



*SIXTEENTH REPORT OF THE*

# PUBLIC ACCOUNTS

( ENTERPRISES ) COMMITTEE

*FOURTH SESSION OF THE 11<sup>TH</sup> PARLIAMENT*

Examination of the Audited Financial Statements of the Trinidad and Tobago National Petroleum Marketing Company Ltd (NP) for the years ended March 31, 2008 to 2017



## Public Accounts (Enterprises) Committee

The Public Accounts (Enterprises) Committee (P.A.(E).C) established under Section 119(5) of the Constitution of the Republic of Trinidad and Tobago is mandated to consider and report to the House of Representatives accordingly on:

*“(a) the audited accounts, balance sheets and other financial statements of all enterprises that are owned or controlled by or on behalf of the state; and*

*(b) the Auditor General’s Report on any such accounts, balance sheets and other financial statements.”*

### Current membership

Mr. Wade Mark	Chairman
Dr. Tim Gopeesingh	Vice-Chairman
Mrs. Jennifer Baptiste-Primus	Member
Mr. Fitzgerald Hinds	Member
Mrs. Cherrie-Ann Crichlow-Cockburn	Member
Dr. Nyan Gadsby-Dolly	Member
Mr. Foster Cummings	Member
Ms. Amrita Deonaraine	Member

### Committee Staff

The current staff members serving the Committee are:

Ms Keiba Jacob	Secretary
Ms Hema Bhagaloo	Assistant Secretary
Ms Kenika Espinosa	Graduate Research Assistant
Ms Anesha James	Administrative Assistant
Ms. Natoya O’Neil	Clerk Typist I

## **Publication**

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MEMBERS OF THE PUBLIC ACCOUNTS (ENTERPRISES)  
COMMITTEE



Mr. Wade Mark  
**Chairman**



Dr. Tim Gopeesingh  
**Vice-Chairman**



Dr. Nyan Gadsby-Dolly  
**Member**



Mrs. Jennifer Baptiste -Primus  
**Member**



Mr. Fitzgerald Hinds  
**Member**



Ms. Amrita Deonarine  
**Member**



Ms. Cherrie-Ann Crichlow-Cockburn  
**Member**



Mr. Foster Cummings  
**Member**

## EXECUTIVE SUMMARY

The Public Accounts (Enterprises) Committee (PA(E)C) is the Parliamentary Financial Oversight Committee tasked with the responsibility of examining the audited accounts of all State Enterprises that are owned or controlled by the state. The Committee examined **Audited Financial Statements of the Trinidad and Tobago National Petroleum Marketing Company Ltd (NP) for the years ended March 31, 2008 to 2017** and produced this report to highlight its findings and recommendations.

This report details the issues, endorsements and recommendations made by the Committee to improve NP's performance. The issues identified in this report were found during the period under examination (2008 to 2017).

During this inquiry, the following issues arose:

- 1) The Status of NP's 2020-2022 Strategic Plan
- 2) Profitability/Operations Efficiency and Poor Return on Assets
- 3) Resolution of Human Resource Management Issues
- 4) Risk Management/Compliance Matters
- 5) NP's Procurement Policy- CEO's power of exemption
- 6) The Lack of a Project Management Unit
- 7) Property, plant and equipment management
- 8) Sub-optimal Security and Safety provisions
- 9) Issues obtaining perpetual records of fuel inventory
- 10) Trade and Other Receivables
- 11) Fluctuations in Cash and cash equivalent
- 12) Increase in Retirement pension plan obligation
- 13) Documentation of the Company's significant business processes and key controls
- 14) Dismantlement provision categorisation of service stations
- 15) Internal Fraud Policy
- 16) Whistle-blower Policy

In light of the Committee's findings, the following recommendations were made for NP to:

- 1) Submit a report to Parliament on the process for the selection of the consultant contracted to produce the Strategic Plan 2020-2022 by April 18 2019
- 2) Submit a report to the Parliament on the status of the approval of the Strategic Plan 2020-2022 by April 18, 2019; when approved a copy of said Plan should be submitted to the Committee
- 3) Aggressively pursue initiatives of revenue generation through the marketing of its lubricants and its fuels both locally and regionally while establishing a mechanism to monitor risks and evaluate the effectiveness of its marketing campaigns
- 4) Create a matrix to track the actionable items coming out of its monthly and quarterly financial reports which monitor and report on performance against plans and prior performance and highlight variances
- 5) Conduct a comparative analysis of other National Petroleum companies globally to determine innovative ways of increasing profitability of its operations by April 18, 2019;
- 6) Examine ways of reducing operating and administrative costs for fiscal year 2019 in attempt to enhance its profitability in the coming years
- 7) Make every effort to resolve the process of salary negotiations
- 8) Contact its line Ministry to review the composition of its Board to include a financial expert or qualified accountant
- 9) Enhance the level of IT utilization in the organization through employee training and awareness programs in order to improve process efficiency
- 10) Ensure that its Human Resources Department devises methods of process improvement to reduce overtime and other employee costs
- 11) Develop a work programme with a meeting schedule for the Audit Committee with the aim of facilitating the investigation and mitigation of business risk while also providing proper guidance and direction to management in addressing these issues. This work programme should be submitted to the Parliament by April 18, 2019
- 12) Create and monitor a risk matrix which would provide directors, managers and employees with an assessment of critical risks that need to be controlled
- 13) Develop procedures to ensure that the risk management process is incorporated into new business activities and new products being contemplated or recently initiated
- 14) Provide a report to the Committee on the status of these activities by April 18, 2019

- 15) The Ministry of Finance and the Ministry of Energy and Energy Industries should provide guidance to NP on adjusting the Company's Procurement Policy to include guidelines and limits to the CEO's power to seek and obtain exemption from public tendering
- 16) Review its Procurement Policy taking into consideration the 2015 partial proclamation of the Public Procurement and Disposal of Property Act
- 17) Submit a status report to the Committee on its efforts to address this issue by April 18, 2019
- 18) Ensure that key personnel hired by the Project Management Office (PMO) possess the necessary project management qualifications
- 19) Submit a report to Parliament on the establishment of the PMO as well as initiatives being undertaken or plans being designed to address the challenges experienced in the area of project management by April 18, 2019
- 20) Submit an update to the Committee on the status of its company wide physical verification process for fixed assets by April 18, 2019
- 21) Conduct a valuation exercise considering the depreciated value of fixed assets. NP should ensure that adequate security supervision should take occur on all of its compounds
- 22) Strive to have an internal audit of the Security Department on a bi-annual basis so that apparent inefficiencies and issues can be addressed in a timely manner
- 23) Provide a written update to the Parliament on this process on April 18, 2019
- 24) Ensure that its staff (including new staff members during the orientation process) is sufficiently made aware of its Standard Operating Procedures (SOPs) and the benefits of compliance
- 25) Update the Committee on the status of reviewing, updating, approving and distributing the Security Department SOPs by April 18, 2019
- 26) Report to the Committee on the progress of the installation of gauges at their tanks and the process by which apparent anomalies of readings are addressed by April 18, 2019
- 27) Devise a procedure by which auditors can contact key persons to access information or to get assistance when needed
- 28) Submit to the Parliament its plan to manage the collection of its trade and other receivables for the next five years by April 18, 2018
- 29) Examine and implement methods of enhancing revenues and reducing expenses to improve cash inflows; and
- 30) Perform a risk analysis report on the possible impact which the closure of Petrotrin will have on its operations especially in regard to its cash and cash equivalents by April 18, 2019

- 31) Perform a risk analysis on its Retirement pension plan obligation with particular focus on controlling significant fluctuations
- 32) Conduct a SWOT analysis of its existing business processes & controls and submit this to the Parliament by April 18, 2019
- 33) Implement plans for monitoring and evaluating the effectiveness of its processes and submit a report to the Parliament on this by April 18, 2019
- 34) Endeavour to have continuous updates made to its fixed asset register as this is critical to tracking all assets owned by the company;
- 35) Provide an update to the Parliament on the recruitment process for the position of the assistant to the Fixed Asset Clerk by April 18, 2019
- 36) Provide an update to the Parliament on its fixed asset verification process by April 18, 2019
- 37) Establish guidelines which will indicate the triggers for an investigation by the Internal Audit Department as opposed to simply the appearance of “unusual activities” as well as a written policy on the triggers which guide when the TIPS is engaged in an investigation; and
- 38) Host work training seminars on a quarterly basis with its staff to create awareness of the policies and controls which have been implemented to monitor events that occur in relation to its ethics or compliance systems.

# INTRODUCTION

## Establishment

The PA(E)C of the Eleventh Republican Parliament was established by resolution of the House of Representatives and the Senate at the sittings held on Friday November 13, 2015 and Tuesday November 17, 2015 respectively.

## Mandate

The Constitution of the Republic of Trinidad and Tobago mandates that the Committee shall consider and report to the House on the audited accounts, balance sheets and other financial statements of all enterprises that are owned or controlled by, or on behalf of the State.

In addition to the Committee's powers entrenched in the Constitution, the Standing Orders of the House of Representatives and Senate also empower the Committee (but not limited) to:

- a) send for persons, papers and records;
- b) have meetings whether or not the House is sitting;
- c) meet in various locations;
- d) report from time to time; and
- e) communicate with any other Committee on matters of common interest.

## Ministerial Response

The Standing Orders<sup>1</sup> provide for the Minister responsible for the Ministry or Body under review to submit within sixty (60) days a paper to the House responding to any recommendations or comments contained in the Report which are addressed to it.

## State Enterprises Performance Standards

The PAEC used the State Enterprises Performance Monitoring Manual as a benchmark to examine the performance of State Enterprises. The manual outlines the framework for compliance with official policy and the monitoring mechanisms to be used in assessing such compliance. The Government of Trinidad and Tobago monitors the performance of State Enterprises to ensure that these enterprises successfully execute their mandates and maximize value for money for the national stakeholders and shareholders.<sup>2</sup>

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<sup>1</sup> Standing Order 110 (6) in the [House of Representatives](#) and 100(6) of the [Senate](#).

<sup>2</sup> <http://www.finance.gov.tt/wp-content/uploads/2013/11/State-Enterprise-Performance-Monitoring-Manual-2011.pdf>

## **Election of the Chairman and Vice Chairman**

In accordance with section 119(6) of the Constitution, the Chairman must be a member of the Opposition in the Senate. At the first meeting held on Wednesday December 2, 2015, Mr. Wade Mark was elected Chairman and Dr. Tim Gopeesingh was elected Vice Chairman of the Committee.

## **Establishment of Quorum**

The Committee is required by the Standing Orders to have a quorum so that decisions can be made. A quorum of four (4) Members, inclusive of the Chair or Vice-Chairman), with representatives from both Houses was agreed to by the Committee at its First Meeting.

## **Change in Membership**

- On December 1, 2017 a decision was made at a sitting of the House of Representatives to replace Ms. Shamfa Cudjoe as a Member with Dr. Nyan Gadsby-Dolly; and
- With effect from November 27, 2018, Ms. Amrita Deonarine replaced Mr. David Small as a Member of the Committee as a result of a decision made at a sitting of the Senate.

# METHODOLOGY

## Determination of the Committee's Work Programme

On January 13, 2016 during its second Meeting, the Committee agreed to prioritize thirty-three (33) State Enterprises to be examined in the Eleventh Parliament as follows:

1. Caribbean Airlines Limited (CAL)
2. Caribbean New Media Group (CNMG)
3. Caroni Green Limited
4. Community Environmental & Protection Enhancement Programme Company Limited (CEPEP)\*
5. Community Improvement Services Limited\*
6. Education Facilities Company Limited (EFCL)
7. Estate Management and Business Development Company Ltd. (EMBDC)\*
8. Evolving Technologies and Enterprise Development Co. Ltd (eTECK)\*
9. Government Human Resource Services Company Limited (GHRS)\*
10. National Commission for Self Help Limited\*
11. National Entrepreneurship Development Company Ltd. (NEDCO)\*
12. National Enterprises Limited (NEL)
13. National Flour Mills Limited\*
14. National Gas Company of Trinidad and Tobago Limited (NGC)\*
15. National Infrastructure Development Company Ltd. (NIDCO)\*
16. National Insurance Property Development Company Ltd. (NIPDEC)
17. National Quarries Company Limited (NQCL)
18. National Schools Dietary Services (NSDSL)\*
19. Palo Seco Agricultural Enterprises Ltd (PSAEL)
20. Petroleum Company of Trinidad and Tobago (PETROTRIN)
21. Point Lisas Industrial Port Development Corporation Ltd. (PLIPDECO)\*
22. Port of Spain Waterfront Development Ltd.
23. Rincon Development Ltd.
24. Rural Development Company of Trinidad and Tobago Ltd.
25. Sport Company of Trinidad and Tobago (SportT)\*

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\* Examined in the Eleventh Parliament of the Republic of Trinidad and Tobago

26. Telecommunication Services of Trinidad, Tobago (TSTT)\*
27. Trinidad and Tobago Fashion Company Ltd.
28. Trinidad and Tobago National Petroleum Limited (NP)\*
29. Tourism Development Corporation (TDC)
30. Union Estate Electricity Generation Company Limited (UEEGCL)\*
31. Urban Development Corporation of Trinidad and Tobago (UDECOTT)
32. Solid Waste Management Company Limited (SWMCOL)\*
33. Vehicle Management Corporation of Trinidad and Tobago (VMCOTT)

This was followed by a meeting held on February 17, 2016 during which the Committee added the following entity to be examined:

34. Trinidad and Tobago Mortgage Finance Company Limited (TTMF)\*

Subsequently, at a meeting held on November 15, 2017 the Committee included the following entities:

35. The National Maintenance, Training and Security Company Limited (MTS)\*
36. The National Training Agency (NTA)\*
37. Youth Training and Employment Partnership Programme (YTEPP)\*

At a meeting held on December 5, 2018, the Committee identified the following entities for examination in the Fourth Session of the 11<sup>th</sup> Parliament:

- i. National Petroleum Marketing Company Limited (NP);
- ii. Caroni (1975) Limited;
- iii. Cocoa Development Company of Trinidad and Tobago Limited;
- iv. Palo Seco Agricultural Enterprises Limited (PSAEL);
- v. Trinidad & Tobago Free Zones Company Limited;
- vi. Trinidad & Tobago Creative Industries Company Limited;
- vii. Export Import Bank of Trinidad and Tobago (EXIMBANK);
- viii. InvesTT;
- ix. Trinidad & Tobago International Financial Centre Management Company Limited;
- x. Rural Development Company of Trinidad & Tobago Limited (RDC);
- xi. Taurus Services Limited; and
- xii. Portfolio Credit Management Limited

# THE INQUIRY PROCESS

The Inquiry Process outlines steps taken by the Committee to conduct the inquiry into the operations of Trinidad and Tobago National Petroleum Marketing Company Limited (NP). The following steps outlines the Inquiry Process agreed to by the PA(E)C:

- I. Identification of issues in the Audited Accounts, Balance Sheets and other Financial Statements of NP for the financial years 2008 to 2017;
- II. Preparation of Inquiry Proposal for NP. The Inquiry Proposal outlines:
  - a. Background;
  - b. Objective of Inquiry; and
  - c. Proposed Questions.
- III. Questions were forwarded to NP on October 31, 2018. Written responses were received from NP on November 19, 2018;
- IV. Determination of the need for a Public Hearing based on the analysis of written submissions. In this instance, a public hearing was held on December 04, 2018.
- V. After the public hearing a written request for additional information was sent to the NP on December 11, 2018. The responses were subsequently received on January 4, 2019.
- VI. Report the Committee's findings and recommendations to Parliament upon conclusion of the inquiry.

# NP's PROFILE

## Background:

Owned by the Government of Trinidad and Tobago, the Trinidad & Tobago National Petroleum Marketing Company Limited (NP) was incorporated in 1972. It was formed with the assets the Government purchased from the then BP Caribbean Ltd – the local marketing arm of the British Petroleum Group.

In 1973, the Government purchased 50 per cent of the inland marketing assets of ESSO Standard Oil, vesting it in NP. In 1976, NP became the sole distributor of petroleum fuels in T&T, having acquired the marketing assets of Trinidad and Tobago Oil Company (formerly Shell Trinidad Ltd) and the following year the local marketing assets of Texaco Trinidad Ltd.

When NP acquired the assets of Shell Trinidad Ltd, it inherited its Lubricant Blending Plant at Sea Lots, on the outskirts of Port-of-Spain. Under license, it continued to produce a range of lubricants, blended according to the Shell formulations, until the National Petroleum Brand of lubricants was launched in 1981. Since then NP continues to improve its product rating, keeping abreast of every significant technological advancement in the lubricants industry. Today, thanks to their rigorous pursuit of quality standards such as the service classification of American Petroleum Institute (API), the Trinidad and Tobago and Caribbean markets are among the most advanced regions of the world.

Ultra-Lubricants – the brand name for the range – continues to be a major player in the local and Caribbean markets, where its automotive and industrial lubricating oils and greases hold significant market share. NP's operations are vested in the authority of a Board of Directors—comprising professionals from various disciplines—which reports to the Minister of Energy and Energy Affairs on matters relating to the industry, and to the Minister of Finance as Corporation Sole<sup>3</sup>.

**Line Ministry** – Ministry of Energy and Energy Affairs

**Minister** – The Hon. Mr. Franklin Khan

**Permanent Secretary (Ag.)** – Ms. Penelope Bradshaw-Niles

**Chairman**—Sahid Hosein

**Chief Executive Officer** – Mr. Bernard Mitchell

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<sup>3</sup> Accessed from the website of the Trinidad and Tobago National Petroleum Marketing Company Ltd on January 29 2019 <http://www.np.co.tt/about-us/history/>

# ISSUES, OBSERVATIONS AND RECOMMENDATIONS

In the Committee's examination of NP, the following issues were identified and the corresponding observations and recommendations proposed:

## 1) The Status of NP's 2020-2022 Strategic Plan

Based on the State Enterprises Performance Monitoring Manual, page 110, the strategic plan of the company should be a three (3) to five (5) year plan that encompasses the strategic direction and themes that the Board intends to execute in the continuous building of the organisation. It is a single document that sets the overall direction, vision and mission of the enterprise and recognises the requirement to set performance goals and identify measures to gauge progress towards these. NP informed the Committee that their Strategic Plan 2017 – 2019 was developed internally by the CEO and Management Team, and the Strategic Plan 2020 – 2022 was being led by Consultants with NP Management Team at a cost of \$225,000 TTD. The Strategic Plan is broken down into Annual Operating Plans; the execution of which is monitored by quarterly reviews and monthly performance targets.

Despite its widely distributed service station network, competitive product mix and its relatively stable financial position, NP continues to be faced by many challenges which must be addressed by this new Strategic Plan. These challenges include declining sales in retail fuel categories, underutilization of IT, a volatile industrial relations climate and a sub-optimal safety culture.

### ***Recommendations:***

- ***NP should submit a report to Parliament on the process for the selection of the consultant contracted to produce the Strategic Plan 2020-2022 by April 18 2019; and***
- ***NP should submit a report to the Parliament on the status of the approval of the Strategic Plan 2020-2022 by April 18, 2019; when approved a copy of said Plan should be submitted to the Committee.***

## 2) Profitability/Operations Efficiency and Poor Return on Assets

For the period 2008 to 2017, NP's ability to measure income per dollar has been significantly low. This indicates that the company does not efficiently manage its assets. NP reported that it is subject to the vagaries of fixed margins even as Wholesale and Retail prices increase and inform reduced sales, which undermines the Company's ability to generate and sustain profitability. In the short to medium term the Company intends to increase profit by focusing on managing costs and generating profitable revenues through its non-subsidized lines of business and its non-fuel revenue portfolio. NP has indicated that among its initiatives to increase its profitability is the construction of major infrastructure including the completion of the El Socorro and O'Meara Road New to Industry (NTI) sites and developmental works at the Sangre Grande and Grand Bazaar NTI sites. Another major initiative outlined by NP was revenue generation through the monetization of dormant real estate assets, quick serve partnership restaurants and e-business. NP also stated that it would be increasing its efforts to expand its operations and marketing scope region wide. NP then reported that its administrative costs decreased by 22.6% from approximately \$191.8Mn in FY 2015 to \$148.4 MN in FY 2017. However the Committee noted with concern that administration costs still represented 46% of total operational expenses and that the company had incurred a loss before taxation of \$6,606,000.00 in the year 2017 which according to NP was attributable to its growth in its distribution costs, other expenses and finance costs.

### ***Recommendations:***

- *NP should aggressively pursue initiatives of revenue generation through the marketing of its lubricants and its fuels both locally and regionally while establishing a mechanism to monitor risks and evaluate the effectiveness of its marketing campaigns;*
- *NP should create a matrix to track the actionable items coming out of its monthly and quarterly financial reports which monitor and report on performance against plans and prior performance and highlight variances;*
- *NP should conduct a comparative analysis of other National Petroleum companies globally to determine innovative ways of increasing profitability of its operations by April 18, 2019;*
- *NP should also examine ways of reducing operating and administrative costs for fiscal year 2019 in attempt to enhance its profitability in the coming years.*

### 3) Resolution of Human Resource Management Issues

NP indicated that among its weaknesses was its industrial relations climate and that at the time of the written submission, there were three impending salary negotiations. NP acknowledged in the public hearing that its industrial relations climate required improvements and that a protracted process in the courts was only exacerbating the situation. NP also stated that it expected that these negotiations which had begun around 2011 would be completed by March 2019. Another Human Resources Issue noted by the Committee was that the Board of Directors of NP did not include a financial expert or a qualified accountant. NP informed that having reviewed the by-laws it was concluded that there were no provisions for a qualified accountant on the Board. NP acknowledged that this was a deficiency and that the line Ministry, the Ministry of Energy and Energy Industries, would have to be informed so that recommendations would be made to the Investments Divisions to review the appointment of Boards. Another human resource issue was the underutilization of IT by staff members and NP commented that this would be addressed by the implementation of a rigorous change management facility and an increase in training of staff. Finally, NP in its Internal Audit Report of the Security Department revealed that certain personnel were being paid for overtime without having gone through the appropriate processes.

#### ***Recommendations:***

- ***NP should make every effort to resolve the process of salary negotiations;***
- ***NP should contact its line Ministry to review the composition of its Board to include a financial expert or qualified accountant;***
- ***NP should enhance the level of IT utilization in the organization through employee training and awareness programs in order to improve process efficiency; and***
- ***NP should ensure that its Human Resources Department devises methods of process improvement to monitor and reduce overtime and other employee costs.***

### 4) Risk Management/Compliance Matters

Based on the State Enterprises Performance Monitoring Manual, Risk management contributes to the objective and improvement of performance in human health and safety, security, legal and

regulatory compliance, public acceptance, environmental protection, product quality, project management, efficiency in operations, governance and reputation. It accounts for uncertainty, the nature of that uncertainty and how it can be addressed<sup>4</sup>. The success of risk management will depend on the effectiveness of the management framework providing the foundations and arrangements that will embed it throughout the organization at all levels. This framework assists in managing risks effectively through the application of a risk management process at the varying levels and within specific contexts of the organization.

The Committee noted that NP was operating without an approved Risk Management Policy. In the absence of a policy, initial or preliminary assessment of risks were being done through Internal Audit's (IA) Independent annual risk assessment – the most recent being done in March 2018. There was also no formal process for ensuring continuous compliance with laws and regulations. It was also noted that the Company appeared to have adopted a reactive rather than proactive approach to risk management.

The Committee notes that NP has produced a Draft Risk Management Policy and that the formal approval process for this Policy has been initiated. The Parliament takes note of the efforts of NP in reviewing the role of the Audit Committee to include in its scope the role of Risk Management.

***Recommendations:***

- ***NP should develop a work programme with a meeting schedule for the Audit Committee with the aim of facilitating the investigation and mitigation of business risk while also providing proper guidance and direction to management in addressing these issues. This work programme should be submitted to the Parliament by April 18, 2019.***
- ***NP should create and monitor a risk matrix which would provide directors, managers and employees with an assessment of critical risks that need to be controlled;***
- ***The Company should also develop procedures to ensure that the risk management process is incorporated into new business activities and new products being contemplated or recently initiated;***
- ***A report should be provided to the Committee on the status of these activities by April 18, 2019.***

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<sup>4</sup> The Ministry of Finance website, <http://www.finance.gov.tt/wp-content/uploads/2013/11/State-Enterprise-Performance-Monitoring-Manual-2011.pdf>.

## 5) NP's Procurement Policy- CEO's power of exemption

According to the State Enterprises Performance Monitoring Manual, procurement means all functions that pertain to the obtaining of any goods, services or construction, including description of requirements, selection and solicitation of sources, preparation and award of contract, and all phases of contract administration. NP informed the Committee that its procurement process was guided by a Tenders Procedure Guide for Works and Services; and a Tenders Procedure Guide for the Procurement of Articles. Article 4 of the Tenders Procedure Guide stated that where circumstances warrant, the CEO may seek exemption from public tendering for contracts in excess of \$750,000 TTD. However there are not any specific circumstances outlined within the guide to trigger the CEO's ability to seek exemption; rather the exemption request is treated on a case by case basis.

### ***Recommendation:***

- ***The Ministry of Finance and the Ministry of Energy and Energy Industries should provide guidance to NP on adjusting the Company's Procurement Policy to include guidelines and limits to the CEO's power to seek and obtain exemption from public tendering;***
- ***NP should also review its Procurement Policy taking into consideration the 2015 partial proclamation of the Public Procurement and Disposal of Property Act;***
- ***NP should submit a status report to the Committee on its efforts to address this issue by April 18, 2019.***

## 6) The Lack of a Project Management Unit

The Committee noted that NP did not have a dedicated Project Management Unit however a Capital Projects Unit was established in August 2012 to plan, execute, monitor and control capital projects. NP was in the process of establishing a Project Management Office (PMO) which will be overseen by the Project Implementation & Monitoring Committee (PIMC) which was implemented in 2017 to monitor all Capital Projects across NP. The composition and number of positions in the PMO were scheduled to be finalized for Board review and approval by the end of fiscal year 2018. The staffing start-up of the Unit was planned to begin in 2019 March. Some challenges experienced in project management included delays in the delivery of major equipment

and materials, variations in Scope of Works / Bill of Quantities for similar types of works and delays in securing statutory and regulatory approvals for projects.

***Recommendations:***

- ***NP should ensure that key personnel hired by the Project Management Office (PMO) possess the necessary project management qualifications; and***
- ***NP should submit a report to Parliament on the establishment of the PMO as well as initiatives being undertaken or plans being designed to address the challenges experienced in the area of project management by April 18, 2019.***

**7) Property, plant and equipment management**

In the financial statements for the period 2009 to 2017, the Property, Plant and Equipment ratio on average generated \$6 in sales revenue per \$1 of property, plant and equipment. This ratio measures the efficiency of the Company at generating revenue from fixed assets such as buildings, vehicles, and machinery. The higher the PPE Turnover, the more efficient the capital investments. The Company's approved Tenders Procedure Guide, Delegation of Authority and Capital Assets/Control Systems guide the process for the acquisition, movement and disposal of assets. A revised policy and procedure for fixed assets control system has been prepared and was being reviewed at the end of 2018 to be forwarded for approval.

The last completed company-wide physical verification was done in 2008 while another count was scheduled to start in July 2018 with a scheduled completion date of March 2019. Fixed assets were not revalued and were valued at historical cost in the fixed asset register in the Company's Financial Statements. Failure to conduct a valuation exercise may result in the overvaluation of assets.

***Recommendations:***

- ***NP should submit an update to the Committee on the status of its companywide physical verification process for fixed assets by April 18, 2019; and***
- ***NP should conduct a valuation exercise considering the depreciated value of fixed assets.***

## 8) Sub-optimal Security and Safety provisions

A summary of audit issues identified by the Internal Auditor on the 2017/2018 operations of NP's Security Department highlighted the following:

- the lack of formal approval of the Security Master Plan;
- the inadequacy of the Security Department's Standard Operating Procedures;
- the inconsistent authorization of the use of company keys;
- a need to improve the monitoring of firearms and ammunition;
- need to improve the security of NP's compounds;
- issues concerning the absenteeism of staff;
- incomplete investigations of incidents;
- issues concerning the Amalgamated Security Services Ltd.;
- weaknesses in the process for record keeping; and
- abnormalities with regards to the hours worked and the payments made to the Estate Corporal- Security Administrator.

The previous audits to this 2018 audit took place in 2013, 2000 and 1998 respectively. An issue which drew particular notice and concern to the Committee was the need to improve the security of NP's compounds. As reported by NP, security cameras on their SeaLots compound was unmanned. NP commented that they were in the process of establishing a video wall in the security department to rectify this dangerous situation and that additional security personnel had been recruited to address the apparent deficiency.

### Recommendations:

- *NP should ensure that adequate security supervision should take occur on all of its compounds;*
- *The Committee recommends that NP strive to have an internal audit of the Security Department on a bi-annual basis so that apparent inefficiencies and issues can be addressed in a timely manner;*
- *The Committee notes that the draft Security Master Plan is being reviewed and that it is in the process of being approved by the Board of Directors. NP is*

*therefore asked to provide a written update to the Parliament on this process on April 18, 2019;*

- *NP should ensure that its staff is (including new staff members during the orientation process) sufficiently made aware of its Standard Operating Procedures (SOPs) and the benefits of compliance;*
- *The Committee requests an update from NP on the status of reviewing, updating, approving and distributing the Security Department SOPs by April 18, 2019.*

#### **9) Issues obtaining perpetual records of fuel inventory**

In the financial statements for the year 2017, an item labelled “inventory” yielded a sum of \$159,294,000.00 which is a decrease of 8.3% from the last fiscal year 2016 of \$147,117,000.00. NP informed that there is an inventory register which is reviewed and analysed on a monthly basis to account for such variances. However, the perpetual records of fuel inventory at NP’s Sea Lots compound were not made available to the auditors and as such any variances could not be accounted for. NP officials stated in the public hearing that personnel who could have provided these figures to the auditors were not in the vicinity at the time to do so. To address this, they are continuing the process which begun in 2013 to install gauges which would allow auditors to complete this task themselves in the future.

#### ***Recommendations:***

- *NP should report to the Committee on the progress of the installation of gauges at their tanks and the process by which apparent anomalies of readings are addressed by April 18, 2019; and*
- *In the absence of a system which allows for auditors to complete this inventory taking process without the assistance of the NP personnel, NP should devise a procedure by which auditors can contact key persons to access information or to get assistance when needed.*

#### **10) Trade and Other Receivables**

NP informed that they have a Credit Policy & Procedure which is used for Debt and Recovery. This policy speaks to the progressive pursuit of debt, including legal action, except for State

agencies. Management ensures adherence to the Credit Policy & Procedure and provides oversight through the Credit Committee which is chaired by the General Manager of Finance. Meetings are held to review the Company's Accounts Receivable portfolio and to provide guidance and monitor collection efforts. Outstanding receivables are aged by the accounting system software based on the invoice date and approved credit terms. NP informed that as a result of the implementation of this policy, in the financial statements for the year 2017 an item labelled "trade and other receivables" yielded a sum of \$699,642,000.00 which represented a decrease of 9% from the last fiscal year of 2016. NP's total debt outstanding as at September 30, 2018 remained at \$1,818M TTD.

***Recommendations:***

- ***The Company should submit to the Parliament its plan to manage the collection of its trade and other receivables for the next five years by April 18, 2018.***

**11) Fluctuations in Cash and cash equivalents**

The Committee noted that during the period 2009 to 2017, 'Cash and cash equivalents' has been fluctuating from \$224,689,000.00 in 2008 to a low of \$132,122,000.00 in 2015 and then to \$155,473,000.00 in the year 2017. NP's overall operating strategy with regard to cash and equivalents was to maintain adequate liquidity to meet its financial obligations without the incurrence of debt. To this end credit arrangements with customers and suppliers are carefully managed and controlled. A critical aspect of the operating strategy is that the Subsidy liabilities remain with entity formerly known as Petrotrin. Subsidy payments were received from the GORTT and transferred to Petrotrin upon receipt. NP indicated at the public hearing that this arrangement was expected to continue with the Heritage Petroleum Company Limited.

***Recommendations:***

- ***NP should examine and implement methods of enhancing revenues and reducing expenses to improve cash inflows; and***
- ***NP should perform a risk analysis report on the possible impact which the closure of Petrotrin will have on its operations especially in regard to its cash and cash equivalents by April 18, 2019.***

## **12) Increase in Retirement pension plan obligation**

In the financial statements for the year 2017, an increase was observed in the figure for 'Retirement pension plan obligation' from \$57,370,000.00 in the year 2015 to \$84,720,000.00 in the year 2017. The Company indicated that it provides a defined benefit pension from the Retirement Age of 60, which is equal to 2.15% of salary for each year of pensionable service. Employees may choose to retire at any time after age 50 having completed 10 or more years of pensionable service. The defined benefit obligation increased by \$6.9M during the period due to fluctuation in valuation of assets and liabilities, an increase in salaries and the reinstatement of previously dismissed workers.

### ***Recommendations:***

- ***NP should perform a risk analysis on its Retirement pension plan obligation with particular focus on controlling significant fluctuations.***

## **13) Documentation of the Company's significant business processes and key controls**

The Auditors noted that over the past few years, Management had been in the process of updating the policies and procedures over significant business processes, which include the revenue and receivables process, purchases and payables process, inventory process, payroll process, retail outlets process, property plant and equipment process, income tax process and treasury process. Process documentation is important and is considered best practice for a variety of reasons including identification of potential control gaps and deficiencies in the design of controls that can result in fraud, misstatements and other errors in financial reporting.

### ***Recommendations:***

- ***NP should conduct a SWOT analysis of its existing business processes & controls and submit this to the Parliament by April 18, 2019; and***
- ***NP should implement plans for monitoring and evaluating the effectiveness of its processes and submit a report to the Parliament on this by April 18, 2019.***

#### **14) Dismantlement provision categorisation of service stations**

There were six criteria for grouping service stations in the dismantlement calculation. These are: "Owner", "CNG", "Steel Canopy", "Building to demolish", "Number of storage tanks" and "Tank size". The classification was done based on the facilities manager's knowledge of the service stations. Based on audit procedures regarding the dismantlement provision, the auditors noted a number of instances whereby the classification assigned to a service station did not agree to the underlying information, specifically to the number of storage tanks. In light of this, the Company's organizational structure approved an additional member of staff to assist the Fixed Asset Clerk in ensuring the movement of assets are captured and recorded in a timely manner. The additional member of staff was expected to result in more frequent visits to all the service stations to perform asset verification and regular updates of the fixed asset register. NP had also embarked upon a fixed asset verification process with the intent to complete by March 2019.

#### ***Recommendations:***

- ***NP should endeavour to have continuous updates made to its fixed asset register as this is critical to tracking all assets owned by the company;***
- ***NP should provide an update to the Parliament on the recruitment process for the position of the assistant to the Fixed Asset Clerk by April 18, 2019; and***
- ***NP should provide an update to the Parliament on its fixed asset verification process by April 18, 2019.***

#### **15) Internal Fraud Policy**

A corporate fraud policy should be established to facilitate the development of controls that will aid in the detection and prevention of fraud against the company. This policy should promote consistent organizational behaviour by providing guidelines and assigning responsibility for the development of controls and conduct of investigations. The Committee notes the effort of NP in formulating and gaining approval for an Internal Fraud Policy. NP informed that in terms of their fraud detection and prevention efforts, management plays an integral role in providing oversight. On the investigative side, the services of the Internal Audit Department are engaged. These

investigations are carried out utilising necessary fact-finding and corroboration and resulting reports are issued to the requestor of the investigation. NP's In House Security and the TTPS are also engaged as required.

***Recommendations:***

- ***NP should establish guidelines which will indicate the triggers for an investigation by the Internal Audit Department as opposed to simply the appearance of “unusual activities” as well as a written policy on the triggers which guide when the TTPS is engaged in an investigation; and***
- ***NP should host work training seminars on a quarterly basis with its staff to create awareness of the policies and controls which have been implemented to monitor events that occur in relation to its ethics or compliance systems.***

**16) Whistle-blower Policy**

A Whistle-Blowing Policy provides standard guidelines within which organizations respond to the ethical or moral concerns of their employees. NP reported that its internal Whistle-Blowing policy and procedure was done via a Corporate Update and the policy and related procedures were placed on the Company's Intranet for ready access. The persons to whom reports are directed are: the Chairman of the Board of Directors and the Chairman of the Audit Committee; both of whom are outside of the Chain of Command in Operations.

***Recommendations:***

- ***NP should consider having a channel for whistle-blower reporting directly to the Company's Internal Audit Departments;***
- ***NP should examine the possibilities of having an external and independent whistle blower channel; and***
- ***NP should ensure that reports are produced for each incidence of whistle-blowing which details the process which was followed and the outcomes.***

## CONCLUSION

During the Third Session of the Eleventh Parliament, the PA(E)C conducted an examination into the Trinidad and Tobago National Petroleum Marketing Company Limited with specific reference to the Audited Financial Statements of the Trinidad and Tobago National Petroleum Marketing Company Ltd (NP) for the years ended March 31, 2008 to 2017. During the course of the examination which comprised of written submissions and a Public Hearing, the Committee discovered a number of issues such as profitability, security/safety provisions, project management, fraud and whistleblower policies, risk management and human resource management among others.

The Committee is of the view that the adoption of its proposed recommendations would lead to greater accountability, transparency and value for money in the use of public funds and eagerly awaits the receipt of the NP's responses. The Committee fully intends to continuously monitor the implementation of the recommendations proposed in its Report.

The Public Accounts (Enterprises) Committee respectfully submits this Report for the consideration of the Parliament.

Sgd.

Mr. Wade Mark

**Chairman**

Sgd.

Dr. Tim Gopeesingh

**Vice-Chairman**

Sgd.

Mr. Fitzgerald Hinds

**Member**

Sgd.

Mrs. Cherrie-Ann Crichlow-Cockburn

**Member**

Sgd.

Mrs. Jennifer Baptiste-Primus

**Member**

Sgd.

Dr. Nyan Gadsby-Dolly

**Member**

Sgd.

Mr. Foster Cummings

**Member**

Sgd.

Ms. Amrita Deonaraine

**Member**

# **APPENDIX I**

## **Minutes of Meetings**

**THE PUBLIC ACCOUNTS ENTERPRISES COMMITTEE –  
FOURTH SESSION, ELEVENTH PARLIAMENT  
MINUTES OF THE THIRTY- SECOND MEETING HELD ON  
WEDNESDAY, DECEMBER 5, 2018 AT 9:41 A.M.  
IN THE ARNOLD THOMASOS (EAST) MEETING ROOM, LEVEL 6, AND  
IN THE J. HAMILTON MAURICE ROOM, MEZZANINE FLOOR, OFFICE  
OF THE PARLIAMENT, TOWER D, THE PORT OF SPAIN  
INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON ROAD,  
PORT-OF-SPAIN.**

Present were:

Mr. Wade Mark	-	Chairman
Mr. Fitzgerald Hinds	-	Member
Mr. Foster Cummings	-	Member
Ms. Amrita Deonarine	-	Member
Dr. Nyan Gadsby-Dolly	-	Member
Ms. Hema Bhagaloo	-	Assistant Secretary
Mr. Darien Buckmire	-	Graduate Research Assistant

Excused were:

Dr. Tim Gopeesingh	-	Vice Chairman
Mrs. Cherrie-Ann Crichlow-Cockburn	-	Member
Mrs. Jennifer Baptiste-Primus	-	Member

### **COMMENCEMENT**

- 1.1 At 9:41 a.m. the Chairman called the meeting to order and welcomed those present. Dr. Tim Gopeesingh, Mrs. Jennifer Baptiste-Primus and Mrs. Cherrie-Ann Crichlow-Cockburn were excused from the meeting.

### **INTRODUCTION OF THE NEW COMMITTEE MEMBER**

- 2.1 The Chairman announced that Ms. Amrita Deonarine replaced Mr. David Small with effect from November 27, 2018.
- 2.2 The Chairman welcomed the new member to the Committee and thanked the former Member for his service.

**THE EXAMINATION OF THE MINUTES OF THE THIRTY-FIRST MEETING**

- 3.1 The Committee examined the Minutes of the Thirty-First (31<sup>st</sup>) Meeting held on Wednesday July 4, 2018.
- 3.2 There, being no omissions or corrections, the Minutes were confirmed on a motion moved by Mr. Fitzgerald Hinds and seconded by Mr. Foster Cummings.

**MATTERS ARISING FROM THE MINUTES OF THE THIRTY-FIRST MEETING**

- 4.1 With reference to item 6.4, the Chairman informed the Members that a letter was sent to the Youth Training and Employment Partnership Programme (YTEPP) on July 4, 2018 requesting additional information. The responses to the additional information were received by the Secretariat on July 5, 2018 and used to draft the Committee's Fifteenth Report.

**CONSIDERATION OF WORK SCHEDULE AND COMMITTEE CALENDAR FOR THE FOURTH SESSION, ELEVENTH PARLIAMENT**

- 5.1 The Chairman invited the Members to review the proposed work schedule and calendar for the Fourth Session of the Eleventh Parliament prepared by the Secretariat and approved by the Chairman, Mr Wade Mark.
- 5.2 The Committee agreed to the following Work Programme for the Fourth Session of the Eleventh Parliament:
1. National Petroleum Marketing Company Limited (NP);
  2. Caroni (1975) Limited;
  3. Cocoa Development Company of Trinidad and Tobago Limited;
  4. Palo Seco Agricultural Enterprises Limited (PSAEL);
  5. Trinidad & Tobago Free Zones Company Limited;
  6. Trinidad & Tobago Creative Industries Company Limited;
  7. Export Import Bank of Trinidad and Tobago (EXIMBANK);
  8. InvesTT;
  9. Trinidad & Tobago International Financial Centre Management Company Limited;
  10. Rural Development Company of Trinidad & Tobago Limited (RDC);
  11. Taurus Services Limited; and
  12. Portfolio Credit Management Limited

**CONSIDERATION OF REPORTS**

- 6.1 The Committee adopted the Draft Fourteenth and Fifteenth Reports on the Examination of the Audited Financial Statements of the National Commission for Self Help Limited (NCSHL) for the financial years 2008 to 2015 and the Audited Financial Statements of the Youth Training and Employment Partnership Programme (YTEPP) for the financial years 2008 to 2014, respectively and agreed to the following:

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- The Reports be presented at the next Sitting of the House of Representatives and Senate; and
- Dr. Tim Gopeesingh and Mr. Wade Mark will present the Reports in the House of Representative and Senate respectively.

### **CONSIDERATION OF MINISTERIAL RESPONSES**

7.1 The Chairman informed the Members that the following Ministerial Responses were submitted to the Committee on August 10 and 15, 2018 respectively:

- ✓ the Ministerial Response from the Ministry of Education to the Twelfth Report of the PA(E)C with specific reference to the National Training Agency; and
- ✓ the Ministerial Response from the Ministry of Energy and Energy Industries to the Thirteenth Report of the PA(E)C with specific reference to Union Estate Electricity Generation Company Limited.

### **PRE-HEARING DISCUSSION RE: THE TRINIDAD AND TOBAGO NATIONAL PETROLEUM MARKETING COMPANY LIMITED (NP)**

- 8.1 The Chairman reminded the Members that the purpose of the meeting was to examine of the Audited Accounts, Balance Sheets and other Financial Statements of the Trinidad and Tobago National Petroleum Marketing Company Limited (NP) for the period 2009 to 2017 and to make recommendations to help the NP improve its delivery of services in an efficient, effective and economic manner.
- 8.2 The Members discussed the issues of concern and the general approach for the public hearing.
- 8.3 There being no further business for discussion *in camera*, the Chairman suspended the meeting at 9:59 a.m.

### **THE TRINIDAD AND TOBAGO NATIONAL PETROLEUM MARKETING COMPANY LIMITED (NP) LIMITED**

- 9.1 The Chairman called the public meeting to order at 10:11 a.m.
- 9.2 The following officials joined the meeting:

#### **Trinidad and Tobago National Petroleum Marketing Company Limited (NP)**

- Mr. Sahid Hosein - Chairman
- Mr. Bernard Mitchell - Chief Executive Officer
- Ms. Nicole King - General Manager Human Resource & HSSE
- Ms. Ria Chrysostom- Ryan - Chief Internal Auditor
- Ms. Kathlene Lalman - General Manager Finance, Supply Chain & ICT (Ag.)

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- Ms. Joy John- Benjamin - On Special Assignment- CEO's Office
- Mr. Ian Ramoutar - Manager Engineering, Facilities & Maintenance
- Ms. Beena Poliah - Manager Legal & Company Secretary
- Ms. Allison Khan- Ali - General Manager Retail & Industrial Fuels

**Ministry of Energy and Energy Industries**

- Mr. Monty Beharry - Permanent Secretary (Ag.)
- Mr. Sheldon Butcher - Downstream Petroleum Director
- Mr. Marc Rudder - Director Petroleum Operations Management
- Mr. Timmy Baksh - Director Energy, Research and Planning

**Ministry of Finance – Investments Division**

- Ms. Jennifer Lutchman - Deputy Permanent Secretary
- Mr. Lester Herbert - Director, Central Audit Committee
- Ms. Starriegold Kallie-Naipaul - Business Analyst

**9.3 Key Issues Discussed**

1. The implications of the closure of Petrotrin on the NP's operation.
2. The Consultant recruited to develop the NP's strategic plan for the financial years 2020 to 2022 and the tendering process for the selection of the Consultant.
3. The factors affecting the decline of the NP's sales.
4. The quality of fuel supplied by the NP to the public.
5. The measures in place to ensure that the quality of fuel supplied to the public is of a high quality.
6. The mechanisms in place to ensure proper contract management.
7. The status and timeline for the establishment and implementation of the project management unit.
8. The NP's main competitors.
9. The introduction of a Business Intelligence Unit to boost market share and sales.
10. The status of a formal Risk Management Policy.
11. The number of de-bunkering services provided by NP.
12. The lack of oversight of the Security Monitoring System at the NP.
13. The lack of financial expertise/qualified accountants on the Board of the NP.
14. The oversight role of the Ministry of Finance-Investments Division and the Ministry of Energy and Energy Industries with regard to the outsourcing of a consultant.
15. The status of the Industrial Relation Climate at the NP.
16. The circumstances that allow the Chief Executive Officer to seek exemption from Public Tendering from the Board Tenders Committee for contracts in excess of \$750,000.00.
17. The status of the full automation of the entire Procurement process.
18. The percentage of works, services and articles conducted by public tendering respectively.
19. The cost of security expenses and legal fees over the period 2009 to 2017.
20. The financial viability of the NP.
21. The reasons for the variances (Litres)-Main Fuels-Piarco and the implication on preparation of the financial statements.

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22. The status of the introduction of electrical gauges.
23. The impact of cost overruns and variations as a result of a lack of site visits by the Executing Division for capital projects.

**Please see Verbatim Notes for the detailed oral submission by the witnesses.**

9.4 The Committee agreed to send additional questions to the NP for written submission.  
[Please see Appendix 1]

9.5 The Chairman thanked the representatives from the Ministry of Finance – Investments Division, the Ministry of Energy and Energy Industries, NP, members of the media, the public and the Members of the Committee for their attendance.

### **ADJOURNMENT**

10.1 The adjournment was taken at 12:35 p.m.

**We certify that these Minutes are true and correct.**

CHAIRMAN

SECRETARY

*December 05, 2018*

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**ADDITIONAL INFORMATION REQUESTED****Additional Questions arising from Meeting of the Public Accounts [Enterprises] Committee****General Questions**

1. Provide details on NP's business expansion strategies including bunkering to the marine industry currently and in the next three (3) years.

**Risk Management**

1. Does the NP intend to implement a formal risk management policy?
2. What is the role of the Board Audit Committee in ensuring that NP develops a risk management policy, to re-evaluate risk exposure and implement strategies to control risk exposure?
3. With regard to an absent risk management policy, what guidelines are being utilised by NP to direct its risk management processes?

**Internal Audit Report – Operational Review of NPMC Security Department**

1. Based on the Internal Audit Report – Security System Monitoring “Cameras were not monitored constantly during the day or night. The Corporal on duty during the spot check indicated that the CCTV Monitors were mainly used for post-incident investigations and that no one was solely assigned to monitor the activities of the system”.
  - What was the rationale for the non-monitoring of security cameras during the day or night or assigning an officer to monitor the activities of the system?
2. Provide a breakdown of the following:
  - total security expenses incurred over the period 2009 to 2017; and
  - name of the company/companies that were recruited to provide security services and the associated cost.
3. What is the status of the Security Master Plan?
4. Based on the Internal Audit Report of the Operational Review of NPMC Security Department, “the last Audit of the Security Department was conducted in 2013. Prior to this, Audits were conducted on the years 1998 and 2000. Many of the findings reported in these audits were similar to those reported in 2013. Since the last audit there has been minimal improvement to the risk environment at the Security Department”.
  - What Standard Operating Procedures were implemented to reduce environmental risk throughout NP?
  - How does the Strategic Leadership Team treat with breach of internal controls at the Security Department?
5. Based on the Internal Audit Report of the Operational Review of NPMC Security Department, “A review of the approved Security Department SOPs was conducted and it was notes in some instances that the Procedures were inadequate and were not designed to effectively govern and guide the Security Department in its day to day operation”.

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- What steps were taken to address the inadequacy in the SOP's?
- What is the Status of reviewing, updating, approving and effectively distributing the Security Department Standard Operating Procedures?

### **Procurement Policy**

1. What percentage of works, services and articles were conducted by public tendering respectively?

### **Professional and Legal Fees**

1. Provide a breakdown of the total professional and legal fees for the period 2009 to 2017 and the associated cost.

# APPENDIX 2

## Attendees

## Attendees

### Trinidad and Tobago National Petroleum Marketing Company Limited (NP)

- Mr. Sahid Hosein - Chairman
- Mr. Bernard Mitchell - Chief Executive Officer
- Ms. Nicole King - General Manager Human Resource & HSSE
- Ms. Ria Chrysostom- Ryan - Chief Internal Auditor
- Ms. Kathlene Lalman - General Manager Finance, Supply Chain & ICT (Ag.)
- Ms. Joy John- Benjamin - On Special Assignment- CEO's Office
- Mr. Ian Ramoutar - Manager Engineering, Facilities & Maintenance
- Ms. Beena Poliah - Manager Legal & Company Secretary
- Ms. Allison Khan- Ali - General Manager Retail & Industrial Fuels

### Ministry of Energy and Energy Industries

- Mr. Monty Beharry - Permanent Secretary (Ag.)
- Mr. Sheldon Butcher - Downstream Petroleum Director
- Mr. Marc Rudder - Director Petroleum Operations Management
- Mr. Timmy Baksh - Director Energy, Research and Planning

### Ministry of Finance – Investments Division

- Ms. Jennifer Lutchman - Deputy Permanent Secretary
- Mr. Lester Herbert - Director, Central Audit Committee
- Ms. Starriegold Kallie-Naipaul - Business Analyst

# APPENDIX 3

**List of entities falling under the purview of the PAEC:**

1. Agricultural Development Bank (ADB)
2. Caribbean Airlines Limited (CAL)
3. Caribbean Leasing Company Ltd (owned by ExporsTT)
4. Caribbean New Media Group Limited (CNMG)
5. Caroni Green Limited
6. Clico Trust Corporation Limited
7. Cocoa Development Company of Trinidad and Tobago Ltd
8. Community Environmental & Protection Enhancement Programme Company Limited (CEPEP)
9. Community Improvement Services Limited
10. East Port of Spain Development Company Limited
11. Education Facilities Company Limited (EFCL)
12. Estate Management & Business Development Company Ltd. (EMBDC)
13. Export Centers Company Limited
14. Export Import Bank of Trinidad & Tobago (EXIMBANK)
15. ExporsTT (formerly BDC: Business Development Company Limited)
16. Evolving TecKnologies & Enterprise Development Company Limited (eTeck) (formerly Property & Industrial Development Company of Trinidad & Tobago)
17. First Citizens Bank (FCB)
18. First Citizens Holdings Limited
19. Government Human Resource Services Company Limited (GHRS)
20. Government Information Services Limited (GISL)
21. Human Capital Development Facilitation Company Limited
22. InvesTT
23. Lake Asphalt of Trinidad & Tobago (1978) Ltd.
24. La Brea Industrial Development Corporation
25. Metal Industries Company Limited (MIC)
26. National Agricultural Marketing Development Corporations Limited (NAMDEVCO)
27. National Commission For Self Help Limited
28. National Energy Corporation of Trinidad and Tobago Limited
29. National Entrepreneurship Development Company Ltd. (NEDCO)

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30. National Enterprises Limited (NEL)
31. National Flour Mills Limited (NFM)
32. National Gas Company of Trinidad & Tobago Limited (NGC)
33. National Helicopter Services Limited
34. National Information & Communication Technology Company Limited (NICTCL)
35. (iGovTT) (ttconnect)
36. National Infrastructure Development Company Limited (NIDCO)
37. National Insurance Property Development Company Limited (NIPDEC)
38. National Maintenance, Training & Security Company Limited (MTS)
39. National Project Development Services Ltd
40. National Quarries Company Limited (NQCL)
41. National Schools Dietary Services Limited
42. National Training Agency (1997) Ltd.
43. Natpat Investments Company Ltd.
44. Oropune Development Ltd. (owned by UDECOTT)
45. Palo Seco Agricultural Enterprises Limited (PSAEL)
46. Petroleum Company of Trinidad & Tobago Limited (PETROTRIN)
47. Phoenix Park Gas Processors Ltd.
48. Point Lisas Industrial Port Development Corporation Ltd (PLIPDECO)
49. Point Lisas Terminals Ltd. (owned by PLIPDECO)
50. Portfolio Credit Management Limited
51. Port of Spain Waterfront Development Ltd.
52. Rincon Development Ltd.
53. Rural Development Company of Trinidad & Tobago Limited
54. Seafood Industry Development Company Limited
55. Sports Company of Trinidad & Tobago Limited (SporTT)
56. Taurus Services Limited
57. Telecommunications Services of Trinidad & Tobago Limited (TSTT)
58. Tourism Development Company Limited (TDC)
59. Trinidad Nitrogen Company Limited (TRINGEN)
60. Trinidad Northern Areas Ltd.
61. Trinidad & Tobago Entertainment Company Limited (TTent)

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62. Trinidad & Tobago External Telecommunications Ltd.
63. Trinidad and Tobago Fashion Company Limited
64. Trinidad & Tobago Film Company Limited
65. Trinidad & Tobago Fish Processors Ltd.
66. Trinidad & Tobago Food Processors Ltd.
67. Trinidad & Tobago Free Zones Company Limited
68. Trinidad & Tobago International Financial Centre Management Company Limited
69. Trinidad & Tobago Marine Petroleum Company Ltd.
70. Trinidad & Tobago Mortgage Finance Company Limited (TTMF)
71. Trinidad and Tobago Music Company Limited
72. Trinidad & Tobago National Petroleum Marketing Company Limited (NP)
73. Trinidad & Tobago Solid Waste Management Co. Ltd. (SWMCOL)
74. Trinidad & Tobago Tourism Business Development Limited
75. Trintoc Services (owned by PETROTRIN)
76. Union Estate Electricity Generation Company Limited
77. Urban Development Corporation of Trinidad & Tobago Limited (UDECOTT)
78. Vehicle Management Corporation of Trinidad & Tobago Limited (VMCOTT)
79. Youth Training & Employment Partnership Programme Limited (YTEPP)

# **APPENDIX 4**

# **VERBATIM**

**VERBATIM NOTES OF THE THIRTY-SECOND MEETING OF THE PUBLIC ACCOUNTS (ENTERPRISES) COMMITTEE HELD IN THE J. HAMILTON MAURICE ROOM, MEZZANINE FLOOR, (IN PUBLIC), OFFICE OF THE PARLIAMENT, TOWER D, THE PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE, #1A WRIGHTSON ROAD, PORT OF SPAIN, ON WEDNESDAY, DECEMBER 05, 2018 AT 10.11 A.M.**

**PRESENT**

Mr. Wade Mark	Chairman
Mr. Fitzgerald Hinds	Member
Dr. Nyan Gadsby-Dolly	Member
Ms. Amrita Deonarine	Member
Mr. Foster Cummings	Member
Ms. Hema Bhagaloo	Assistant Secretary
Mr. Brian Lucio	Graduate Research Assistant

**ABSENT**

Dr. Tim Gopeesingh	Vice-Chairman
Mrs. Jennifer Baptiste-Primus	Member
Mrs. Cherrie-Ann Crichlow-Cockburn	Member

**MINISTRY OF FINANCE –INVESTMENTS DIVISION**

Ms. Jennifer Lutchman	Deputy Permanent Secretary
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Mr. Lester Herbert Director, Central Audit Committee

Ms. Starriegold Kallie-Naipaul Business Analyst

**MINISTRY OF ENERGY AND ENERGY INDUSTRIES**

Mr. Monty Beharry Permanent Secretary (Ag.)

Mr. Sheldon Butcher Downstream Petroleum Director

Mr. Marc Rudder Director Petroleum Operations  
Management

Mr. Timmy Baksh Director Energy, Research and  
Planning

**TRINIDAD AND TOBAGO NATIONAL PETROLEUM MARKETING  
COMPANY LIMITED**

Mr. Sahid Hosein Chairman

Mr. Bernard Mitchell Chief Executive Officer

Ms. Nicole King General Manager Human  
Resource & HSSE

Ms. Ria Chrysostom-Ryan Chief Internal Auditor

Ms. Kathlene Lalman General Manager Finance,  
Supply Chain & ICT (Ag.)

Ms. Joy John-Benjamin Treasury & Management  
Auditing Manager, On Special  
Assignment – CEO's Office

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Mr. Ian Ramoutar

Manager Engineering, Facilities  
& Maintenance

Ms. Beena Poliah

Manager Legal & Company  
Secretary

Ms. Allison Khan-Ali

General Manager Retail &  
Industrial Fuels

**Mr. Chairman:** Good morning, and may I, on behalf of the Members of the Public Accounts (Enterprises) Committee, warmly welcome the officials from the Ministry of Finance, Investments Division, the Ministry of Energy and Energy Industries, the Trinidad and Tobago National Petroleum Marketing Company Limited, NP, members of the media as well as the general public.

The Committee on public accounts or the Committee on Public Accounts (Enterprises) has a mandate and that mandate is to consider and report to the House on:

- (a) The audited accounts, balance sheets and other financial statements of all enterprises that are owned and or controlled by or on behalf of the State.
- (b) The Auditor General's report on any such accounts, balance sheets and other financial statements; and.
- (c) Whether policy is carried out efficiently, effectively and economically and whether expenditure conforms to the authority which governs it.

The purpose of this meeting of the Public Accounts (Enterprises) Committee is to examine the audited accounts, balance sheets and other financial statements of the Trinidad and Tobago National Petroleum Marketing Company Limited, NP, for the period 2009 to 2017.

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Our committee is desirous of hearing the challenges being faced by the key stakeholders at NP, in an attempt to determine some of the possible solutions to these challenges. The role of the Committee is to help. May I repeat, the role of our Committee is to help improve its delivery of services in an efficient, effective and economic manner.

Let me advise that our meeting, this meeting, is being held in public and is being broadcast live on the Parliament Channel 11 and Radio 105.5 FM, and the Parliament's YouTube Channel *ParlView*. Viewers and listeners can send their comments related to today's topic via email [parl101@ttparliament.org](mailto:parl101@ttparliament.org), [facebook.com/ttparliament](https://www.facebook.com/ttparliament), Twitter [@ttparliament](https://twitter.com/ttparliament).

May I at this time invite officials from the Ministry of Finance, Investments Division, the Ministry of Energy and Energy Industries as well as the Trinidad and Tobago National Petroleum Marketing Company Limited to introduce themselves. So, I will start with the Ministry of Finance, Investments Division.

*[Introductions made]*

**Mr. Chairman:** Thank you very much once again, and again let me warmly welcome each and every one of you. May I take this opportunity to introduce the members of our Committee? I am the Chairman, Mr. Wade Mark, and I will ask my other colleagues to now introduce themselves.

*[Introductions made]*

**Mr. Chairman:** Thank you very much members. At this time I would like to invite the Chairman of the National Petroleum Marketing Company to make a brief opening statement. Mr. Chairman.

**Mr. Hosein:** Thank you, Chairman. Pleasant good morning to the Chairman and Committee members and all present here today. Good morning also to the listening and viewing public. We would like to thank the Committee for the opportunity to elaborate on NP's operation and performance. NP was formed with a significant mandate that

speaks to the marketing, sales and distribution of petroleum products throughout our twin island Republic, ensuring a safe and reliable supply to all citizens. The company plays a key role in the national economic, social and environmental landscape, and has become a household name over the years.

While the company has been existence for over 47 years it has always been an organization in transition. However, in recent times, our operating environment has undergone radical change and as a result the organization has had to make ongoing adjustments to remain relevant and to deliver on its mandate.

Indeed we are now faced with intensive competition, increased costs, movements in the price of fuels, and reducing volumes, along with fixed profit margins for an extended period of time.

The demands of a state enterprise competing with the private sector also presents unique dynamics for the company. In recognition of the company's prevailing challenges, NP has embarked upon a transformation plan. We are of the view that the company is on the right trajectory, but not withstanding, we recognize there is still quite a bit of work to be done. Of more recent vintage, the closure of Petrotrin as well as the increasing cost of fuel to the public, has critical implications for the company and we have been fully engaged in addressing the implications of these developments. The company has sought to address all the issues raised by the Committee to the best of our ability.

NP's team assembled here today is ready and willing to address any issue raised with respect to our submission, or any other pertinent issues. We look forward to obtaining your perspective on the issues with a view to further improving our performance as a corporate entity. And in this regard we anticipate meaningful dialogue. I thank you.

**Mr. Chairman:** Thank you, Mr. Chairman. May I ask the acting Permanent Secretary of the Ministry of Energy and Energy Industries to make a brief opening statement?

**Mr. Beharry:** Thank you and good morning again, Chairman, and members of the Committee. I would like to take this opportunity to thank you for extending to us this

invitation to attend the Thirty-Second meeting of the Public Accounts (Enterprises) Committee, convened to examine the National Petroleum Marketing Company Limited. With me here today are three senior directors in the Ministry, technical directors. We are here in our capacity as the line Ministry responsible for National Petroleum Marketing Company and to provide support to both them and to this Committee in any way we can. Having said that, I would just like to thank you again for being here.

**Mr. Chairman:** Thank you very much, acting Permanent Secretary. May I begin by following up on earlier remarks made by the Chairman. We know that NP, as you have rightly said, has been around for decades and it has become a household name and a reasonably good brand. You also mentioned the need for NP to ensure, and NP has been attempting to ensure, a safe and reliable supply of petroleum products. But you also mentioned, very importantly, the recent closure of Petrotrin and you went on to say that its closure holds critical implications for NP, particularly in terms of cost and fuel supply. Would you like to elaborate for our Committee, so that we can fully understand what you have said, Mr. Chairman?

**Mr. Hosein:** Yes, Chairman. In the past until very recently we are accustomed to certain methods of operations and certain protocols in dealing with Petrotrin. While that has not changed significantly, we are not absolutely certain how the landscape is going to unfold or evolve. We had certain financial arrangements and what have you. We had a certain amount of leeway in terms of the payment arrangements to Petrotrin. At this point in time we are not sure how those arrangements—whether they are going to continue, or how are they going to evolve and what challenges they are going to pose for us if there are going to be changes.

So it is mainly, Chairman, of a financial nature in terms of how that change is going to impact our financials.

**Mr. Chairman:** So the future is uncertain until you drill down a little deeper in the coming period so that you will be in a better position to share with the national

community what you perceive, and the organization, as the implications, the real implications, if there are any, in terms of going forward. Is that what you are saying?

**Mr. Hosein:** Chair, from what we have seen so far, we are fairly certain that the arrangements we would have had in the past are going to continue into the future.

**Mr. Chairman:** Okay. May I deal with a very important matter and that has to do with your strategic plan. We understand that there is a plan for the period, is it 2020 to 2022?—and that NP would have had to engage outside support or assistance in developing this plan. Would you want to share with this Committee, first of all, whether that plan has been completed, one; if it has been completed whether the plan has been approved by the line Ministry; and three, who were the consultants recruited to develop that plan for NP?

**Mr. Hosein:** Chair would you allow me to defer to my CEO, Mr. Mitchell on that question?

**Mr. Chairman:** Of course.

**Mr. Mitchell:** Thank you, Chairman, and thank you Chairman. At present NP is operating under the 2018—2020 strategic plan. We started the process to develop a new strategic plan around July of this year. The consultants we are using is VSL Consultants headed by Gregory Mc Guire that plan is, I would say about 90 per cent completed. We expect it to be completed before the end of this month, so that we can present it to the board for their first level of approval. It will subsequently to be submitted to the Ministry for their final approval.

**Mr. Chairman:** Okay, would you want to share with us what is the value of that particular consultancy?

**Mr. Mitchell:** I think it is \$225,000. I think we would have submitted that information, Chairman.

**Mr. Chairman:** Would you want to share with this Committee also how the consultant was chosen?

**Mr. Mitchell:** We had a selective tender process. I do not have the specifics with respect to how many consultants we would have gone out to. But, I believe it was around five consultants would have been invited to submit bids, and these would have been consultants who are well qualified and well known in the local landscape as far as the development of strategic plans are concerned. And, coming out of that, we felt that Mr. Mc Guire and his team recognizing their skill set in the oil and gas industry would have been more suitable. And more importantly, out of the tender submission that we would have issued, we received two bids and his was the lower of the two. So on that basis we would have selected him.

**Mr. Chairman:** Would you be kind enough to provide to the secretariat the details of that process?

**Mr. Mitchell:** Absolutely.

**Mr. Chairman:** I also would like to ask the Chairman at this time, because he did make reference to the competition and the challenges posed by the private sector and the fact that you have witnessed some declines in your sales at the retail level. Could you share with this Committee some of the factors that may have led to this development in terms of a decline in sales, and could you share with us, when you talk about a decline, paint a picture for us as to where you were and where you are in terms of sales of fuel to the national community.

**Mr. Hosein:** Chair, we have maintained market share of around 73 to 74 per cent, sometime raising to 75 per cent, so that we have not lost market share. Nationally there has been a loss of volume. There has been a decline of volumes nationally, a 4 to 5 per cent decline in the volumes nationally. So in terms of the competition, I am happy to say that we continue to maintain market share.

**Mr. Chairman:** What would you attribute to this loss of volume of 4 to 5 per cent? Or what is the reason that NP has assessed, evaluated, or analyzed for this drop in volume?

**Mr. Hosein:** Well firstly the national economic landscape. Secondly, the increases in prices. People have become more conservative in how they drive, obviously; and then the construction industry has taken a significant hit in terms of activity, and that forms a significant part of the volumes.

**Mr. Chairman:** Now I am sure you would have been hearing and reading about complaints made by the motoring public. I have not really tested my own experience thus far. I have been so busy like so many of my colleagues. I have not paid attention to it. But there has been reports that the quality of gasoline, whether it is diesel, super gasoline—particularly super and diesel, the quality has deteriorated. Now the question that is being asked is whether we have begun to use imported fuel or whether it is the same fuel we are getting from Petrotrin. First of all, have you received any such complaints at the level of NP? And could you share with this committee your standards of testing in relation to CARIRI to determine whether the octane level has deteriorated, whether there has really been a decline? Because I have met customers, citizens, who have told me that they normally would put \$90, \$100, it would last them for a week. They are now being called upon at the pump to put \$160 for the same \$90 or \$100 that they used to pay a month ago. So, I just wanted to ask NP, through you, whether you have received complaints and whether this is true or false or whether people are just imagining things?

**Mr. Hosein:** Chair, let me assure you and members of the Committee and the public as I have done in the past that there are stringent protocols that are undertaken before the fuels go to the public. We would have heard from people on the outside, where I sit not directly but through the different media, whether it is Twitter, Facebook or WhatsApp or what have you, that there are concerns on the outside. While I think that some of the concerns might be real, I am of the view that a lot of it is just fear mongering outside in the public.

Before we take fuel from—in fact fuel that comes from Petrotrin comes with a certificate attesting to certain things, quality and what have you, and it comes up to our port at Sea Lots. Before we take custody of that fuel, we take samples and we test it and we have a first class lab that is constantly certified by CARIRI, the processes and equipment. It is tested to ensure that it meets the specification and then it is offloaded into our tanks and what have you. And every day we test our fuel before we send it out so that the concerns about the quality of fuel is really ill- founded. I cannot really explain to you, Chair, why somebody who would be buying \$90 and then suddenly paying \$160 other than the price increase. And I am not sure that the price increase warrants that. But I want to assure the Committee, through you, Chair, and the motoring public, that there are very, very stringent measures that are undertaken before the fuel is taken out to the service stations.

**Mr. Chairman:** All right. Well at this point in time I will ask—Ms. Deonarine, I know that you have a few questions that you would like to pursue so I will now invite you.

**Ms. Deonarine:** Good morning everyone. So my question is pertaining to more the procurement and following the awarding of contracts. So, my question is: What mechanisms are currently in place to ensure that proper contract management following the award of contracts, when the aware of contracts takes place? Also, I would like to know whether there is a monitoring framework that is used to track the progress of contracts regarding the efficient and effective use of resources towards achieving the outputs intended from implementing a contract?

**Mr. Hosein:** So, if you will allow me, member, to allow my CEO, Mr. Mitchell to answer that please?

**Mr. Mitchell:** Morning again, member Deonarine. First, let us break it down into the different types of contracts that you have. I think the easiest one to deal with would be our capital projects contracts. So let us say we are in the process of constructing a new service station. So we go out to tender. Given that the cost of that is likely to be above \$1 million, we will do a public tender for that. So we receive the bids, we conduct the evaluation and then we would have an approval process based on the recommendation made by the user group. That approval will go through a board tenders committee and then to the board before an award is made. On completion of that award a contract is signed identifying the scope of work. It would also capture project implementation time frame with a project schedule and you would have progressive payment points based on the speed at which and the progress that has been made in executing that project. The line department at this point in time which would be the capital projects unit would be responsible for managing that project. We have in place what we call our projects implementation and monitoring committee and on a fortnightly basis they would have to report on the status of each of these projects.

The payments would be issued based on the progress made and then we have coming down to the end of the project unless we receive the completion certificate the contract would not be paid off. And that completion certificate allows us to post the moving from work in progress to our fixed asset register for depreciation.

If you have a service contract, like a janitorial contract, it requires a different type of arrangement. So let us say on a monthly basis you would do an evaluation of the work that is being done by the janitors. And you would have a fixed based cost for that, but it would be strictly about monitoring the standard of the work that would be done the service provider.

Again, if you have a contract that speaks to the provision of vehicles, right, you would

have standards in there that pertain to the workmanship in terms of the usability of the vehicles, as well as the turnaround time for things like if it goes faulty how long it gets back in there. Again we have the administration unit that would monitor those things on an ongoing basis to make sure that whatever service levels attend to that contract they are being applied stringently before we effect payments for any work that is done. So those are two of the general categories I can give you.

**Ms. Deonarine:** Thank you. Through you, Mr. Chair, I understand that you all are in the progress of establishing a project management office.

**Mr. Mitchell:** Yes we are.

**Mrs. Deonarine:** Can you provide us with an update on the status please?

**Mr. Mitchell:** Right, so we have had a quite bit of internal discussions on that and the primary reason is that at present we have our engineers doing the project management. In addition to which, we do not have enough oversight of all the projects that are being done within the organization. So you would have IT projects, you would have engineering projects, you might have maintenance doing a project. And because you have in some instances, the same resources treating with each of these projects, you do not have clear sight of what the overall demand for projects across the business would be.

So the Project Management Unit, or a PMO, would look at projects across the organization, try to determine, in essence, our capacity for executing projects because when do not have a good feel for the capacity that is required that is when you get delays and you have cost overruns and so on. So the PMO would take away that management aspect of projects from the engineers as it were, but also introduce what we would call modern day project management principles, right? Doing your project charter, making sure you have your quality assurance and quality control, your stakeholders' engagement. Those things are not being executed as effectively as we need it to be at this point in time.

So at present we have a structure. We are developing the roles and responsibilities, because you have to appreciate that the introduction of a PMO is about culture change and engineers tend hold to on to that part of where they want to do the work and manage everything. We have to sort of divorce the relationship between those who are doing engineering and those who are doing project management. So the roles, the responsibilities are to make sure that there is a clear distinction between what engineers do and what project managers do. So that is being developed. The time frame for implementation is first quarter next year and the reason for that really is you want to tie that with the procurement unit that we are establishing because the PMO would the reporting entity into the PMO for all the works and reporting and so on that has to be done to the OPR when it is fully established.

**Ms. Deonarine:** Thank you.

**Mr. Chairman:** I now recognize Dr. Gadsby-Dolly.

**Dr. Gadsby-Dolly:** Hi, good morning. Just a couple questions to the Chairman maybe and if it needs to be spread around. The concept of NP under serious competition as one of the issues that you are facing, who are your main competitors and what areas of your business would be under the most competition? **Mr. Hosein:** All right, if you would allow, Chair, Mr. Mitchell would answer.

**Mr. Mitchell:** At present, Committee member, Dr. Nyan Gadsby-Dolly, we have essentially four lines of business, right. We have the fuel—motor fuel. We have our LPG, liquid. We have aviation and marine; and we have lubricants. The area of most intense competition is the lubricants area. We would appreciate that at present we have a multitude of products that come into our local market, and as far as we are concerned, they are not subjected to the type of duty and taxes that they need to be. So you have the Valvoline, the Castrol, the Gulf, you name it, you have it. At present, we have a market share of—we would think about 28 per cent as far as lubricants are concerned. Year on year between last year and this year we have been able to increase our volumes

sold. So we expect that we will have an uptake in terms market share. And to achieve that we would have gone a programme of advertising, reviewing our cost structures as well as enhancing our marketing, right. You would have seen a lot more newspaper marketing, a lot more electronic marketing because that is an area of growth for us, right. Where the motor fuels are concerned, of course our competitor is Unipet, right. And then we have aviation and marine. There is no competition in aviation but in the marine business you have other providers in the market who could supply fuel to the ships and so on. Interestingly, Petrotrin was one of our competitors in that space, right. So those are the four lines of business and that is the intensity of competition in each of them.

**Dr. Gadsby-Dolly:** So if I may ask, that 28 per cent market share, that was as of what measurement? What year's measurement?

**Mr. Mitchell:** That would have been last year.

**Dr. Gadsby-Dolly:** Last year? So we are expecting an increase this year?

**Mr. Mitchell:** Right. And it is really conceptually derived because you look at the number of cars in the market. You would say that each car owner would change their fuel let us say, three or four times per year, and you derive some sort of volume in terms of what the use or purchase of lubricants would be in the market and then you compare what our sales are relative to what the demand of the market would be.

**Dr. Gadsby-Dolly:** Certainly. Now with the respect to the increased marketing thrust and so on that you have—

**Mr. Mitchell:** Embarked upon?

**Dr. Gadsby-Dolly:**—done. Would that have involved hiring different marketing staff? Or does that involve simply using the marketing staff you have and changing the strategies.

**Mr. Mitchell:** We have a corporate communication department. That is the lead entity

as far as marketing, but, we have now introduced our Business Intelligence Unit within the company, as of this year, and one of their remits is the enhancement of marketing across the organization. So they are more focused on developing the marketing strategies in conjunction with our corporate communications department. Our corporate communication department would liaise with the advertising agency, right. So that is the nexus that has been developed, right.

**Dr. Gadsby-Dolly:** Okay. And your target market is not just local, is it?

**Mr. Mitchell:** Oh indeed. It is regional, yes.

**Dr. Gadsby-Dolly:** And how are you faring up the islands?

**Mr. Mitchell:** Much better. In terms of our growth we are seeing much more growth externally than locally actually.

**Dr. Gadsby-Dolly:** Okay, thanks.

**Mr. Hinds:** Let me just ask, and just for the benefit of the citizens of this country, we are looking at the accounts 2009 to 2017, I think it is here. In terms of a trajectory, would you say that NP, Mr. Chairman, is improving its profitability; stable, reducing? How would you describe the trajectory through those years?

**Mr. Hosein:** Member, through the Chair, if I may put it to—.

**Mr. Mitchell:** Committee member, Minister Hinds. While I would have joined the organization last year January, what I have recognized is that there are a number of interesting dynamics in terms of the financials of the organization. So you would have seen that for the year ended March 2017, the company would have made a loss.

One of the primary reasons for that is because of the work we did with respect to treating with our work in progress. So we would have had a number of projects that would have been either completed or abandoned within the organization that we essentially went through a process of cleaning up. And as a result of that clean up, our overall depreciation increased by about \$17 million and that led to a loss for the year ended

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**Mr. Hinds:** Yes, I think there is loss of some \$20.6 million.

**Mr. Mitchell:** Ultimately, yes. But if you look at some of the earlier years you would have seen that the organization went through an issue there with some workers, about 68 workers, who would have been separated and then came back. And that in and of itself introduced additional dynamics, because with the 68 workers out, right, the performance would have improved and when they came back in, you had to pay all this outstanding monies for two years.

So when they came back into the organization, the organization had to redress that entire situation which would have resulted in a spike in terms of cost especially for employees, and that would have also impacted the bottom line as it were for the organization. Now you spoke about, or you referred to, the financial stability of the organization and that is an interesting dynamic in that—let us take for instance, and a good example is the increase in super that would have taken in October.

Where motor fuel is concerned we operate on a fixed margin. So even though we had a \$1 price increase in super, our revenues would have gone up. Because of the increase in price you have seen a 1 per cent drop in volumes, but you operate on a fixed margin so your gross profit would have dropped. So you are talking about increasing revenue but decreasing the gross profits, yeah? Your business levy would have gone up, right, because if you do not make enough profit, you apply business levy as against corporate tax and your Green Fund levy would have gone up. So you put us in hold.

So recognizing those circumstances and recognizing the desire for elimination of subsidies, it means that we have to look at alternative sources of revenue. Those alternative sources of revenue would be in the areas of marine, where we feel we can do some bunkering and provide service to ships and so on, especially the ENI companies that do offshore drilling and so on. I would have made mention of the area of lubricants. We feel that if we do a better job, we can realize a better return as far as lubricants is

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concerned and also in the LPG market where at present we have about 51 per cent market share. We feel that we can do a little better in that space, right. So those are the areas of focus to ensure that we have a long term sustainability and viability for the organization.

Well, my Chairman is prompting me in terms of alternative businesses, and we are talking about—we have quite a bit of an asset base where land space is concerned because following the acquisition of the SOs and BPs and so on, we had a number of service stations that were in close proximity. So we did some consolidation. So we now have a number of vacant properties that we are in the process of leasing out because that is also a form of revenue.

**Mr. Hinds:** How many service stations do you have all together now since you raised that?

**Mr. Mitchell:** It is about 116/117 with about, well two under construction, the one in Chaguanas on Trial Street which we expect to open in the first quarter next year and you would have seen the one at El Soccoro which we hope to open shortly. So that would bring us to about 118 service stations.

**Mr. Hinds:** I understand among them you have some non-viable ones, some that are not—

**Mr. Mitchell:** Well it is interesting in that if I use the same argument of an increase in the price of fuel realizing reduced profit, the transition point at this time in terms of profitability of a service station is somewhere between 4.5 and 5 million litres per annum. So if you service station that is under that and you do not have like a quick shop or a convenience store, it will be challenging in terms of its viability.

**Mr. Hinds:** So based on all that you have just said and I am very singularly cognizant of the fact that you are a late comer, a late arriver to this platform, Mr. Mitchell, so I am bearing that in mind. Based on all that you have said, you would agree that there is tremendous amount of risks that face NP in all facets of its operation and an ongoing

dynamic basis. You would agree with that?

**Mr. Mitchell:** But they are manageable.

**Mr. Hinds:** They are manageable. I like your attitude and I agree with you. I could see here that back in—well from the PWCU memorandum of weaknesses on internal accounting, controls and procedures for the year ended as far back as 2016, the overall picture was not very wholesome and one of the things they recommended was a formal risk management outfit. Has that been dealt with so far?

**10.55 a.m.**

**Mr. Mitchell:** Not fully. It is a work in progress. We have now gotten to the point where we have a draft risk management policy, and the next step would be to establish that risk management committee. But notwithstanding, we should appreciate that risk is managed on a day-to-day basis within the organization.

**Mr. Hinds:** Of course, but a recommendation was made for a formal risk management outfit.

**Mr. Mitchell:** And that is being progressed. If you delve into the notes that we would have submitted, one of the responses that we would had shared is that we introduced a new approved organizational structure in November of last year.

**Mr. Hinds:** I have seen that, yes.

**Mr. Mitchell:** And those are some of the changes that we are making within the organization. So just as how I made mention of the PMO, Project Management Office, the establishment of the Procurement Unit, the risk is also an area that is under development.

**Mr. Hinds:** This is commendable.

**Mr. Mitchell:** Yes, we have to take it in, how they say, biteable size, or chewable bites, so that is what we are doing.

**Mr. Hinds:** But I would have thought that between the 31<sup>st</sup> of March 2016 and

December of 2018 you would have been able to consume far more than a bite.

**Mr. Mitchell:** Well we have consumed quite a bit. That just has not been one of the bites.

**Mr. Hinds:** When I say “you”, I do not mean you personally.

**Mr. Mitchell:** Yes, yes, the organization.

**Mr. Hinds:** NP.

**Mr. Mitchell:** That is just not one of the bites, but rest assured that the whole issue of risk is being effectively attended to within the organization.

**Mr. Cummings:** Mr. Mitchell you spoke earlier on about the different areas of the business that NP would be looking to expand. I am particularly interested in hearing a bit more about the bunkering in terms of the supply of fuel to the marine industry, and how aggressive is NP pursuing this, and what is in place now and how do you plan to expand.

**Mr. Mitchell:** Member Cummings, you know, that is one of the challenges of state enterprises competing with the private sector. You give out trade secrets. So yes I would like to respond to your question, but I do not want to let the cat out of the bag so to speak, because we really want to protect some of this information. So I want to respond to you, but from a strategic standpoint—

**Mr. Cummings:** I hear you loud and clear. But is NP actually involved in the area now?

**Mr. Mitchell:** Yes we do. Companies like Shell and so on, we utilize the facilities of Petrotrin, or we use the RTW to deliver fuel on the shore side, but we want to establish more—what should I say?—we want to have more established facilities to do it on a larger scale, given both the expectation that there would be more exploration, but also coming out of the issue with the widening of the Panama Canal and more ships being in the region, and we have the facility that is supposed to be established in La Brea, it gives us the avenue to really increase our business in that area.

**Mr. Cummings:** Additionally, in terms of the business up the islands, what is the area of focus there? Which of the lubricants, LPG,—I am trying to get some information. What is the focus there?

**Mr. Mitchell:** Lubricants, also bunkering, we see opportunity there. To the extent that we see it being viable, the issue of motor fuel, because right now we have a facility in Dominica, and depending on the direction of the market, because you need to appreciate also that the market is moving to the trend of electric cars, hybrid vehicles. So it is something you have to monitor closely. In addition to which, the smaller islands have small market sizes, so a viability analysis has to be conducted in terms of the economy, demand for fuel and so on. If you were to embark on any such venture, to manage our risk it would be more like doing a joint venture rather than going alone. So those are the things that are under consideration at this point in time.

**Mr. Chairman:** Mr. CEO, the matter of competition, which we all respect, and you would not want to reveal secrets, but I would advise you to—if you could commit to writing and submit it to the Secretary.

**Mr. Mitchell:** Submit yes, absolutely.

**Mr. Chairman:** We shall use those things in confidence. Okay?

**Mr. Mitchell:** I will, Chairman.

**Mr. Chairman:** We understand, so we would want it committed in writing.

I want to ask a few questions. We saw an internal audit report which referred to the security monitoring system and particularly involving cameras. We recognize that that monitoring system apparently is not manned. We do not have warm bodies manning the security monitoring system mechanism that you have at NP, and what we understand takes place are spot checks, posts, maybe any incident you would need to investigate. Could you share with this Committee what was the rationale for the non-monitoring of security cameras during the day or night, or even assigning an officer to monitor the

activities of this security system? Who would like to provide us with some clarification on this matter?

**Mr. Mitchell:** I will, Chairman.

**Mr. Chairman:** Yes, Mr. CEO.

**Mr. Mitchell:** Mr. Chairman, that report was done in April I believe of this year, and to be quite honest, the camera network that we have on location, it was installed about two years ago, I believe. The arrangement was that TSTT would be doing the monitoring. So it was part of a service that was being provided through TSTT. However, in recognition of the gaps, because the overall performance of the infrastructure which informed the audit that was done, left quite a bit to be desired, because on an ongoing basis you would have had a number of cameras that would be down or out of service for an extended period of time. So we recognized the need to do some enhancements. So certainly since the advent of that audit report, we have now gone through a process of having daily checks and daily reports on all our cameras and their performance. We have a closer relationship with TSTT in terms of response time to repair those that are down, and we are in the process of establishing a video wall in the security department, because that never existed before, and taking away from TSTT that responsibility to do monitoring. We have also hired a warm body as it were to do dedicated monitoring of our security cameras, because you would appropriate that we are located in a hot spot, one. But additionally, what we have done is hired two new resources to lead our security unit, because that was one of the areas that we felt we had some significant deficiency. So we have moved past what would have been indicated in that audit report to really enhancing our security levels within the organization.

**Mr. Chairman:** So you feel satisfied at this time that you are in a—

**Mr. Mitchell:** I am not totally satisfied, the video wall is not up as yet. We monitor on a general screen. We have different individual screens that we use, but we need a video

wall where we could enhance images and zoom in and all that sort of fancy stuff. So that is being progressed right now.

**Mr. Chairman:** Could you advise us when this security monitoring system was introduced, by whom in terms of the company?

**Mr. Mitchell:** TSTT.

**Mr. Chairman:** And at what value? If you do not have it could you supply us in writing?

**Mr. Mitchell:** I think it is around \$400,000. We could submit that. I believe it is around \$400,000 we would have paid.

**Mr. Chairman:** So that system was introduced and there was no mechanism in place to properly monitor the operations of that system?

**Mr. Mitchell:** It was delegated.

**Mr. Chairman:** So that NP could have gotten maximum value for that investment of \$400,000.

**Mr. Mitchell:** Well it was not paid in a lump sum. It was paid over a period of time.

**Mr. Chairman:** It does not matter.

**Mr. Mitchell:** I know. I appreciate that, but yes delegating the monitoring to TSTT I would say was an oversight, but that was the nature of the contract that would have been signed.

**Mr. Chairman:** So the contract that was signed did not provide or make any provision for TSTT to have a monitoring role. It was left up to NP to effect that and NP did not do it.

**Mr. Mitchell:** No, no, the contract that was signed, the service of monitoring, was provided by TSTT. So that was an integral part of the contract that was signed with TSTT.

**Mr. Chairman:** But then how do you explain the internal audit report that talks about, you have the system, cameras at work, but there was no one monitoring? So what I am

saying, if you are buying or investing to the tune of close to half a million dollars, we ought to have at least one warm body, because you are in a hot spot area.

**Mr. Mitchell:** I agree with you fully, Chairman.

**Mr. Chairman:** So what went wrong in that whole arrangement? Something was not right in that whole arrangement.

**Mr. Mitchell:** I agree with you, Chairman. There were oversights which is why the whole issue of getting better resources to oversee our security—that has been addressed.

**Mr. Chairman:** May I also enquire—I have been advised and I have seen it in your management letter of 2017, that the Board of Directors does not include a financial expert or a qualified accountant. Is that a fact, and do we still have that same reality or circumstance existing at this time? Does the board of directors, at this time, possess or has a member who can be described as a financial expert or a qualified accountant at this time?

**Mr. Hosein:** That is correct, Chairman, and we have since sought to get that matter addressed. I understand it is being currently addressed.

**Mr. Chairman:** Now it was noted that because of the absence of this financial expert or qualified accountant—but before I go there, the by-laws of this company NP would not have allowed for such an appointment? Would you want to clarify for me? In terms of the composition of the Board—I do not know if the Investments Division of the Ministry of Finance could advise us on this one? Is there provision in the by-laws for the appointment of an accountant or somebody with financial expertise, to the membership of the Board of Directors of NP? Is there any such provision in the by-laws? Because we would like to know why over the years we did not have on that Board of Directors an accountant or a financial expert. Can I have some clarification?

**Ms. Lutchman:** Chairman, in a review of the by-laws, there is no provision for such a qualified accountant at the moment.

**Mr. Chairman:** And is there any intention to address that, because as you would have

known, and I am sure you are aware, that because of that limitation we are advised via a management letter of 2017, that in the absence of that expert, the National Petroleum Company had to outsource a very important activity relevant to that? Well, in fact, in the absence of any experts of a financial nature, they had to outsource that particular service, which I am seeing cost the taxpayers over \$192,000. So this is a very serious matter. So I would like to know what is being done by the Investments Division to correct this, what I would like to call lacuna or lacunae in this particular Board of Directors arrangement.

**Ms. Lutchman:** Chairman, the Board, in recognizing that there is a deficiency, what they would be required to do is to inform the line Ministry of that deficiency, and the line may then make recommendations to the secretariat for the committee on the appointment of boards, which is the Investments Division. But I would like to say that the Investments Division has a member of the Central Audit Committee attend audit committee meetings to provide some sort of advice, as the case may be, when accounting matters come up.

**Mr. Chairman:** Mr. Acting Permanent Secretary, Ministry of Energy and Energy Industries, were you aware or was it brought to the attention of the Ministry that there was a deficiency in the composition of the Board of NP? Not necessarily from the perspective of it not following the law, but from the perspective of NP not having the appropriate financial expertise in its ranks among its members on that Board. Were you ever made aware or was the Ministry ever made aware of this deficiency?

**Mr. Beharry:** Chairman, to my knowledge that information did not come to the Ministry other than the report that was sent to the Permanent Secretary within the last month or so with respect to this Committee.

**Mr. Chairman:** Well I am asking a further question Acting Permanent Secretary. Were you aware that NP expended some \$192,000 in a transaction that was described by NP as very complex and significant? And what is that complex and significant transaction?

That had to do with the imminent transfer of assets of the liquid fuels pipeline project to the Liquid Fuel Company of Trinidad and Tobago. So this is the transaction that occurred, and this is where NP did not have the requisite expertise on their Board at the material point in time, and we are being told in writing, via a management letter, that NP had to now go out to acquire that expertise, and it cost NP and the taxpayers just around or under \$200,000.

So I am asking the question, first of all, you were not aware that there was a deficiency at the level of the Board as it relates to the expertise that was needed and, secondly, not being aware of it, were you also not aware that NP was about to outsource that service, and did that require the line Ministry's all clear, approval, green light? Can you share with us that, whether you were aware of that?

**Mr. Beharry:** Chairman, I would ask the Director of Downstream Petroleum under whose remit NP operations come, who may be able to assist.

**Mr. Chairman:** Yes, thank you very much.

**Mr. Butcher:** Good morning. So to that specific question, we were aware of the matter that the assistance would have been provided, covered, because we would have had "correspondences" from NP regarding the liquid fuels pipeline project and the issues that would have been addressed. The specific transaction though would not have been brought to our attention around the time of the particular matter that would have been raised by both NP and the consultant that was used.

**Mr. Chairman:** But why? I mean to say, this is a very important transaction. You are the line Ministry. You received "correspondences", as you said, from NP on this transaction. Why would NP not seek your guidance and ultimate approval on this particular matter which involved a considerable amount of money? And you are also telling this Committee that you were not even aware of the particular consultant that was engaged by NP. So what is your monitoring role as a Ministry? What is your real responsibility as it relates to accountability? Because we are talking about taxpayers'

money, and NP is not a runaway horse that they can do whatever they wish, whenever they want. They are under the supervision of the Ministry of Energy and Energy Industries. So can you explain to us this mystery that has developed there, where you were not even involved and aware of the actual material transaction?

**Mr. Butcher:** Thank you for that question, Mr. Chairman.

**Mr. Chairman:** May I ask as I am on this, do you receive Minutes from NP, board Minutes from NP on a regular basis? Because I would imagine this would have had to be minuted in their board meetings which you are entitled to receive quite regularly. So even if they did not inform you, you would have seen it in the Minutes that would have been sent to you. Are you in receipt of Minutes by the way from NP, and how frequently in accordance with the rules that we have established here?

**Mr. Butcher:** So I will defer to—

**Mr. Beharry:** Please allow me to clarify. When you asked the question “was I aware”, I was not in this capacity at that point in time. With respect to the responses provided to this Committee, Minutes have been submitted to the Ministry on an average monthly basis, and the last board Minutes received were for meetings on July 12<sup>th</sup>, 2018, September 6<sup>th</sup>, 2018 to the Ministry.

With respect to knowledge of the transactions, those are recorded or documented in those Minutes. The incumbent may have been aware of it, but me personally no. So I just want to clarify that. But to say that the Ministry does not know or was not aware, I am not in a position to answer that question.

**Mr. Chairman:** May I ask, are you still aware or not aware of the consultancy that was involved? Do you know the name of the consultants? Are you now aware? The sum of \$192,000 for this transaction, are you now aware as a Ministry and the Director in Charge of Downstream Operations, can you tell this Committee whether you are aware of the name of the consultant that received this sum of money to conduct this transaction in

the absence of any financial expert or accountant on the Board of Directors.

**Mr. Beharry:** I will ask the Director to take this question, please.

**Mr. Butcher:** So as pertains to the responses received from the questions of the Committee, we would have been aware of the particular additional information surrounding this matter. As pertains to the role of the Ministry of Energy and Energy Industries, in terms of our role as the line Ministry of NP, there would be certain regulatory rules, a regulatory framework that we would be operating under, and that is separate and apart from the role of the corporation sole. So insofar as the operational aspects of NP would have pertained, the particular matter that was raised regarding the liquid fuels pipeline and the liquid fuels company, that would have garnered our attention, and the surrounding background, which is the cost and the consultants used, that would have been part and parcel of the role of the corporation sole, and in terms of those sort of financial management of the company specifically.

**Mr. Chairman:** Well may I turn to corporation sole, Investments Division? Could you clarify for our Committee whether you were aware of this transaction, whether it was brought to your attention, whether you gave approval for this measure and also what action you would have taken to ensure that the deficiency outlined in the management letter dealing with the absence of an accountant on the Board of Directors, what steps would have been taken by the Investments Division to fill that gap, so that NP would not have that challenge in the future?

**Ms. Lutchman:** Okay, Chair. The Investments Division receives audited financial statements, and we do not require that management letters be submitted to the Investments Division. In the event that we need further clarification, we may ask that management letters be submitted for scrutiny. We also received the board Minutes, and as the Acting Permanent Secretary said, we have received Minutes up to September 2018. However, when we are reviewing the board Minutes, what we do, we review based on strategic decisions that are taken by the board, and we forward these reviews, I would

say, to the Minister who is corporation sole.

I have to say, we look at material transactions and maybe in review the amount may not have attracted our attention because it may not have been considered material and strategic, and therefore it would have not been escalated upwards.

**Mr. Chairman:** I see. Well then I will probably ask NP at this time. CEO, this transaction and consultancy, could you tell us what was the process used to award ultimately this contract valued at \$192,000? What was the process that was used? Could you advise us who eventually—

**Mr. Mitchell:** Chairman, if you do not mind—

**Mr. Chairman:** —was able to successfully secure that contract in order to execute this transaction? CEO, could you advise us.

**Mr. Mitchell:** Chairman, if you do not mind, I would like to just provide a little bit of context around the discussion.

**Mr. Chairman:** Yes thank you.

**Mr. Mitchell:** There is not any real correlation between the absence of someone with financial accounting expertise and the consultancy, because even if we had someone on the Board with that expertise we would have still put this out to consultancy. The reason for that is we have this massive investment called the liquid fuel pipeline project in excess of \$1 billion that is going to be coming under one of our subsidiaries that was recently created. Now this facility has been under construction for the last seven-odd years, and if it came onto our books, there could be serious implications for the organization's financials in that, having sat there for such a long period of time, there is the possibility we might have to do some impairment, and given the overall cost of this facility, if we depreciate it over— whether it is 25 years, 30 years, just the whole issue of the non-cost depreciation is going to overwhelm, not just the subsidiary, but the parent company. And the remit from the Ministry was that we should own and operate, and we felt, given our fiduciary responsibility, we needed to provide some feedback on what this is likely

to do to us.

So we needed the expertise to determine what is the best way without adversely impacting the overall finances of the organization, and in that context we decided we needed professional expertise. We decided to use our auditors because they have advisory services, one, and they best understand the operations of the organization and the likely impact. So we went through a process where they submitted their bid. We negotiated the price and we came down to this figure, and we felt in the whole scheme of things this is a reasonable sum, given the importance and the magnitude of the work that had to be done at that point in time, and we ended up at this point. I need to advise that on completion of this exercise, we advised both our line Ministry and the Ministry of Finance in terms of the recommendations of the consultants. So this is no secret.

**Mr. Chairman:** All right thank you.

**Mr. Hinds:** Mr. Mitchell, do I understand you to be saying on the point raised that the presence of a person with such expertise on the Board, is, as exists with other Board members, simply for the purpose of oversight of the company?

**Mr. Mitchell:** Precisely, yes.

**Mr. Hinds:** And that the work of the consultant that you have just described had to do with actual engagement of work within the company that was necessary?

**Mr. Mitchell:** Precisely, and also given the complexity of the work that was involved.

**Mr. Hinds:** And on that basis there is no issue between the absence of the board member and the necessary work of the consultant that was executed?

**Mr. Mitchell:** None at all as far as we are concerned.

**Mr. Hinds:** Am I correct in hearing you say that?

**Mr. Mitchell:** None at all, as far as we are concerned. I would like with your leave, Mr. Chairman, to revert to the question of security, because we live in a world where, of

course, issues of terrorism and organized crime is rampant and persists as a risk. NP's security outfit consists largely of your own internal security service under the estate constable arrangement. Am I correct? The Supplemental Police Act?

**Mr. Mitchell:** No, no, our internal resources which number about 37 is supplemented by a private entity.

**Mr. Hinds:** Yes, I am saying it largely consists of your internal security unit, NP's security personnel, under the Supplemental Police Act, and as well private security, in this case, Amalgamated.

**Mr. Mitchell:** Indeed.

**Mr. Hinds:** And they carry out certain functions. As I was saying, security is a very, very critical component of your whole operations, because I gather from what I am seeing your Sea Lots spread is about 20 acres of land. Am I correct? NP's Sea Lots compound alone is about 20 acres.

**Mr. Mitchell:** Yes.

**Mr. Hinds:** With multiple access points from both land and sea. And I saw, just en passant here, you have some low walls at some points around there. But that compound houses your admin offices, your very security centre, your main fuels tank farm, your duty paid warehouse, your lube oil blending plant, your lube oil tank farm, drum storage area, your chemical stores, your LPG sphere, and your LPG filling plant. So security to me is a very, very critical component. You would agree with that, Mr. CEO?

**Mr. Mitchell:** Indeed.

**Mr. Hinds:** Who among you is specifically responsible for the security platform in NP today?

**Mr. Mitchell:** Our GM, HR, HSSE.

**Mr. Hinds:** Is that person with us today?

**Mr. Mitchell:** Yes she is.

**Mr. Hinds:** Would she identify herself so that I can direct my questions to her?

**Ms. King:** Sure, morning.

**Mr. Hinds:** Thank you very much. Altogether, your internal audit, having looked at your security platform, was not very sanguine about the outcomes. Altogether, it is safe to say that your internal audit, they reported in 2017, the report dates actually 2018, found that overall the thing is largely unsatisfactory. You agree with that, Madam HR?

**Ms. King:** Yes, member Hinds, at times.

**Mr. Hinds:** Without getting into more specifics, you too would have read what I have in front of me here. It commented on your security master plan, validation of firearms and ammunition inventory, the fencing around the compound. It included that which the Chairman traversed a while ago, your closed-circuit TV, your investigations capacity, your security patrols, their working hours. And on that point, I see in one of the reports you issued to us, you made mention of a suboptimal safety culture. I could have gone on with the list, moderate lighting— which they described as moderate. Altogether across the platform, your internal audit found—your security outcomes revealed the label of unsatisfactory. I just want to say, without belabouring the issues that is not nearly good enough in today's climate, and for obvious reasons. I would like you to tell us, as best as you can, what immediate actions are being taken to move from unsatisfactory to high, please?

**Ms. King:** Sure. When the audit was completed in April of 2018, the audit report did reveal significant gaps. Upon joining the company in January of this year, one of the major activities undertaken by my office—through my office—was to address these audit issues coming out of the audit performed by the internal audit department. About 60 per cent of the audit actions that you just alluded to member Hinds, I can report have been successfully closed. We have had increase in terms of our resourcing. We have

gotten compliance in terms of our ISBS compliance, which is integral to how we operate, and we are currently engaging strategies that would address the gap of about 40 per cent, which includes a review of the current security master plan for submission for finalization to the board for approval, as well as a review of our standard operating procedures, which is currently being undertaken. So our hope is that, within a month to three months, that all of the issues raised in the internal audit report would have been addressed and successfully addressed.

**Mr. Hinds:** Well, we pray that that is so. And let me say, very quickly, one of the things we have identified, and I saw sub—your words, eh—suboptimal safety culture, and I know that is not confined only to safety. One of the things that this Committee finds as we examine state enterprises is that there is a culture; a culture. “It is not my own, it is de Government own, is dem own”, and that permeates a lot of that which is done and that which is not done, and how it is done and how it ought to be done, and ought not to be done. I am sure we will all, as citizens of this Republic, agree with that.

One of the things we have discovered consistently here is that we do not always find personnel involved in these, whether in—throughout the organizations—exerting best practice efforts to get the enterprise from low to high, and in this area, based on the report of the internal audit, it is very, very clear a lot is going wrong. So, I am happy to know that you are making progress. But for us as a Committee, speaking on behalf of the citizens who we—well, the Parliament, and the citizens who we represent, it is not a very healthy picture, and we really would like to see significant improvement, because you have had some issues. We have had some issues where gas being delivered and things happened, and a compound like that really needs serious security in today’s world, and it must be given the highest priority.

**Ms. King:** Agreed.

**Mr. Hinds:** Yes, Mr. CEO.

**Mr. Mitchell:** Just to quickly add, member Hinds, that part of the improvement that we are making is to be part of the National Security architecture, as far as manning our compound, as well as all other energy-related facilities in the country. So we are part of that and we are getting the assistance so in the event there are issues we could always rely on them to readily respond to any challenges we have. Yeah.

**Mr. Chairman:** Well, quite apart from that, I am talking about you as an entity.

**Mr. Mitchell:** Yes, our own in-house. I am saying, apart from our in-house work, we also have external support.

**Mr. Hinds:** Yes. I did not get into the details—no need to—but really, there is a lot to attend to in here. Thank you very much.

**Mr. Chairman:** Member.

**Dr. Gadsby-Dolly:** Thank you, Chair. I see listed in your responses as one of your weaknesses the industrial relations climate, and I see mention being made of three impending salary negotiations. I would like a little more information about what is happening there and how it has reached to this point? What is the situation with your industrial relations climate? This is in your responses, right?

**Mr. Mitchell:** Yes. Yes, member. At present, the compensation being paid to workers goes back to 2011. For the period 2011—2014, that is now before the Industrial Court, and until that is completed, of course, we will not be able to move on to the subsequent years. The question you asked is a hard one, you know, why are we at 2011?—and, to be quite honest, we do not have a ready answer to that because, through a process, it would have ended up at the Industrial Court. We say that the industrial relations climate needs to be improved and that is one of the critical factors in improving that climate, and I could quickly add that certainly our workers have been very tolerant. They recognize what is happening in the environment, but it does not assist them in terms of getting what they feel that they rightly deserve. We had an expectation that the court matter, the Industrial

Continued (cont.)  
Court matter, would have been completed in November; it has now gone on to March of next year. So it is a situation that the management essentially has to manage, but to the extent that we could have an intervention to expedite that process, we would be ready, able and willing to accept that, but that is the challenge as it were at this point in time.

**Dr. Gadsby-Dolly:** If I may, just one other question on that issue. The negotiations of the 2011—2014 period, that it reached to the point of the Industrial Court, and I know that—I see that you are of recent vintage, and I saw at least a couple of your executive staff of recent vintage, but the question is: Why is it that it had to reach to that point? Is it that nothing could have been done to avoid that because you are at this point in 2018 with workers on 2011 salary? We see the case going on to next year as well. As tolerant as your workers have been, and we are very grateful that they have been so, at this stage, what is being done to ensure—once that decision is taken, what is being done to ensure they do not end up in another type of situation? What would have been the root cause of the dissonance that would have reached to that level of the Industrial Court, and how is that being addressed going forward?

**Mr. Mitchell:** Member, you have to appreciate that as a state enterprise we take guidance from the HR committee of Cabinet. So, based on the dialogue that takes place at that forum, we are guided. So we, basically, would be advised in terms of the way forward on completion of whatever dialogue we would have with that committee. So at this point in time the position is that it would remain in the court because it is nearing completion. We expect it to be, certainly, completed by March of next year. And then for the subsequent years we have to get guidance in terms of the direction we need to take. I do not know if anybody else could add anything, but that is as much as I know at this point. Nicole, anything else you want to add?

**11.40 a.m.**

**Ms. King:** No. I think that you covered it, CEO. As CEO Mitchell said, member

**Gadsby-Dolly:** We are guided by the HR committee, and those are the instructions we have at this time. We certainly understand and appreciate the current environment in terms of the workers', you know, current situation, and it is our hope that next year this matter is finalized, and then we would certainly seek further directions so that we can expedite the years following 2014.

**Dr. Gadsby-Dolly:** When did the matter begin? How long has this matter been in the Industrial Court?

**Ms. King:** The matter has been in the Industrial Court for quite some time. The hearings actually only started in June in earnest, and the matter is currently going on. In fact, it is at court today, and it continues, again, one more day this month, and then into 2019.

**Dr. Gadsby-Dolly:** So when did the negotiations begin for that period then?

**Ms. King:** I am not sure. In terms of me coming in, it is at the stage of where it is at in the Industrial Court.

**Dr. Gadsby-Dolly:** Is anybody—can anybody shed some light on when the negotiations actually began?—that is 2011/2014. When did the negotiations begin?

**Mr. Mitchell:** For what period?

**Dr. Gadsby-Dolly:** 2011—2014.

**Mr. Mitchell:** I do not want to be held to ransom for my response, but I would believe that it would have been started either 2010 or 2011, that it would have commenced.

**Dr. Gadsby-Dolly:** That is quite some time.

**Mr. Mitchell:** But certainly we can provide the response, a more formal response.

**Dr. Gadsby-Dolly:** Yes, please. I think the Committee would appreciate that. Thank you.

**Mr. Chairman:** May I follow-up on an earlier question raised by my colleague Mr. Hinds, by asking Mr. CEO: when we looked through the 2009—2017 audited

financial statements) we saw some broad numbers under administration and under operating expenses, but there was not a specific item that could have guided our Committee as it relates to your total security expenses for any one financial year. Would you like to share with this Committee what was your total security expenses for fiscal 2017?—because it not, it is not—

**Mr. Mitchell:** Chair, the details of it is not what they are saying, Chairman.

**Mr. Chairman:** I did not hear you.

**Mr. Mitchell:** The details of it are not there.

**Mr. Chairman:** We are not seeing any items marked “security expenses”.

**Mr. Mitchell:** Right. Allow me to defer to my finance people, if you do not mind, Chairman?

**Mr. Chairman:** Yes. Yes. Yes.

**Ms. Lalman:** Good morning, Chairman.

**Mr. Chairman:** Yes.

**Ms. Lalman:** With respect to the security expenses as you have stated, we currently have Amalgamated Security for the period 2018. We do have some payments for the period 2013—2018, so, I need to be guided on specifically what—

**Mr. Chairman:** Could you put it in writing for us?

**Ms. Lalman:** Sure.

**Mr. Chairman:**—and give us a detailed—the company that was there between that period; we are dealing with the period, eh?—

**Ms. Lalman:** Yes.

**Mr. Chairman:**—2009 to the current time. Give us the following: the name of the security company or companies, and the annual payments. And then another category would be other related security expenses, and give us a detailed

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breakdown of those.

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**Ms. Lalman:** Yes, Chair. Noted.

**Mr. Chairman:** Yeah. You can put that in writing for us. I would like to turn to what is—there is an item I would like to get some clarification on, but before I deal with that item, may I just clarify, seek clarification? First of all, I would like to know—and whoever wishes, Mr. Chairman, to deal with it you can guide me on that. What percentage of works and services and articles are conducted by public tendering?

**Mr. Hosein:** Chair, if you will permit, we will provide that information in writing to the Committee.

**Mr. Chairman:** Okay. The other one I would like to get clarified, and this is to the CEO: Under what special circumstances can the CEO seek exemption from public tendering from the board's tenders committee for contracts in excess of \$750,000?

**Mr. Mitchell:** Chair, I will just defer to the corporate secretary who has the details on that.

**Mr. Chairman:** Okay. Thank you.

**Ms. Poliah:** Good morning, again, Chairman.

**Mr. Chairman:** Thank you. Good morning.

**Ms. Poliah:** The article 4 of the tenders procedure guide simply says, where circumstances warrant, the CEO may seek exemption from public tendering. So where the circumstances arise whether it is because, you know, you have a limited number of providers for the proposed works and services, the CEO would forward a recommendation which is based on a justification which is received from the line department to the BTC for consideration by the BTC for approval for an exemption from public tendering. So, there are not any specific circumstances listed in the guide. It is treated on a case by case basis with a justification from the

line department) that is seeking the exemption.

**Mr. Chairman:** But is that satisfactory, Mr. Chairman? That is to—that gives the CEO too much, there is so much discretion there, we leave special circumstances open. Have you thought about trying to get some come clarification or direction or has the board turned to the Ministry of Finance Investments Division for guidance on this matter?—because special circumstances ought to be defined so that the CEO and the board would be guided. But if it is left as broad and open as what we have been told, that may cause some challenges for the board, for your own safety I would say and security and welfare.

**Mr. Hosein:** So that the CEO operates under certain guidelines and certain limits in terms of the autonomy he has to engage in financial transactions.

**Mr. Chairman:** Yeah.

**Mr. Hosein:** All matters that go out, even those that fall under the authority of managers, are brought to the BTC for scrutiny, and further on to the board for scrutiny. With explanations, I can assure you that robust questions are asked about these processes and reasons for wanting to, so that has worked well and currently works for us. And, yes, I get the point you are making in terms of, you know, having clear and absolute guidelines.

**Mr. Chairman:** Yeah. And what I am suggesting is that, you know we have the procurement laws, supposed to be fully proclaimed, regulations are supposed to be developed by the procurement regulator, but in the absence of the law being proclaimed, and in the absence of regulations being promulgated, I just believe that the Investments Division, the Ministry of Energy and Energy Industries along with NP should try to outline boundaries and under what circumstances, special circumstances, what that means; there must be guidelines for that, from my perspective. But I will ask Mrs. Deonarine to intervene at this time.

**Mrs. Deonarine:** So, I just want to take the whole issue with respect to the written responses for the weaknesses identified. I understand that one of the weaknesses

Chairman (continued) that was identified was that there is an underutilization of IT across businesses or across business. So what exactly are the problems restricting the full utilization of IT? And is it that the full automation of the procurement process is subsumed under this? And also, is the whole security system subsumed under this? What are these problems? Is it that you all have like a development IT strategy under development?

**Mr. Mitchell:** Member Deonarine, let us treat with IT as an entity in and of itself. Right? So, at present we have an ARP. Right? It is called SDC, and we have a number of modules. Right? So, you have your finance, your inventory, you name it. And if we were to say, generally, maximum utilization of that would have been a 10, right now we are at about four. Right? So, two things come about, change management and leadership. Yeah? But subsumed in that is the preparation of the people, they exploit the infrastructure.

So, what we have done within the organization is to try to make sure that the people have the skills to utilize the infrastructure, one. And secondly, make sure that they are properly trained. Right? So, we have had new training on the infrastructure, making sure that people develop their information technology skills. The next part is the change management, making sure that people actually use the systems, and move away from the manual processes that are now being used within the organization. Right? So suffice it to say that, the level of attention and drive to enhance the level of IT utilization in the organization, that is being enhanced at this point in time.

**Mrs. Deonarine:** Okay. Thank you. Do you have a timeline in which you are working with?

**Mr. Mitchell:** Well, that is ongoing now. A lot the training has been completed. We started IT training across the organization from the lowest person to the highest person in the organization, making—people are at a particular level, and we are in the process of putting a rigorous change management facility in place to make sure that there is greater use of the infrastructure that we have already

**Mrs. Deonarine:** Okay. Thank you. I wanted ask about the automation of the procurement process. Can you give us some details on this project? And also, a status, give us a status on when you intend—

**Mr. Mitchell:** When you say procurement automation, I am not so sure that I follow.

**Ms. Deonarine:** Okay. In one of your written responses you spoke about the full automation of the entire procurement process. Right? So my question is: What is the status of the full automation of that entire procurement process?

**Mr. Mitchell:** At present, part of the challenge is that procurement is fragmented across the organization, and I think that, in and of itself, undermines the use or the ability to use technology to address it.

So for instance, we have one area of the organization that purchases our base oils and additives that we use to make lubricants. Right? So they would use a system that does not involve the use of the ARP in terms of their procurement. Right? So, we have what you call an MRP, material resource planning facility, and there is the need for them to utilize that in terms of the procurement process. Right? So that is part of the training that has been completed.

If you talk about purchasing spares and so on, there is some degree of use of the system to purchase spares because we have a number of service stations, we have equipment there, they have to purchase spares. But more than anything else, the focus now has to be on bringing the overall procurement function under one body. Right? So instead of having—as fragmented as it is now, it is to have it under one head, and in the process streamline the use of information technology to address the whole procurement process. Right? So, we would have indicated where we are in terms of rolling out that procurement unit in concert with the requirements of the procurement regulations Act.

**Ms. Deonarine:** Okay. Thank you

**Mr. Hinds:** Ma Chair, we spoke earlier—who is responsible for your accounts among us here today? [*Interruption*] Yes. We spoke earlier about the absence of someone with accounting expertise on the board and we dealt with that issue. We might need someone with accounting expertise on this side of the table here today. I have been looking through your 2017 accounts in search for an answer to the Chairman's question about the cost of security, and some other costs that you might be concerned about. And quite frankly, even making use of your notes, the notes to your accounts, I cannot find it. Would you be kind enough therefore, to direct me to the head or the place in these wonderful accounts? I have in my hand the consolidated financial statements as at March the 31<sup>st</sup>, 2017, and I would like you to direct me to where I as a reader, member of this Committee, would find an answer to the Chairman's question as to the cost of security, and maybe or even legal costs? These are things we would like to see.

**Ms. King:** Member Hinds, I can direct you to page 6 of the consolidated financial statements for 2017—

**Mr. Hinds:** Yes.

**Ms. King:**—and there you would see broad categories of our distribution costs—

**Mr. Hinds:** Yes. I have seen that.

**Ms. King:**—our admin costs and other expenses.

**Mr. Hinds:** Yes.

**Ms. King:** In terms of security, those will be all part of that other expenses figure.

**Mr. Hinds:** Yes.

**Ms. King:** But the notes to the account, note 23 would not provide you with the detailed breakdown in terms of—

**Mr. Hinds:** Where would I find those details?

**Ms. King:** Note 23.

**Mr. Hinds:** No. Where would I find those details, in note 23?

**Ms. King:** You will get some level, but in terms of item, as you have asked for professional fees or security, the note will not encompass all the expenses as shown in the financial statement.

**Mr. Hinds:** So, am I correct in thinking that this document in front of me would not answer the questions that—

**Ms. King:** It may not.

**Mr. Hinds:** Not “may”, it does not.

**Ms. King:** Okay, Sir.

**Mr. Hinds:** Would you agree?

**Ms. King:** I agree, Sir.

**Mr. Hinds:** Would you be kind enough therefore to assist us by putting that in writing and advance that to us, Mr. CEO, at the earliest opportunity?

**Mr. Mitchell:** Yes, Sir.

**Mr. Hinds:** I thank you. For the periods under review in this exercise, that is to say, 2009 through to 2017, so we can get a sense of where we are, because we have seen entities come here, and we saw where the administrative expenses, their living expenses, so to speak, with a small “I”, far outweigh the amount that they are supposed to be targeting and the service that state enterprise is providing, and we saw that already. You understand? We have seen strange things here. Trinidad is a wonderfully strange land, so we would like to get a little bit of insight in those things, okay?

**Ms. King:** Sure, noted.

**Mr. Hinds:** I thank you, and we look forward to that.

**Mr. Chairman:** Thank you very much, Mr. Hinds. Mr. CEO, I would like to ask you to join me in looking at the internal audit department report observations of

Company (and 31<sup>st</sup> of March, 2018, inventory count. If you can follow me on that, that is a submission that you have made and it deals with—I am on page 2 of that report, and we are looking at main fuels at Piarco which started on page 1. First of all, if you could just explain to this Committee the details of this table? And then we go on to the—

**Mr. Mitchell:** Which page are we on, Chairman?

**Mr. Chairman:** I am on page—are you with me on the actual internal audit department report? I am on page 1 of that report. It deals with—the heading is “observations and conclusions” on page 1. Do you have that?

**Mr. Mitchell:** Yes.

**Mr. Chairman:** Yeah. I am trying on behalf of the Committee to get some clarification on your physical inventory, and I am looking at an item entitled “main fuels”, and that is at Piarco, and “main fuels at Sea Lots”. And I am seeing some disturbing materials before me. For example, before you clarify what I would like you to clarify, I am seeing under “main fuels” at your Sea Lots compound it reads: The perpetual records of the fuel inventory at Sea Lots were not available.

Now, I am thinking “perpetual records” to mean the total volume or the total amount of litres of fuel that you had stored at the particular point in time whether it is super 92, auto diesel and the rest of fuels. But we are being told by the internal auditor that the perpetual records of the fuel inventory at Sea Lots were not available and therefore, only a count of the physical quantity was done and therefore, variances could not be determined.

Well, this is what I am trying to get the CEO to explain: What does perpetual records mean in this context, and the fact that they were not available? — Because that would have impacted on NP’s profitability, its sales. Because if you cannot account for what you have and the variances cannot be determined because of the absence of records, it is bound to impact on your bottom line, on your sales figures, on your profitability. So something is—we need clarification on this matter as it

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related to the internal audit department's observation. What is happening to your records?

So first of all, could you clarify for this Committee, what is meant by “perpetual records”, the “physical quantity”? And you see what is there on page 2, “main fuels at Piarco”, explain this table for us. And then explain to us what is taking place under “main fuels at Sea Lots”? So, we need two sets of explanations, Piarco and Sea Lots, and give us definitions of the concepts.

**Mr. Mitchell:** Okay. Chairman, I will just defer it to the person who has the expertise in that are, Ms. John-Benjamin to provide the explanation.

**Mr. Chairman:** Who is your internal auditor here?

**Mr. Mitchell:** Ms. Ria—

**Ms. Chrysostom-Ryan:** I am.

**Mr. Chairman:** Madam auditor, would you be kind enough to explain to the Public Accounts (Enterprises) Committee, your information as recorded starting on page 1, “main fuels Piarco”, and it goes on to page 2, “main fuels Sea Lots”? And could you tell us what are the implications for NP operations as it relates to your profitability and their sales in the absence and deficiencies that you have outlined in this report? Clarify this for us.

**Ms. Chrysostom-Ryan:** Certainly, Chairman. Just to be clear, the perpetual records for any inventory count would normally be available at the point of the count. So our observation indicated that at the point of counting, the perpetual records were not available, not that they were not available entirely, but at the point of the count it was not available, so it made it difficult at the scene to reconcile or to identify what variances exist. Right? Because normally when you do an inventory count, the perpetual records tell you this is what our system has as the balance. And when you do a physical count, you would verify by, well, in this cause, main fuels by dyps or whatever gauge readings, these are what the readings tell us.

So when we attended this count, we were able to physically verify the records, but normally we would have the perpetual records with us to say, for example, well, we found 1.5 million, we confirmed 1.5 million litres. However, the perpetual records would say, it was really on the system as 1.6, so the actual records being adjusted downwards to this because of whatever reason the reconciliation is closed. So in terms of the financial statements, that reconciliation was done after the fact, the identification of the variance could not be done at the point of the count. Right? So, I would not say that they are implications for the financial statements unless those records were not reconciled, and they were subsequently.

**Mr. Hinds:** Yea. Just to follow, please. In the very document at the end under the rubric of recommendations, and we are speaking in a language that the citizens of Trinidad and Tobago would understand, so bear with us if we appear pedantic. The inability to identify and resolve variances during the stock count process especially the material items such as fuel and raw materials, has the potential to conceal product losses and thereby misstate the financial statements. —as the Chairman alluded to.

The perpetual records for all products to be counted must be made available by the finance department to the count team prior to the start of the exercise—and it recommends—that steps must be taken to determine why personnel who were aware of the count were absent when the execution of their duties was required. Company personnel should be held accountable when they abdicate their responsibilities, and—so the story goes.

So that, there are some risks in here, and I would like to know a little better for the benefit of those who are listening and viewing us, what do we mean by “perpetual records”? Is that the capacity?

**Ms. Chrysostom-Ryan:** No. The perpetual records is what—we use a system called SDC, and SDC is where—

**Mr. Hinds:** SDC or ecstasy?

**Ms. Chrysostom-Ryan:** SDC, System Dynamics Corporation, and that software is where we record the actual volumes for different fuels and what not. And the perpetual records, it is called perpetual because it is supposed to be updated as there are movements. Right? So that is the reason for it being perpetual.

**Mr. Hinds:** Okay. Yes.

**Ms. Chrysostom-Ryan:** What we are saying is, when we have that information available on site while we are doing a count, it makes reconciliation easier, it facilitates easier reconciliation when we know what the records say versus what the actual physical count says.

So, for example, where there may have been a sale in the morning, the system would not, may not have been updated for that the sale, but when we count the system, the actual physical quantities, we could see, well, okay, it is less because of that sale that was done in the morning that we did, and thereafter we count it. So the perpetual records will give you an ongoing running balance of what your fuels are, the volume, that is. I hope that clarifies.

**Mr. Chairman:** Just let me follow-up on what my colleague has asked and by asking the internal auditor the following question: Does NP maintain a perpetual record of the fuel inventory at Sea Lots?

**Ms. Chrysostom-Ryan:** Yes. All locations have an attached record of the perpetual inventory, all locations. And the issue for this observation which we attended at the year-end was that, when we attended the location, the records were not provided to the count team who were assisting us with the inventory observation. And those records should be available to the count team to enable them to identify why there may be differences to what is physically counted. So they—

**Mr. Chairman:** Yeah. But could you explain to us the reason for these records, the perpetual records of the fuel inventory not being made available for the internal audit examination by the finance department?—because you were on the spot, you

continued on our job. The people who were supposed to be present were not present at the time to provide you with the records.

And I am asking, based on—we need clarification as to the reason why those records were not made available at the material point in time. Were these people—they were just not present to provide you with the details of the records?—because you needed those records to complete your work. So, why were those records not made available to you at the material point in time?

**Ms. Chrysostom-Ryan:** I think there are points in time when sometimes there is required conversion of what we see physically to how the system records it. Right? So it is not that the people were not present or the information was not available by the finance department. Right? The thing is, there are times when conversion—I understand that the finance team takes certain readings and they convert it into what the system asks. So it may be recorded, we may check inches and whatever at the tanks physically and then they will take that information and convert it to what the system records in volume, litres or whatever.

So, I think an absence of that being done, they did not update the physical, the perpetual records that is, and in that instance that may be why we did not get the perpetual records at the time. I cannot speak to why it would not have been available at certain locations, but that may be one of the reasons why, the conversion may not have been completed. I will ask, I could probably get some assistance from our finance.

**Mr. Chairman:** No. No. Thank you very much. May I ask the CEO to probably guide us on this one, explain to us?

**Mr. Mitchell:** Certainly, Chair. Having looked at this audit report I did pose some of those questions. And the very point that you are making there, steps must be taken to determine why personnel who were aware of the count were absent when execution of their duties was required.

And I posed the question to the managers and they said, the people were on site. But remember, it is a 20 acre compound, and these people who were involved in

On this exercise, they have different—like they have storage tanks, you have the LPG and so on, and there is the possibility that at the point in time they went to this specific tank, the person may have been on another exercise or in another area. But at the point in time when the auditor was conducting their work, the person was not available, but the people who were supposed to be part—the line people who were supposed to be part of this exercise, yes they were aware, but they have other things to do, because the auditor is moving around the compound doing different measurements, and they cannot just stick with the auditor because they have other assignments. So they just were not available at that point in time, so I did investigate this particular issue.

**Mr. Chairman:** Could you advise us whether this was happening before the audit was conducted in 2015 and 2016?

**Mr. Mitchell:** Excuse me, Chairman?

**Mr. Chairman:** This situation that we have outlined, could you advise us whether it was happening?

**Mr. Mitchell:** I cannot say, Chairman.

**Ms. Chrysostom-Ryan:** If I may? There were prior reports written where this same situation would have been reported. So, yes, there were instances where it would have happened at the physical counts at the year-end.

**Mr. Chairman:** And those reports, you will make those available to us?

**Ms. Chrysostom-Ryan:** All the reports that are issued from internal audit would have been sent to the Ministry, and we can make them available to you if you have not received them.

**Mr. Chairman:** All right.

**Mr. Hinds:** Thank you very warmly. In fairness to NP, Mr. Chairman, I have noticed in the same segment that we were reading a while ago from this internal audit, in terms of its observations and conclusions, observations of the physical

inventory, I noticed that they have been rated high. And it says:

Overall control procedures were adequate with the exception of the perpetual records not being made available for all locations.

And therefore, you know, I also observed that a recommendation is that, all of your shore tanks should have gauges installed at the top and bottom and regular maintenance checks be performed to ensure that these gauges are working efficiently at all times. Do they now have those?—since we are at the bottom of 2018. And this was issued—April 2018 is the date of this. Have you installed those gauges just to ensure that they are working correctly?

**Mr. Mitchell:** I will allow Mr. Ramoutar to respond.

**Mr. Hinds:** Thank you very warmly.

**Mr. Ramoutar:** Good day, member. The tank gauging system in Sea Lots was an ongoing project that was executed in around 2013 onwards. Because of the exigencies of the operation, these gauges can only be installed when the tanks are taken out of service. We have progressed to complete about 85 per cent of those gauges to which we have three tanks that we do not have electronic gauges, but we have mechanical gauges. And we are in the process now of having two tanks taken out of service to do integrity checks, and by extension, install those new gauges. So it has been an exercise that has been ongoing.

Where there are instances where there are anomalies with the gauges, our maintenance department will take lead to verify those gauges against manual dips to ensure that what the electronic gauge is reading compares to a physical dip, and that is an ongoing exercise that takes place from time to time. Once the reporting department makes a report that there is some anomaly, then those checks are done. **Mr. Hinds:** And this project, you said, has been going on since 2013?

**Mr. Ramoutar:** Yes. What happened is that we have the base oil tank farm and then we have the white oil tank farm. So together we have about five storage tanks

On the west side, and then we have—it is 11 white oil tanks, and then we have about 13 base oil tanks; with the exception of tank four and tank five, the majority of the other tanks are fitted with gauges.

**Mr. Hinds:** The majority, but not all.

**Mr. Ramoutar:** Yes. The reason being is that tank five is presently out of service for asset integrity checks and the gauge works will be installed, and when that is completed, tank four will be taken out of service, and a similar arrangement will take place.

We have to manage the fact that because of the limited storage at Sea Lots, that we have to schedule the removal of tanks out of service so that it does not impact our ability to deliver the quantity of fuel to the market, so that is something that we need to coordinate.

**Mr. Hinds:** Thank you.

**Mr. Chairman:** I recognize Mr. Cummings.

**Mr. Cummings:** Thank you, Chairman. I think the CEO can answer this question. You spoke about the loss position of NP in 2017. Let us say for 2018 so far, the first half of the year, how has it formally been for the first two quarters or so?

**Mr. Mitchell:** Member Cummings, let me answer that in two shots. So at March 2017 we reported a loss, operating minus 6, and after we added business levy, it came down to about minus 20 or so. Right? Kathlene, just keep me honest here.

**Ms. Lalman:** Yes.

**Mr. Mitchell:** We have just about completed March 2018. We have an operating profit of 10. After we apply business levy you might get into a minus position. Right? So the operating profit is \$10 million. For this fiscal year as at the end of October, profit before tax was \$32 million, but you have to appreciate that when you do your consolidated financial audited reports, you have to look at things like your pension contribution, you might have to have a top-up, you have to relook your whole issue of depreciation and so on. So,

as at the end of October, like I said, \$32 million. Now, our target for this year was \$35 million, so we might just go beyond that, but after you start applying those sort of extraneous items, then you will get a true picture of what the financial situation is.

If your concern is about the long-term viability of the organization, yes, that is foremost in our minds, so we have to look at the whole issue of revenue and managing our costs. Right? And that is an active issue within the organization; how do we effectively manage our costs, looking at our big-ticket cost items, but also looking at opportunities to enhance revenues as we go forward; so that is, as they say, front and centre for the organization.

**Mr. Cummings:** Is NP in receipt of a subvention from the Government?

**Mr. Mitchell:** No. We are not. And I cannot remember the last time we would have gotten one.

**Mr. Cummings:** What about the debt position?

**Mr. Mitchell:** We have no debt, and we have quite a few investments actually. What we try to do is leverage all the assets of the organization even our cash flow. So if we have some extra cash we try to put it into short-term investments and so on, because we need every penny as it were.

**Mr. Cummings:** That programme you spoke of earlier about monetizing some of the dormant—

**Mr. Mitchell:** Land assets.

**Mr. Cummings:**—land assets. How is that progressing?

**Mr. Mitchell:** Thus far we have about 10 properties that we have leased out. The revenue from that at this point in time is about \$60,000 per month. We want to get that to over 100,000 by the end of this fiscal year.

**Mr. Cummings:** Some of these assets I assume, would be strategically located because service stations are usually in high pedestrian areas and so forth. Is there

Comptroller (cont'd)  
Can we (cont'd) just lease some of these assets as is, but to possibly look at development of some of these properties that will yield a higher return?

**Mr. Mitchell:** If you are speaking about development from the standpoint of capital investment, we have to manage that situation because you are also looking at the possibility of going into other lines of business which would require capital injection. And while we have been successful in terms of using equity to develop the organization, to do on other types of capital investment which one may consider non-core, it might put us into a situation where we might have to borrow, and that is something we have to have further discussions with other stakeholders before we even embark on such a thing.

**Mr. Cummings:** Any consideration with joint-venture arrangements?

**Mr. Mitchell:** Absolutely, but more so outside of Trinidad where we are going to share risk for any investment that we deem to be viable. So my chairman is reminding me that at present we have—we are at the design stage for a new service station in Preysal, it is going to be a combo CNG plus liquid fuels, so we are doing that as a joint venture with NGC/CNG.

**Mr. Cummings:** And finally, earlier on in response to a question, you were speaking about the—is it the liquid pipeline project?

**Mr. Mitchell:** Liquid fuel pipeline project, that is in Caroni. It is a pipeline from Pointe-a-Pierre to Caroni and then onwards to Piarco where it carries jet fuel.

**Mr. Cummings:** Is that an original NP project?

**Mr. Mitchell:** No. It was not. It was mandated by Cabinet with NGC as the project managers with the intent to have it operated by Petrotrin. Last year we were directed to establish a subsidiary to undertake the ownership and operation of that facility; it is still in the commissioning stage.

**Mr. Cummings:** And this deals specifically with jet fuel only or other types of fuel?

**Mr. Mitchell:** No. From Pointe-a-Pierre to Caroni you would have jet, super,

premium and diesel, and from Caroni to Piarco you would have jet only.

**Mr. Cummings:** All right.

**12.25 p.m.**

**Mr. Chairman:** Mr. Chairman, I just have two final questions before we bring our proceedings to a close. The first one I would like to clarify with you deals with the Caricom market. Seeing that Petrotrin is dead, closed down, and your main source of fuel supply, lubricants, used to come from Petrotrin, and you are now going to be importing lubricants to sell or resell to the Caricom market, could you share with this Committee the viability of your existence—your continued existence—in holding on to those markets, or the market share given the fact that you are now importing lubricants that you would now be reselling to the Caricom market? How practical and feasible is that for NP? And, do you see any danger in the future for NP?

**Mr. Mitchell:** Okay, Mr. Chairman, just a bit of clarity. So historically we would have purchased from Petrotrin jet fuel, premium, super, regular, diesel. Right? With respect to lubricants, we have always imported our base oils and additives, and we manufacture them at Sea Lots. That will still continue to be the case. So, going forward, the new entity that is replacing Petrotrin we are purchasing the same things: jet, premium, super, diesel, but our base oils that we use to manufacture lubricants, that is a whole business model by itself, and that has to be viable. We must make a profit if we are of the view that we want to continue to export into the Caricom market. So, it is two separate entities.

**Mr. Chairman:** All right, thank you very much for that clarification. And the final question deals with site visits. Now that is a risk you have described in your submission. Given the risk associated when site visits are not conducted by contractors, what steps were taken by the Executing Division to ensure that all site visits were conducted and the site visit register was properly maintained to reduce the impact of cost overruns and variations? You want to provide us with some

Clarification on the absence of site visits, the risk that they pose and how they impact on cost overruns and variations?

**Mr. Mitchell:** Mr. Chairman, you have me—site visits by contractors, is it during the execution of works?

**Mr. Chairman:** No, during the execution of works that you would have contracted?

**Mr. Mitchell:** Well, Chairman, you know one of the things that we have introduced—sorry, of recent vintage is penalty clause in all our contracts. So if you have a delay—a time delay—you are penalized by charging you a certain amount of money per day, so you have a vested interest in trying to complete the works on time. So if you have a situation where a contractor for whatever reason does not make a site visit or does not conduct work as required at a particular station he runs the risk of delaying the completion of the works. So that is the most effective way of managing your contractors, making sure you have some delay penalty for the completion of the works. And as long as the company is not liable or is a party to the reason why the works are delayed then certainly that should be effective in getting them to make their site visits.

**Mr. Chairman:** Okay.

**Mr. Mitchell:** Chairman, if I may, my colleague just wants to add to that.

**Mr. Ramoutar:** In the context of site visits, I think it is in relation to when tenders are issued and there is a site visit that is required by the contractors to inform them of the complexity or the issues that as it relates to the works that have to be executed. There are two risks involved there. One is that because we are in the situation of crime we always inform, through our retail division, the dealer of this intended site visit, so that when contractors appear on site they are aware that this activity is going to take place.

So that is one of the ways in which we manage because we have had reports that some dealers were concerned about contractors appearing and they are not aware

Of what is taking place. So we have put a system in place to manage that. The other aspect of risk is that if a contractor does not attend a site visit and then a bid comes in, and in the site visit record it is deemed that that contractor did not attend the site visit, and his price may not be in line with what the expected cost of the project would be, especially if it is on the lower end, we have a procedure in which we write the contractor to confirm that he understood or understands the complexity of the work, and to confirm his bid price and the methodology in which he would use to execute the price. Once we get that confirmation in writing from the contractor we would proceed with the evaluation. And that is how we treat with those things.

**Mr. Chairman:** The question of quality. How do you ensure quality? Even though you have a penalty clause, as you have outlined, how, at the end of the day, do you ensure that you get quality and value for the actual resources that you put out?

**Mr. Mitchell:** I guess this would pertain to capital projects where we have our project engineers on site on a daily basis. And, going forward with the establishment of the project management office, the whole issue of quality assurance and quality control is going to reside within the project office, so they would have oversight of all the projects that are being undertaken.

**Mr. Chairman:** And that is for the future?

**Mr. Mitchell:** Yes, by the first quarter of next year.

**Mr. Chairman:** So in the past how did we—

**Mr. Mitchell:** The project engineers themselves would have oversight of the works that are being done by contractors.

**Mr. Chairman:** Okay. All right. Mr. Chairman, at this point in time we would like to invite you, chairman of NP, to bring some brief, if you so desire, closing remarks, to be followed by the Acting Permanent Secretary in the Ministry of Energy before we conclude our proceedings here this afternoon.

**Mr. Hosein:** Thank you, Chairman. As I would have indicated in my opening remarks, NP is a company in transition, and we are trying to deal with all the issues as you would have discovered in our conversation this morning that would not have been addressed in the past. We would have had some serious challenges, but I want to say we have a dedicated team and a dedicated group of employees who understand through our conversations and engagement with them what is required and where we need to go. Of course, having said that, we have challenges with culture, but we continue to engage the employees, management, and what have you, in terms of trying to understand how the world has changed around us, and what we need to do to continue to be relevant.

**Mr. Chairman:** Mr. Acting Permanent Secretary.

**Mr. Beharry:** Mr. Chairman, thank you again for inviting us to this meeting. I have to say that we learnt of some new issues today, which our directors will be following up very closely with NP to ensure that they comply with all their statutory requirements, as well as conform to the State Enterprises monitoring manual. And having said that, we are available to provide any information that you may request or any assistance that the Committee may require. Feel free to write us and we will do so.

**Mr. Chairman:** All right, well, may I on behalf of the members of our Committee, the Public Accounts (Enterprises) Committee, extend our collective thanks and appreciation to all the officials from the Ministry of Finance, Investments Division, the Ministry of Energy and Energy Industries, as well as NP officials, along with members of the media, and of course, members of the public. We want to let you know in the event that the Committee decides that you need to be called back or return, we shall so communicate with you. In the meantime, the Secretariat will communicate with you in writing areas that we would like further clarification on. You have committed to providing us with a number of areas in writing, and we

look forward to receiving those submissions in short order.

So, once again, on behalf of this Committee we would like to thank you for being here with us, and we look forward to further interaction with you, either directly or indirectly in the not too distant future. This meeting is now adjourned. Thank you very much.

**12.35 p.m.:** *Meeting adjourned.*