of new advances.

### **Management's Response**

Management have taken corrective action and have implemented controls to avoid re-occurrences.

## **5. GOODS-IN-TRANSIT**

### **Finding**

Audit examination of Goods In transit in the general ledger for the year under review revealed that they were long outstanding items of payments made to suppliers totaling \$71,841,918 for the years 2014-2017.

At the time of our audit, we were unable to obtain an explanation for the long outstanding balance as previously mentioned in our report. **Refer to Appendix 1.**

### **Effect**

Goods and supplies paid for by the company may not be received by the company leading to financial loss.

### **Recommendation**

We recommend that management make the necessary efforts to reconcile this account and take appropriate actions to ensure all outstanding goods and supplies are received by the company.

### **Management's Response**

A further examination of this account identified that \$37,534,578 was subsequently accounted for in the relevant expenditure account.

Items to the value of \$33,625,537 are currently on the wharf. This consist of five items for which assessment has been completed for two, the assessment for the remaining is expected to be completed by Friday 18<sup>th</sup> September 2020.

Efforts was made with supplier to receive items equal to \$531,720 for goods never delivered. This matter will be forwarded to our Corporate Services department for legal action.

## **CURRENT YEAR MATTERS**

### **6. SINGLE SOURCING OF CONTRACTS**

#### **i. PROCUREMENT OF DRY SEAQUEST (WATER TREATMENT)**

##### **Finding**

Audit examination of GWI's purchases revealed monthly orders for the supply of the water treatment chemical – "Dry Sea Quest."

A sample of thirteen (13) purchase orders amounting to \$179,143,454 for supply of Dry Sea Quest were examined and the following breaches of procurement practices were identified:

- a.** The tender procurement process for this supply was waived by the Board of Directors pending public tendering on the basis that the supplier JGS Business had repeatedly supplied the SeaQuest at the pilot stage and that the efficacy of other supplier's product cannot be verified.
- b.** The tender process continued to be waived by the Board of Directors without efforts of competitive bidding being used.
- c.** The company entered into multiple contracts for the supply of this chemical with the same supplier avoiding the competitive bidding process from being supervised by NPTAB.
- d.** Multiple contracts were not entered in the GWI's contract register.
- e.** The company continued to procure this chemical using single sourcing process for the entire year 2017, disregarding previous quotations obtained from International Suppliers which appeared to be as competitive as the current supplier.

##### **Effects**

- i.** The company did not comply with its own procurement policy.
- ii.** The company did not allow for the competitive bidding process and awarded contracts to a supplier with higher prices compared with other quotations obtained.

##### **Recommendations**

- i.** We recommend that Management desist from using sole sourcing for the procurement of this chemical and the splitting of contracts and ensure that public tendering procedures be adopted as required in the company's procurement procedures.

- ii. The Board of Directors should review the company's procurement procedures and compare this with the current practice at each approval levels so as to verify and ensure compliance to procurement regulations of the company and per Laws of Guyana.

### Management's Response

The board was unable to take a decision due to the fact that there was a pending litigation matter and was awaiting the outcome.

It will be difficult and somewhat risky to go to public tender without a comprehensive study and a pilot of any sequestering product. They are different type and form of sequestering products under different names. Even before we started to use the product from Aquasmart, we had explored the use of a sequester product out of Trinidad, that did not yield favorable results. Therefore it is possible, but we have to work with the successful bidder to have any infrastructure change done.

## 7. UNVERIFIED INVENTORIES

### Finding

At the year-end stocktaking exercise in 2018, we observed that the physical quantities of eight (8) inventory items totaling seventy three million fifty nine thousand seven hundred and forty seven dollars (\$73,059,747) could not be counted by Auditors, Storekeepers and the Internal Auditors as a result of these items not being packed in an orderly manner at the following locations. **Refer to table below.**

We consider this amount to be material. It should be noted that this practice has continued for the year-end stocktaking exercise for 2019.

Material Code and location	Description of stock items	UoM	Unit Price	Oracle Accounting System	
				Qty	Value
<b>LBI</b>				\$	\$
111291	FILTRATION SAND - BS 16/30	Ea	\$2,260	9,786	\$22,116,849
150053	Maganese Dioxide Ore, Type QF11, 2000kg/m3	Ea	\$6,107	417	\$2,546,411
				<b>10,203</b>	<b>\$24,663,260</b>
<b>GEORGETOWN</b>					
150002	CALCIUM HYPOCHLORIDE	Ea	\$14,011	1,635	\$22,908,044
150051	LIME	Ea	\$1,465	1,314	\$1,924,682
				<b>2,949</b>	<b>\$24,832,725</b>

<b>POUDEROYEN</b>					
150053	Maganese Dioxide Ore, Type QF11, 2000kg/m3	Ea	\$6,107	1,588	\$9,697,12
150055	PURE DRIED VACUUM SALT - PDV	Ea	\$3,080	496	\$1,527,68
				<b>2,084</b>	<b>\$11,224,80</b>
<b>LINDEN</b>					
111291	FILTRATION SAND - BS 16/30	Ea	\$2,260	4,800	\$10,848,24
				<b>4,800</b>	<b>\$10,848,24</b>
<b>ONVERWAGT</b>					
150055	PURE DRIED VACUUM SALT - PDV	Ea	\$3,080	484	\$1,490,72
				<b>484</b>	<b>\$1,490,72</b>
				<b>Total</b>	<b>20,520</b>
					<b>\$73,059,74</b>

### **Effect**

Due to the auditor's inability to verify physical quantities of inventories effectively, balances shown in the Statement of Financial Position could be overstated.

### **Recommendations**

- i. Management should review the procedures for these special stores and ensure that persons given responsibilities for storage, carry out their duties effectively.
- ii. Disciplinary actions should be taken by management for person(s) in charge of the operations of the Stores.
- iii. Review the packaging of chemicals to identify whether substandard packaging materials were being used and discuss this matter with the approved supplier to resolve this situation.

### **Management's Response**

Management will develop and implement procedures to ensure items are properly stored and packed so as to enable verification and to minimize damages.

## **8. UNAPPROVED MATERIAL REQUISITIONS**

### **Finding**

Audit examination of the following material requisitions for the Pouderyen location for the issuance of Sea Quest revealed these were not signed as 'Approved by'. - *See the list below:*

- MR#75107
- MR#75118
- MR#75120-25
- MR#75127-28
- MR#75130-34
- MR#75139
- MR#75143-44, 49

#### **Effect**

Breakdown of the internal controls regarding the issuing of inventory could lead to misappropriations of inventory and financial loss to the company.

#### **Recommendation**

We recommend that management reiterate to all staff the need for adhering to the controls in place regarding the issuing of inventory.

#### **Management's Response**

Management acknowledge and will enforce controls to avoid re-occurrence.

### **9. NON-CURRENT ASSETS**

#### **i. Motor Vehicles for Transfer to Guyana Water Inc.**

##### **Finding**

It was observed that the following vehicles in possession of Guyana Water Inc. were registered in the name of Ministry of Communities as shown below. These vehicles form an integral part of the company's non-current assets as shown in note (3) of the financial statements.

#	Vehicle Number
1	GMM 9826
2	GPP 8846
3	GSS 9338
4	PKK 5558
5	PNN 8764

6	PPP 6361
7	PRR 3124
8	PRR 5294
9	PRR 5312
10	PSS 9198
11	PSS 9332
12	PRR 2923

### **Recommendation**

We recommend that management make a special effort to have the above assets transferred and registered in the name of the Guyana Water Incorporated.

#### **ii. Non-current Assets- Ownership**

##### **Finding**

Audit examination revealed Land amounting in value to \$6,166,446 were shown on the asset register of Guyana Water Inc. and were not supported by evidence of ownership such as Certificate of Title or Transport as shown below-

<b>Asset #</b>	<b>Description</b>	<b>Value \$</b>
120101A1012501	Bartica Water Treatment Plant (Land)	2,479,088
120101A1012001	Raw Water Pump Station (Land)	387,358
210101A1021503	Fellowship Water Treatment (Land)	3,300,000
<b>Total</b>		<b>6,166,446</b>

##### **Effect**

The carrying amount of non-current assets may be overstated in the financial statements.

### **Recommendation**

We recommend that Management and the Board of Directors pursue this matter as soon as possible to effectively have ownership of these assets.

### **Management's Responses**

- Management has written to the Ministry of Communities in the year 2018 for the transfer of the assets.

- ii. With regards to Asset # 120101A1012501 and 120101A1012001 documents are currently in process for a transfer to Guyana Water Inc. Asset # 210101A1021503, this has been an ongoing issue with Lands and Survey for the past ten years.

## **10. WORK IN PROGRESS**

### **Finding**

Audit examination of this general ledger account revealed that there are long outstanding items coming forward since the year 2009-2014 totaling \$821,819,103 which continues to be included in this account. The Auditors sought an explanation as to the reason (s) why this account is not cleared on a timely basis as at the time of our report however the Accountant could not provide a proper justification

### **Effects**

- i. Work in progress could be overstated in the financial statements resulting in a understatement of the depreciation charges expensed to the profit or loss account.
- ii. In addition, the company did not comply with its internal capitalization procedure.

### **Recommendations**

- i. We recommend that management carry out a full reconciliation of the work in progress general ledger account so that long outstanding balances are transferred to non-current assets upon completion of the identified projects.
- ii. Full co-operation between the Finance and IPID departments is required to share such information as the completion dates of projects which would allow the Finance Department to make the necessary accounting entries on a timely manner.

### **Management's Response**

- i. The Accounts are reconciled and a meeting was held with the Operations Director, Hinterland Director (ag), Finance Director, Asset Accountant and Managing Director (ag), to ensure co-operation is given to capitalized these projects.
- ii. The engineers have committed to co-operate with Finance Department to submit capitalization certificate timely going forward.

## **11. SHAREHOLDER'S MEETINGS**

### **Finding**

We observed that no shareholder's meetings (Annual General Meetings) were held for several years by the company as required by sections 105 and 107 of the Companies Act 1991

### **Effect**

The company did not fully comply with the requirements of sections 105 and 107 of the Companies Act 1991.

### **Recommendation**

We recommend that the Board and management take steps to comply with the requirements of sections 105 and 107 of the Companies Act 1991.

### **Management's Response**

Management agrees with the recommendation.

## **12. DEFERRED INCOME FROM OTHER SOURCES**

### **Finding**

In the Statement of Financial Position under non-current liabilities, there is an amount of three hundred and seventy three million two hundred and seventy five thousand seven hundred and eighty dollars (\$373,275,780) representing deferred income from other sources. This amount represents funds received by Guyana Water Inc. from government agencies/ministries and private agencies to execute remedial and capital works on behalf of them. Examination of the general ledger account revealed that these long-outstanding balances from prior years remained un-cleared.

This matter was raised with the Director of Finance where a reconciliation was carried out with the assistance of IPID. However, this reconciliation could not be supported with documentations resulting in the balance still remaining un-cleared in the general ledger account.

### **Effect**

Deferred Income from other sources is overstated in the Statement of Financial Position.

## **Recommendations**

We recommend the following to management:

- i. Reconciliation of this account as soon as possible and the appropriate accounting entries to this account with adequate supporting documentations such as completion certificate issued by GWI's Project Department.
- ii. Co-operation between the Finance and IPID departments to share information on the completion of the projects undertaken, so that the Finance Department can make correct accounting entries in a timely manner.

## **Management's Response**

Management acknowledged your findings and appropriate corrective action has been taken. The accounting treatment for transactions here is now recognized when payments are made for works done hence reducing the balance of this liability. Management would conduct constant review to ensure correct accounting treatment.

## **13. ELECTRICITY PAYABLES (GPL)**

### **Finding**

At end of the year, the company reported an amount of \$1,028,920,679 as electricity payables owed to Guyana Power and Light Company (GPL). During our examination, we observed that this amount reported did not agree with the balance shown on the GPL's monthly statement of reconciliation by a significant amount. Further, examination of both entities reconciliations show different reconciling items and as such there may be a dispute of the balance owed to/from the company.

### **Effect**

Amount shown as electricity payables may not accurate.

### **Recommendation**

We recommend that management make a special effort to reconcile this account with Guyana Power and Light Company as soon as possible approved by an agreement as to avoid disconnection of service.

## **Management's Response**

Management has been reconciling this account and at the end of each financial year has written to Guyana Power and Light appraising them of the reconciling items.

The large difference between the two company records is the lump- sum made by the Ministry of Finance for the period under review, which was subsequently accounted for by the Guyana Power Light.

We acknowledge your recommendation and shall meet and resolve the reconciling items.

## **14. TRADE RECEIVABLES**

### **Findings**

- i. During our audit, we identified instances where duplicate accounts were found on the Hi-Affinity billing system. The balances on these accounts were not material.
- ii. For the year under review, the company wrote off the sum of \$1.4b as trade receivables bad debts. During our examination of selected sample of customer's cards, we noticed instances of the following:
  - a. Bad debts written off are not being pursued by the company and any subsequent collections from the customers are offset against the older balances remaining on the customer account.
  - b. Customer's accounts with arrears balances who were qualified for write offs continue to benefit from the service provided by the company.

### **Effect**

The company continues to make losses of revenue through non-collection of tariffs for services rendered.

### **Recommendations**

We recommend that Management and Board of Directors review the existing bad debt policy and follow up steps for recovery of bad debts; and also continue the sanitizing of its database and the elimination of duplicate accounts on the Hi-Affinity system.

## **Management's Responses**

- i. The issue of duplicated accounts are historical, dating back to the time when the current CIS (HiAffinity) was implemented. Poor data migration would have been the main culprit back then. Notwithstanding, the Revenue Managers continue to carry out the necessary investigations and make the necessary adjustments to cleanse the database of the duplicate accounts found.
- ii.a. Decisions on bad debt write off lie exclusively with the board of Directors, acting on a recommendation of the Executive Director of Finance, after due consultation with the Executive Director of Commercial Services and Customer Relations. Once a decision is taken to write off such balances then the necessary adjustment is made to the customers' accounts in the CIS (Hi Affinity). Therefore, the balances do not appear on the individual accounts. Hence, there is no way to further pursue said balance that would have been written off based on a bad debt write-off decision.
- ii.b. There are other considerations that determine whether or not a customer is deprived of a service from GWI. Whilst non-payment of overdue balances is the primary consideration, a bad debt write-off technically negates the non-payment consideration. Hence, any deprivation of service, subsequent to a bad debt write-off would be subject to the aforementioned prevailing policy position of the utility (further non-payment to a specified amount or time period)

## **15. VAT RETURNS**

### **Finding**

Audit examination revealed that the amount shown on the VAT Return for the month of December 2017 as \$102,721,560 being VAT credit carried forward compared to the amount of \$338,219 shown as VAT payable in the general ledger resulting in a difference of \$102,383,341.

### **Effects**

Statutory reporting may be incorrect and the amount shown as VAT Liability in the general ledger may not be accurate.

### **Recommendation**

We recommend that management carry out a reconciliation of this account as soon as possible, so that the balance shown as VAT recoverable/payable on Vat Return agrees with the general ledger at all times.

## **Management's Response**

A reconciliation was done and the difference is as a result of:

1. Refund received in August 2017 was not reduced from the carrying amount.
2. Vat subsequently billed in Hi- Affinity for the period under review.

## **16. PHYSICAL VERIFICATION OF 2017 CONTRACTS**

### **Findings**

An independent audit was carried out by the Works and Structures Department of the Audit Office of Guyana on physical verification of capital infrastructure works executed by Guyana Water Inc. for the year 2017. A total of four (4) contracts amounting to \$481,032,250 were selected. We summarize the material findings below:

- i. For the year under review, overpayments amounting to \$87,921,215 to a contractor were identified. The auditors assessed works to the value of \$26,150,400 on June 10, 2020 compared to total payments of \$114,071,615 to the contractor.
- ii. This overpayment took the form of multiple advance payments made to the contractor, and the schedule of works for this project in the expert's opinion was poorly managed. We observed several letters were written to the contractor on significant delays whilst interim payments continued to be made to the contractor.
- iii. In this regard, Guyana Water Incorporated failed to terminate this contractor or apply liquidated damages within the validity period of the Performance Bond (i.e. March 14, 2020).

### **Effects**

Overpayments to contractors totaling \$87,921,215 resulted in the company not receiving value for money.

### **Recommendations**

We recommend that management and the Board of Directors:

Review the independent report from the Works and Structures of the Audit Office of Guyana and put appropriate measures in place to recover overpayments to contractors.

Please refer to full report: *Audit Office of Guyana (AOG) - Report on Physical Verifications 2017- Guyana Water Inc.*

### **Management's Response**

Legal proceedings were instituted against the contractor with respect to the overpayment of \$87M and for the contractor to account for all pipes and materials purchased.

### **17. CONCLUSION**

This report is intended for the information and use of the management of Guyana Water Incorporated and is not intended to be and should not be used by anyone else.

We wish to express our gratitude for the cooperation given to our staff during the course of the audit.

**Yours faithfully,**



.....  
**Maurice Solomon**  
**Managing Partner**

## APPENDIX 1- SUMMARY OF UNCLEARED GOODS IN TRANSIT

Date	Po#	Supplier	Description	Amount
28-Mar-14	2012/C036V3	HYDROPLAN INGENIEUR GMBH	Wastewater equipment 2012/C036V3	5,013,074
15-Apr-15	6579	ENGINEERING & CONSTRUCTION INC.	Install. of 600amps breaker PO#6579	61,480
30-Nov-15	8515	S & K ENTERPRISE CANADA INC.	VALVE NON RETURN 4" PO#8515	531,720
31-Dec-15	2086	Florida Aquastore & Utility Construction Inc.:	Supply & Install Glass to Fused-Steel Tanks System - Eccles & Sophia WTPs	11,315,086
31-Dec-15	2086	Florida Aquastore & Utility Construction Inc	GBTI: PO #2086 Val #2: Payment for Florida Aquastore & Utility Construction Inc	3,775,429
19-Jan-16	9651	DALIP TRADING	3/4" mild steel washers PO#9651	41,760
13-Apr-16	10850	GROUND STRUCTURES ENGINEERING CONSULTANTS INC	Conduct resistivity log of well at Wakenaam	1,575,000
22-Sep-16	13097	PETER PEROUNE	Supply of one 40ft container	700,000
17-Nov-16	13877	SHANKER SACHDEV	Blue gents jeans for GWI staff	144,000
21-Nov-16	14284	SPECIAL AUTO	Fuel filter for compressor PO#14284	68,440
13-Jan-17	POI#14751	LORRE SOLUTIONS INC.	Supply of ball bearings	1,984,500
16-Feb-17	PO#13476,13582&13583	UNIVERSAL TRADING & ENGINEERING CORPORATION	Spares,Leak detector switch, pumps	19,294,619
24-Feb-17	PO#14767	ARIES INDUSTRIES INC	PCA, LED Regulator, WW Lighthead - part #: 840165	135,664
24-Mar-17	PO#15861	MARICS & COMPANY LIMITED	Honda 500 ATV oil (GN4 10W40)	191,684
4-Apr-17	PO#13788	CAPRARI PUMPS UK LIMITED	PUMP CAPRARI 80M3/HR/60M HEAD	7,661,220
26-Jun-17	PO#16824	FARFAN & MENDES	Lectra Clean® Heavy Duty Electrical Parts Degreaser	164,023
13-Jul-17	PO#17772	GUYANA DATA FORMS	Pre-printed bill forms (400,000)	2,622,000
8-Aug-17	PO#17554	KENNAV HDL LIMITED	AVANTI hot & cold floor model water dispenser	52,200
30-Aug-17	PO#18001.	STARR COMPUTER INC	Ink Supplies PO#18001	150,083
31-Aug-17	PO#17560	SURVIVAL AUTO SPARES	Purple Blast Degreaser PO#17560	131,578
6-Sep-17	PO#17560	SURVIVAL AUTO SPARES	Engine coolant & Purple Blast Degreaser	131,578
21-Sep-17	PO#18895	MACORP	Rings PO#18895	56,409
10-Oct-17	PO#18914	MID WEST TECHNICAL SALES INC.	Procure 1500 5U tape library PO#18914	1,984,935
1-Nov-17	2016/9475V7/2.	CASTALLOY COMPANY LIMITED	Sup/Del of water treatment chemicals 2016/9475V7	9,370,238
31-Dec-17	App 031	CONTROL TECHNOLOGIES LTD	15 HWM Multilog Enhanced network logger with battery & cable	4,685,198
				<u>\$71,841,918</u>