Government of the Republic of Trinidad and Tobago

MINISTRY OF FINANCE

OFFICE OF THE PERMANENT SECRETARY

MF: DPS: 1/2/1

June 27, 2017

Ms. Jacqui Sampson-Meiguel
Clerk of the House
Parliament
Level G-8, Tower D
The Port of Spain International Waterfront Centre
1A Wrightson Road
Port of Spain

Dear Ms. J. Sampson-Meiguel

Ministry of Finance response to recommendations of the Third Report of the Public Administration and Appropriations Committee, Second Session, Eleventh Parliament, on an Examination of the System of Inventory Control within the Public Service

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Reference is made to your letter dated May 26, 2017 wherein you requested written responses to recommendations/comments on the Third Report of the Public Administration and Appropriations Committee, Second Session, Eleventh Parliament, on an Examination of the System of Inventory Control within the Public Service.

In this connection and attached at Appendix I are the relevant responses. Should you need additional information, feel free to contact me.

Respectfully

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Permanent Secretary

(868) 612-9700 ext. 1813/1814 | (868) 627-6108 | dhanpaulv@gov.tt | www.finance.gov.tt

Level 8, Finance Building, Eric Williams Financial Complex, Independence Square, Port of Spain, Trinidad and Tobago, W.I.

Appendix 1

June 26, 2017

ISSUES, OBSERVATIONS AND RECOMMENDATIONS

STAKEHOLDER ASSESSMENT

1. Disposal of Assets (Page 13)

In the course of the Committee's examination, it was noted that the disposal of assets was a serious issue. In accordance with the Disposal of Unserviceable Articles Form, in order for assets to be disposed of, a request from the Ministry/Department must be sent to the Comptroller of Accounts. The Comptroller then appoints a Special Board of Survey for the respective Ministry/Department. The articles are inspected and recommendations are made to the Central Tenders Board. The Committee's analysis of this process as well as submissions from relevant stakeholders led to the conclusion that the break in procedure rested with the Comptroller of Accounts. The Central Tenders Board could not consider recommendations on unserviceable articles if a Special Board of Survey was not appointed by the Comptroller of Accounts to inspect said articles. The proclamation of the Public Procurement and Disposal of Public Property Act, 2015 on March 31, 2017, would revise the ways in which assets are disposed of and as a result, the Committee will continue to monitor the new system of disposal of assets.

Recommendations:

- ***The Ministry of Finance should, no later than six (6) months after the proclamation of the Public Procurement and Disposal of Public Property Act, 2015, submit a report to Parliament on the Status of the System of Disposal of Assets.***

Noted and report will be submitted by due date.

2. Inventory Control Management (page 13)

The Auditor General noted that in the course of the audit of the Public Accounts of Trinidad and Tobago, various issues related to Inventory Control were pervasive. Issues such as improper/incomplete/ lack of tagging of inventory, entries missing from the Inventory Register, Inventory Registers missing and certain articles not being found in comparison to the entries in the register were common.

Certain Ministries and Departments did not implement an electronic Inventory System due to the interpretation that they would be in breach of the Exchequer and Audit Act and the Financial Regulations whereas other Ministries and Departments had both manual and electronic systems. Officials from the Auditor General's Department clarified that the Regulations require that a physical system be available for audit but that should not bar the implementation of an electronic system.

The Committee noted that there did not exist a standard policy on Inventory Control to guide Ministries and Departments. As a result, each entity would create its own policies to procure and manage its assets without having the need to adhere to a specific Inventory Control policy. The Comptroller of Accounts advised that there were initiatives to improve the Inventory Control System through the implementation of an automated inventory system under the Integrated Financial Management Information System (IFMIS) which would take 3 – 5 years to implement. It was also indicated that a loan agreement with the Inter-American Development Bank (IDB) had been agreed to in March 2016 to assist in the development of the IFMIS. In the interim, the Ministry of Public Administration and Communications advised that an Asset Management System was being developed by the Ministry in collaboration with the Ministry of Finance and the Auditor General's Department.

Additional information submitted by the Ministry of Finance indicated that the Ministry was working towards the adoption of an International Public Sector Accounting Standards (IPSAS) as part of accounting reform. The Ministry's response indicated that:

- Approval was granted in 2016 to use the IPSAS compliant format in Financial Statements. This would change the presentation of the Exchequer Account;
- In 2016, presentations were made to the Auditor General and Permanent Secretaries to inform them of the changes;

- In February 2017, training was initiated at a workshop for relevant Treasury staff in the use of the new format;
- Training for relevant Ministries and Departments was scheduled for March 2017;
- A Report on the new format was scheduled for April 2017 to be laid in the Parliament; and
- The new format was expected to be introduced for Financial Year 2017, replacing traditional format.

Recommendations:

- ***The Ministry of Finance should continue to ensure that the IFMIS is on track to be implemented and should submit a report to Parliament on the Status of the IFMIS by July 31, 2017;***

Response:

Noted and report will be submitted by due date.

- ***A circular should be issued to all Ministries and Departments directing same to implement an electronic Inventory System by July 31, 2017; and***

Response:

A Comptroller of Accounts Circular No. 5 dated April 13, 2017 was issued to streamline the Inventory Control in all Ministries and Departments. Also please see response to related question on page 25, Head 18- Ministry of Finance.

- ***The Ministry of Public Administration and Communications should seek to ensure that the Asset Management System is ready to be implemented across the Public Service by July 31, 2017.***

Response:

Agreed. Also please see response to related question on page 25, Head 18- Ministry of Finance.

3. The Exchequer and Audit Act and the Financial Regulations (page 15)

The Exchequer and Audit Act and the Financial Regulations provides for the "*control and management of the public finances of Trinidad and Tobago; for the duties and powers of the Auditor General; for the collection, issue and payment of public moneys; for the audit of public accounts and the protection and recovery* *of public property; for the control of the powers of statutory bodies*"[3]. Despite being last amended in 2014, the stakeholders, including the Ministry of Finance and the Auditor General's Department agreed that the Act and accompanying Financial Regulations needed to be reviewed to complement the present-day financial climate as well as to include sanctions for public officials who are in breach of the Exchequer and Audit Act and the Financial Regulations.

Recommendations:

a. **The Ministry of Finance should liaise with the Ministry of the Attorney General and Legal Affairs to draft amendments to the Exchequer and Audit Act and the Financial Regulations and thereafter, introduce said amendments in Parliament by July 31, 2017. These amendments should include sanctions for public officials who are in breach of the Exchequer and Audit Act and the Financial Regulations in accordance with international best practice.**

Response:

Amendments to the Exchequer and Audit Act and the Financial Regulations impact on other legislation and therefore should not be done in isolation.

The Public Financial Management (PFM) Reform will also impact on amendments to the Exchequer and Audit Act and the Financial Regulations. PFM Reform includes Accounting and Budget Reform (as we prepare for the IFMIS) and Internal Audit Reform. As these Reforms progress, the Consultants who are hired will indicate the areas of the Act which will require amendments as necessary.

The Ministry of Finance will liaise with the Ministry of the Attorney General and Legal Affairs to consider drafting the amendments pertaining to sanctions for public officials.

<u>Head 18 – Ministry of Finance (page 25)</u>

I. Tagging of the Ministry's Inventory:

- There was no uniformity with respect to the method of tagging. The Department utilized paint pens and/or machine prepared seal/label makers.

II. Policy for the Acquisition of Motor Vehicles

- The Ministry of Finance did not have a policy to acquire vehicles. The Ministry was waiting on the Cabinet appointed Steering Committee, led by the Ministry of Public Administration and Communications to rationalize and review policies on the acquisition, allocation, use and maintenance of Government vehicles.

III. Based on the public hearing at which the Ministry appeared, the Committee noted that:

- The Ministry of Finance had the authority to issue a Circular to all Ministries and Departments where instructions to streamline the Inventory Control System could be given. An assurance was given to the Committee that the Ministry would initiate talks on the Circular.

- Numerous Ministries and Departments faced challenges when attempting to dispose of assets. The Committee noted that the delay usually occurred at the Comptroller of Accounts. The Comptroller of Accounts and by extension, the Ministry of Finance was responsible for appointing a Special Board of Surveys which were needed in order for the Central Tenders Board to dispose of assets.

- The Ministry of Finance had the authority to call all Ministries and Departments to account for each Ministry and Department's Inventory Control System and compliance with the recommendations arising from the Auditor General's Reports.

Recommendations:

- ***The Ministry should seek to utilize a uniform tagging system across all Divisions and supply a status update to the Committee on this initiative by June 01, 2017.***

Response:

The Treasury Division will conduct the necessary research to determine the best practice of a "uniform tagging system," to be applied throughout the Public Service.

- ***The Ministry should provide a status update to the Committee with respect to the Circular to all Ministries and Departments to streamline the Inventory Control System throughout the Public Service by July 31, 2017.***

Response:

Comptroller of Accounts Circular No. 5 dated April 13, 2017 – "Controls and Procedures for Proper Inventory Management" was issued to all Ministries and Departments to streamline the Inventory Control Systems.

A presentation was delivered to all Accounting Officers on April 20, 2017 and copies of the Circular were distributed.

- ***The Ministry should begin calling Ministries and Departments to have talks on their respective Inventory Control Systems and compliance with the recommendations arising from the Auditor General's Reports by June 01, 2017.***

Response:

The Ministry of Public Administration and Communications has undertaken to design /develop an Asset Management System which is intended to be rolled out throughout the Public Service.

The Treasury Division is currently collaborating with the Ministry of Public Administration and Communications on the requirements of such an Asset Management System.

Demonstrations of Asset Management Systems by the Ministry of Public Administration and Communications and Parliament were viewed to ascertain the requirements, to enable integration with the Integrated Financial Management Information System (IFMIS).

The Treasury Division will schedule visits to the Ministries and Departments to monitor compliance with the instructions outlined in the Circular.