PAC

PARLIAMENT

REPUBLIC OF TRINIDAD AND TOBAGO

THIRTEENTH REPORT OF THE

PUBLIC ACCOUNTS

C O M M I T T E E

SECOND SESSION OF THE 11TH PARLIAMENT

Inquiry Examination of the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the Financial Year 2016 with specific reference to the Ministry of Finance.

Public Accounts Committee[1]

The Public Accounts Committee (PAC) established by the Constitution of the Republic of Trinidad and Tobago in accordance with Section 119(4) is mandated to consider and report to the House of Representatives on:

"(a) appropriation accounts of moneys expended out of sums granted by Parliament to meet the public expenditure of Trinidad and Tobago;
(b) such other accounts as may be referred to the Committee by the House of Representatives or as are authorized or required to be considered by the committee under any other enactment; and
(c) the report of the Auditor General on any such accounts."

Current membership

Dr. Bhoendradatt Tewarie	Chairman[2]
Mr. Taharqa Obika	Vice - Chairman
Mrs. Ayanna Webster-Roy	Member
Mr. Randall Mitchell	Member
Dr. Lester Henry	Member
Mrs. Paula Gopee-Scoon	Member
Mr. Adrian Leonce	Member
Ms. Melissa Ramkissoon	Member

Committee Staff

The current staff members serving the Committee are:

Ms Keiba Jacob	Secretary to the Committee
Ms Hema Bhagaloo	Assistant Secretary to the Committee
Mr Darien Buckmire	Graduate Research Assistant

Publication

An electronic copy of this report can be found on the Parliament website: www.ttparliament.org

Contacts

All correspondence should be addressed to:
The Secretary
Public Accounts Committee
Office of the Parliament
Levels G-7, Tower D
The Port of Spain International Waterfront Centre
1A Wrightson Road Port of Spain Republic of Trinidad and Tobago
Tel: (868) 624-7275; Fax: (868) 625-4672
Email: pac@ttparliament.org

[1] The PAC of the Eleventh Republican Parliament was established by resolutions of the House of Representatives and the Senate at sittings held on Friday November 13, 2015 and Tuesday November 17, 2015 respectively.
[2] The Committee held its first meeting on Wednesday December 2, 2015. At this meeting the Committee elected Dr. Bhoendradatt Tewarie as Chairman, in accordance with Section 119(2) of the Constitution of the Republic of Trinidad and Tobago. At that same meeting, the Committee resolved that its quorum should comprise of three (3) Members, inclusive of the Chairman and any other Opposition Member.

Table of Contents

MEMBERS OF THE PUBLIC ACCOUNTS COMMITTEE

ELEVENTH PARLIAMENT,

REPUBLIC OF TRINIDAD AND TOBAGO

Dr. Bhoendradatt Tewarie
Chairman

Mr. Taharqa Obika
Vice- Chairman

Mrs. Ayanna Webster-Roy
Member

Mr. Randall Mitchell
Member

Mrs. Paula Gopee-Scoon
Member

Dr. Lester Henry
Member

Mr. Adrian Leonce
Member

Ms. Melissa Ramkissoon
Member

Executive Summary

The PAC presents its Thirteenth Report of the Eleventh Parliament which details its examination of the ***Auditor General's Report on the Public Accounts of the Republic of Trinidad and Tobago with specific reference to the Ministry of Finance for the Financial Year 2016.***

During this examination, the Committee took the opportunity to discuss with the Ministry of Finance:

- General issues relating to the performance of the Ministry of Finance;
- The relationship between the Ministry of Finance and other state entities;
- Role of the Ministry of Finance in maintaining the accounting standard across the public service; and
- Challenges faced by the Ministry of Finance in carrying out its duties.

Based on the Committee's examination the following recommendations were proposed:

- The MOF must ensure that the sub-reforms for the new PFM system take place as well as the hiring of all key consultants
- The MOF should ensure that the Ministries and Departments are actively applying the guidelines of the Public Procurement and Disposal of Public Property Act;
- The Public Service Commission should ensure that all approved procurement units are fully staffed in preparation for the proclamation of the procurement law;
- The Ministry of Public Administration and Communication (MPAC) should implement automated data collection and reporting systems throughout the public service as a replacement for the paper based manual system currently being used;
- The MOF should develop a succession plan so that the organization continue to run smoothly after the more experienced employees are promoted to new positions;
- The MOF should pursue the implementation and use of all International Public Sector Accounting Standards (IPSAS) as soon as possible;
- The MOF and all its division, should conduct internal audit training sessions with its staff to better equip the unit for the tasks at hand;

- The MOF should also take the appropriate steps to equip the internal audit departments in all its divisions with the requisite number of qualified staff;
- The MOF should ensure that proper records are maintained by the respective Ministries and Departments to ensure timely submission to shorten the time persons wait for their payment. Ideally, pensions and gratuity should be available to persons within a maximum of six (6) months;
- The addition of a pension and gratuities function to IGP/IHRIS will greatly improve the documentation of data at source;
- Training sessions should be held by the Treasury in internal auditing and related disciplines;
- The Ministry of Finance – Investments Division should strengthen its overall capacity and take a more proactive role in monitoring and evaluating the management of the operations of State Enterprises;
- The Auditor General should liaise with the Minister of Finance to review clauses 135 – 137 of the Financial Regulations Act to include the ability to store data electronically;
- The Auditor General in association with the Attorney General should introduce a legally binding component to the statutory deadline for the submission of financial statements making Permanent Secretaries legally responsible for non-submission or late submission;
- The MoF should ensure that all its Divisions continuously update and maintain Contract Registers as required by Financial Regulation 129 (1) and (2); and
- The MoF and all its Divisions should take the necessary steps to be more proactive in ensuring that they discharge their duties more effectively and efficiently.

Introduction

The PAC 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.

The Constitution of the Republic of Trinidad and Tobago mandates that the Committee shall consider and report to the House appropriation accounts of moneys expended out of sums granted by Parliament to meet the public expenditure of Trinidad and Tobago and the report of the Auditor General on any such accounts.

In addition to the Committee's powers entrenched in the Constitution, the Standing Orders of the House of Representatives also empower the Committee (but is 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.

Election of the Chairman and Vice Chairman

In accordance with section 119(2) of the Constitution, the Chairman must be a member of the Opposition in the House. At the first meeting held on Wednesday December 2, 2015 Dr. Bhoendradatt Tewarie was elected Chairman of the Committee.

Establishment of Quorum

The Committee is required by the Standing Orders to have a quorum so that any decisions made by the Members during the meetings can be considered valid. A quorum of three (3) Members, inclusive of the Chair or Vice-Chairman), with representatives from both Houses was agreed to by the Committee at its First Meeting.

Determination of the Committee's Work Programme

The Committee agreed to a fifteen (15) entity work programme during its second meeting on Wednesday December 16, 2016. These entities included:

1. Judiciary of Trinidad and Tobago
2. Ministry of Agriculture, Land and Fisheries
3. Ministry of Education
4. Ministry of Energy and Energy Industries
5. Ministry of Finance
6. Ministry of Health
7. Ministry of Public Administration
8. Ministry of Public Utilities
9. Ministry of National Security
10. Ministry of Tourism
11. Ministry of Trade and Industry
12. Tobago House of Assembly
13. Land Settlement Agency
14. National Lotteries Control Board
15. Regional Corporations

After reviewing the proposed Work Schedule for the 2nd Session the Committee agreed to examine the following entities in the following order:

1. Ministry of Education;
2. Public Transport Service Corporation (PTSC);
3. Ministry of Health;
4. Eastern Regional Health Authority (ERHA);
5. Land Settlement Agency (LSA);
6. Judiciary of Trinidad and Tobago;
7. Ministry of Attorney General and Legal Affairs; and
8. Ministry of Public Administration and Communications.

Following the submission of the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the financial year 2016 to the Parliament, the Committee agreed to invite the Auditor General's Department to a public hearing to discuss the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the financial year 2016 and postpone the examination of the 3 entities listed below. This public hearing was held on June 14, 2017.

1. Judiciary of Trinidad and Tobago;
2. Ministry of Attorney General and Legal Affairs; and
3. Ministry of Public Administration and Communications.

Following the public hearing held on June 14, 2017 with the Auditor General's Department, the Committee agreed to examine the Ministry of Finance on June 28, 2017 and the Ministry of Energy and Energy Industries on September 13, 2017.

The Inquiry Process

The Inquiry Process outlines steps taken by the Committee when discussing the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the financial year 2016. The Inquiry Process agreed to by the PAC includes the following steps:

I. Identification of issues in the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the financial year 2016 with specific reference to the Ministry of Finance;

II. Preparation of an Inquiry Proposal for the selected issues. The Inquiry Proposal outlines:
   a. Background;
   b. Objective of Inquiry; and
   c. Proposed Questions.

III. Approved questions were forwarded to the Ministry of Finance for proposed discussion.

IV. A public hearing was conducted and the relevant witnesses were invited to attend and provide evidence on Wednesday June 14, 2017.

V. Report Committee's findings and recommendations to Parliament upon conclusion of the inquiry.

Background: Auditor General

The Auditor General is required by law to examine and report annually to Parliament on the accounts of Ministries, Departments, Regional Health Authorities, Regional Corporations and such State Controlled Enterprises and Statutory Boards for which the Auditor General is the statutory auditor. The portfolio also includes the audit of:

The accounts of projects funded partly or wholly by International Lending Agencies

- All pensions, gratuities and other separation benefits paid by the State in accordance with the Pensions Acts and other Agreements; and
- The grant of credit on the Exchequer Account in accordance with the requirements of section 18 of the Exchequer and Audit Act, chapter 69:01

The audit services take the form of financial audits, compliance audits and value for money audits intended to promote:

- Accountability
- Adherence to laws and regulations
- Economy, efficiency and effectiveness in the collection, disbursement and use of funds and other resources.

The duties and powers of the Auditor General are defined in the Exchequer and Audit Act Chapter 69:01 of the laws of Trinidad and Tobago.

Auditor General - Mr. Majeed Ali

Ministry of Finance Profile

Background

The Ministry of Finance is the Government's lead advisor on the financial system, and through the development and implementation of innovative policies the Ministry of Finance effectively manages the Trinidad and Tobago's economy.

Vision

The Ministry of Finance is a world class organisation that implements balanced macro-economic fiscal policies and initiatives that facilitate the expansion and diversification of the economy, ensures fiscal sustainability; and that is responsive to the global environment.[3]

Mission

To efficiently and effectively manage the economy of Trinidad and Tobago through the development and implementation of innovative policies to the benefit of all citizens[4]

Mandate

To facilitate revenue collection and revenue management; budget planning, preparation and management; the formulation and promotion of national fiscal and economic policy; trade facilitation and border control; debt management; and the management of the State Enterprises Sector.[5]

Core Values

- Integrity – The equitable and honest treatment of all internal and external stakeholders, building mutual trust and respect.
- Good Governance – The maintenance of objectivity in decision-making, fairness in the consideration of stakeholders? Interests, acceptance of accountability for actions and the demonstration of socially responsible behavior.
- Transparency – Adherence to the highest level of transparency in all operations.

[3] http://www.finance.gov.tt/about-us/vision-and-mission/vision/ web accessed June 16th 2017
[4] http://www.finance.gov.tt/about-us/vision-and-mission/mission/ web accessed June 16th 2017
[5] http://www.finance.gov.tt/about-us/vision-and-mission/mandate/ web accessed June 16th 2017

- Quality Service – The provision of professional and excellent service via the efficient and effective use of resources.
- Customer-oriented – Commitment to the achievement of customer satisfaction at all service points.
- Collaboration – Commitment to partnering with stakeholders to work towards the achievement of shared national goals.
- Open Communication – Foster an environment that would allow the sharing of information and transference of the knowledge resource.[6]

Divisions

The Ministry of Finance of Trinidad and Tobago is organized into divisions in order to achieve the range of responsibilities entrusted to it.[7]

- Budget
- Corporate Communications Unit
- Economic Management Division
- General Administration Division
- Investments Division
- Office of the Supervisor of Insolvency
- Strategic Management and Execution Office (SMO)
- Treasury Division
- Valuation Division
- Central Tenders Board
- Customs and Excise Division
- Financial Intelligence Unit
- Inland Revenue Division
- National Insurance Appeals Tribunal
- Public Private Partnership Unit
- Tax Treaty Unit
- Treasury Solicitor's Division

[6] http://www.finance.gov.tt/about-us/vision-and-mission/core-values/ web accessed June 16th 2017
[7] http://www.finance.gov.tt/about-us/divisions/ web accessed June 16th 2017

Accountable Officers

- Mr. Vishnu Dhanpaul – Permanent Secretary
- Mrs. Suzette Taylor- Lee Chee – Permanent Secretary (Ag.)
- Ms. Lisa Phillips – Permanent Secretary (Ag.)
- Mrs. Michelle Durham - Kissoon – Permanent Secretary (Ag.)
- Ms. Jennifer Lutchman - Deputy Permanent Secretary
- Ms. Savitree Seepersad – Deputy Permanent Secretary (Ag)
- Ms. Yvonne Neemacharan – Deputy Permanent Secretary (Ag.)[8]

[8] http://www.finance.gov.tt/about-us/permanent-secretaries/ web accessed June 16th 2017

Issues and Recommendations

During the examination of the Reports of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the financial years ended September 30, 2016 with specific reference to the Ministry of Finance, the following issues were identified and recommendations proposed:

i. Status of the Integrated Financial Management Information System (IFMIS)

The accounting records supporting the production of the Public Accounts are primarily manual records introduced as far back as 1959. The maintenance of such records presents huge inefficiencies in the accounting, reporting and auditing functions. These discrepancies could be resolved by the introduction of an Integrated Financial Management Information System (IFMIS). Officials from the MOF indicated that the IFMIS, by itself, cannot increase the efficiency and effectiveness of finance management in the public sector. To implement IFMIS, the entire Public Financial Management System would need to be reformed. These reforms began in October 2016 and were comprised of two broad areas; the technical foundation in the public service and the purchasing of IFMIS. Many sub-reforms need to take place before the introduction of IFMIS which will allow Ministries and Departments to record expenditure and revenue on a real-time basis. Those sub-reforms, include:

- approvals for the new chart of accounts for the recording of revenue and payments;
- the approval of a manual that defines the international public sector accounting standards;
- an approved internal audit charter which will define the new version of the internal audit function; and
- the approval of manuals that define the internal audit standards and internal audit procedures.

The Ministry indicated that it was in the initial phase of reform which involved terms of reference for consultants on budget reform, treasury reform, reform of the internal audit function, and for the IT supervisor of the IFMIS project. Once the procurement of IFMIS is finalised, the system will require testing and customisation of twelve (12) to fourteen (14) months prior to implementation. Officials from the MOF stated that the new PFM is expected to be implemented in the next eighteen (18) months to two (2) years. The implementation of IFMIS will follow approximately four (4) to five (5) years later.

Endorsement/Recommendation:

- ***The Committee endorses the MOF for the steps taken to implement IFMIS and request that the MOF provide a status update on the implementation of IFMIS by February 28, 2018; and***
- ***The MOF should ensure that the sub-reforms for the new PFM system take place by February 28, 2018 and submit a report to the Parliament on the status of the initiatives being undertaken to implement the sub-reforms.***

ii. The Implementation of the Public Procurement and Disposal of Public Property Act

Officials from the MOF indicated that Cabinet was discussing the final organisational structure for each Ministry with respect to the establishment of procurement units. The MOF stated that it was providing support to the Office of the President in the selection of a firm to hire the Procurement Regulator. In addition, measures were being implemented to sensitise the staff of the Central Tenders Board of the Procurement Act when it is fully proclaimed. Once Ministries and Departments submit designs of their procurement units for consideration, upon approval, the recruitment of staff will commence. The MOF was working closely with the United Nations Development Programme (UNDP) to develop procurement training programmes. In addition, to bring the public service procurement up to standard, UNDP has:

- conducted workshops to advise Ministries and Departments on how to prepare themselves for the Procurement Act proclamation;
- drafted model handbooks to assist the Ministries and Departments;
- assisted Ministries and Departments in customising the finalised handbooks;
- spearheaded the training of trainers in the internal controls to manage the entire procurement process; and
- organised the training of the support personnel for accounting officers.

Recommendations:

- ***The Public Service Commission should ensure that all approved procurement units are fully staffed in preparation for the proclamation of the procurement law by February 28, 2018;***

- ***The Treasury Division should ensure that all Accounting Officers and Procurement Units are briefed and aware of the steps to be undertaken during the procurement process to eliminate any instances of error by February 28, 2018; and***
- ***Provide a status update on the appointment of the Procurement Regulator by February 28, 2018.***

iii. Backlog and Delays in Financial Reporting

The backlogs and delays in reporting existed because of the manual system of financial reporting used throughout the public service. Officials from the MOF stated that a high turnover of staff caused by increased promotions also contributed to the backlog and delays in reporting. With such staff turnover, due diligence was not exhibited in the proper maintenance of the relevant subsidiary books and records. The existing legislative framework, as it stands, does not allow for information to be digitally transmitted or electronically collected. To resolve the issue of backlogs and delays in financial reporting, the MOF indicated that reforming and technologizing the financial system through amending existing legislation was necessary. Officials from the MOF indicated that the use of electronic signatures would also allow for faster data transmission between Ministries and would greatly improve the timely receipt of information from the Ministries and Departments.

Recommendations:

- ***The Ministry of Public Administration and Communication (MPAC) should take the initiative and implement automated data collection and reporting systems throughout the public service as a replacement for the paper based manual system used by Ministries and Department;***
- ***The MOF should develop a succession plan by February 28, 2018 so that the organisation can continue to run smoothly after experienced employees are promoted to new positions;***
- ***The MOF and Ministry of the Attorney General and Legal Affairs (AGLA) should review the Exchequer and Audit Act, the Financial Regulations and Financial Instructions to see whether allowing data to be electronically transmitted and collected is plausible; and***
- ***The MOF should implement and promote the use of electronic signatures which will allow for faster transmission of data between Ministries.***

iv. Outdated Accounting Standards

The Auditor General's Report for the financial year 2016 revealed numerous instances where Financial Regulations and Instructions were disregarded at various Ministries/Departments. The audit highlighted many weaknesses in the internal control systems, as well as non-compliance with legislative requirements and/or financial directives. Detailed guidance and standards of procedures, with respect to internal controls and the maintenance of accounting records, include the:

- Exchequer and Audit Act, Chapter 69:01 and the Financial Regulations made thereunder;
- Financial Instructions, 1963 (issued by the Treasury);
- Financial Regulations (Stores) (issued by the Treasury), and
- Circulars issued by the Treasury.

Despite the changes in accounting standards and reporting procedures over the last five decades, these guidelines have not been amended/updated to reflect those changes. Officials from the MOF stated that because they are guided by the aforementioned accounting standards, they feel restricted when they have to manoeuvre around those archaic pieces of legislature. This is further exhibited during the implementation of modern software, systems and programmes for public sector use. To ensure there is alignment to the existing legislative framework, software systems and programmes endure lengthy testing and customisation periods prior to implementation.

Recommendation:

- ***The MOF should submit a report to the Parliament on the initiatives being undertaken to strengthen the internal control systems across Ministries and Department and the actions taken to address the non-compliance with legislative requirements and/or financial directives.***

v. Poor Internal Audit Function at the Inland Revenue and Customs and Excise Divisions

Internal Audit has been a pervasive issue throughout the public service that require significant staff training and strengthening. The Auditor General's report clearly outlined steps to combat the issue of Internal Audit controls. By strengthening the Internal Audit units, a lot of pervasive internal control issues should be rectified; records will be properly maintained, issues will be found and dealt with in a timely manner and there will also be a higher sense of accountability, transparency and value for money. According to the Auditor General Reports for the financial years 2014 and

2015 and 2016, the Inland Revenue and Customs and Excise Divisions showed little signs of internal audit checks. The MOF supposed to be the "model Ministry" and should set the financial accounting benchmark for the entire public service. Officials from the MOF indicated that there were vacant positions within the internal audit departments and the persons within the units do not have the necessary qualifications.

Recommendation:

- ***The MOF should also take the appropriate steps and actions to equip the internal audit departments across the public service with the requisite number of qualified staff and submit a report to the Parliament on the initiatives undertaken to strengthen the internal audit controls by February 28, 2018.***

vi. Pension and Leave

Problems have been identified based on the inability of Ministries and Departments to pay former employees their pension or gratuity in a timely manner. Calculations for the majority of public officers were performed by the Comptroller of Accounts and then submitted to the Auditor General for pre-audit before payments were made. Delays in the payment of pension or gratuity were often a result of discrepancies being discovered in the documents/computations after being submitted to the Comptroller. The Auditor General's Report provides a list of reasons why pension and leave records are plagued with discrepancies. Officials from the MOF indicated that an IT system was being develop within the pension division of the Treasury to track public officers' files. The Ministry also reassigned staff from other sections, branches, divisions to assist the pension management branch. In the interim, the MOF proposed a system where information relevant to the preparation of the pension and leave was automatically generated from the Integrated Global Payroll/ Integrated Human Resource Information System database. Utilising the IGP/IHRIS will mean information such as records of employment and every aspect of an employee's service being inputted at source, therefore facilitating a more readily and easier way of computing pension and leave.

Recommendations

- ***The MOF should ensure that Ministries and Departments make every effort to regularly update Pension and Leave records, and that Pension and Leave files are thoroughly***

checked and audited internally, before being submitted to the Comptroller of Accounts; and

- ***The MOF should provide a status update on the development of the IT system within the pension division of the Treasury and the use of IGP/IHRIS to generate pension and leave records to the Committee by February 28, 2018.***

vii. Insufficient Staff Training

The Auditor General's Report for 2016 states "As reported in the previous three years, a pervasive need was identified for training of staff of Ministries and Departments in accounting regulations and procedures with a view to enhancing accountability and good governance." The Treasury Division, which is responsible for the production of the Public Accounts and the training of officers in accounting procedures was also reportedly under-resourced and unable to provide the necessary level of training. It was found that there was a need for training in internal auditing, auditing in a computerised environment as well as auditing of Information Technology systems. The MOF acknowledged regular training was not provided due to high staff turnovers and was liaising with the Public Service Academy to conduct training with respect to the circulars introduced by the Chief Personnel Officer. The training would revolve around addressing the interpretation issues experienced by Ministries when preparing pension and leave records. The MOF indicated that there will also be automation training in the public financial management reform in addition to the internal auditing training.

Recommendations:

- ***The Public Service Academy should ensure that the relevant training pertaining to the circulars introduced by the Chief Personnel Officer for preparing the pension and leave records occurs by February 28, 2018;***
- ***Training sessions should be held by the Treasury in internal auditing and related disciplines such as auditing, accounting, back-checking and reconciling in a computerised environment as well as training in the use of Information Technology systems;***
- ***A request for competent staff should be made by the MOF to the Public Service Commission in attempt to strengthen the Internal Audit Units in all the divisions of the MOF by February 28, 2018; and***

- ***The Comptroller of Accounts should ensure that all the updated manuals and standard working papers are made readily available to all Accounting Departments to allow its units to function more effectively by February 28, 2018.***

viii. High Turnover of Staff

Officials from the MOF indicated that significant turnover of staff exists because persons were being promoted due to the availability of more acting positions. With more retirees and not enough qualified personnel entering the service, positions at the senior level were becoming available more frequently and staff is constantly moving as a result. Rather than a turnover from one Ministry to the next, the MOF described it as an upward movement of staff within the Ministry. The MOF indicated that the problem exists throughout the public service and hopes to avoid having its accounting staff promoted out.

Recommendation:

- ***The MOF should develop a succession plan so that the Ministry's divisions and units will continue to run smoothly when experienced employees move on to new opportunities or retire by February 28, 2018.***

ix. Non-submission of Annual Reports by State Enterprises

According to the State Enterprises Performance Monitoring Manual 2011, State Enterprises are required to submit Audited Financial Statements (2 originals and 120 copies) to the Minister of Finance within four (4) months of their financial year end as well as copies of their Management letters issued by Statutory Auditors. These annual reports and audited financial statements are to be laid in Parliament and subsequently submitted to the Public Accounts [Enterprises] Committee for consideration. The timely submission of financial statements for audit examination is essential because it allows for the timely assessment of the entities operations which will determine the effectiveness of their operations. The CEO is ultimately responsible for ensuring the completion and timely submission of the financial report but emphasis must be placed by the Permanent Secretary to ensure that priority is placed on having the financial statements ready by the deadline stated within the financial regulations.

Recommendations:

- ***The Ministry of Finance – Investments Division should strengthen its overall capacity and take a more proactive role in monitoring and evaluating the management of State***

Enterprises to ensure the timely submission of audited financial statements and all other relevant documents to the Parliament ;and

- ***The Ministry of Finance – Investments Division should submit a report to the Parliament on the status of the initiatives being undertaken to strengthen its overall capacity in monitoring state enterprises.***

x. Storage of Documents

Appropriate storage of documents has become a challenge within the Public Service given the physical restrictions to store all documents belonging to the entity. Ministries and Departments currently follow the Exchequer and Audit Act which does not provide for updated or more efficient ways of storage. Even though computer technology provides efficient ways to maintain records and documents in electronic form, the financial regulations were crafted on a paper–based system. This requires the maintenance of records in hard copy for significant periods of. As a result, machine generated documents such as receipts and vouchers become faded or even illegible in some cases or start disintegrating over a period of time.

Recommendation:

- ***The Auditor General should liaise with the Minister of Finance on the matter of reviewing clauses 135 – 137 of the Financial Regulations Act to include the ability to store data electronically by February 28, 2018.***

xi. Documents not Produced

There were numerous instances throughout the 2016 Auditor General's Report where documents requested for audit purposes were not produced. This represents a serious breach both of the Auditor General's constitutional and legal right of access to all documents relating to the Public Accounts and of financial and accountability requirements. Financial Instruction 43 states, "All vouchers, paid cheques and other relevant documents shall on request for Audit examination be made available to the Auditor General or his nominee." The Comptroller of Accounts, as an example, failed to produce documentation in support of a reconciling item of $26,563,427.00 brought forward from October 2013.

Recommendations:

- ***The Comptroller of Accounts should make it a priority to have all required documents ready for submission to the Auditor General by the statutory deadline; and***

- ***The Auditor General, in association with the Attorney General, should introduce a legally binding component to the statutory deadline for the submission of financial statements, making Permanent Secretaries legally responsible for non-submission or late submission.***

xii. Contracts not Produced

Financial Regulation 129 (2) requires the original contract to be attached to the relevant payment voucher when the work to which a contract relates is completed along with a certificate of satisfactory completion of work. The 2016 Auditor General's Report highlights that the Central Tenders Board did not produce the necessary contracts with respect to the engagement of three contractors for the provision of services valued at $1,501,014.26. A contract register is important because it lets the organisation evaluate its suppliers based on seasonality, quantities and prices. It can also help standardise contract terms and conditions. Maintaining a contract register should be a priority across all the divisions under MOF so that proper records are being kept of the contracts executed and the parties involved.

Recommendations:

- ***The MoF should ensure that all its Divisions continuously update and maintain Contract Registers as required by Financial Regulation 129 (1) and (2) by February 28, 2018;***
- ***The Permanent Secretary should reinforce the need to have more regular checks on the records of the executed contracts the MOF is engaged in. Regular checks will ensure that every contract entered into, is properly stored and accounted for in their contract registers; and***
- ***Proper training should also be provided by the Financial Management Branch of the Treasury Division in the Ministry of Finance for persons responsible for maintaining these registers in all of the divisions under the purview of the MOF by February 28, 2018.***

xiii. Expenditure Control

At the Comptroller of Accounts, the Vote Book was not updated to reflect the amount of $1,044,300.00 shown in the Appropriation Account under Goods and Services. Expenditure on these goods and services was not verified. Schedules of Accounts amounting to $136,589,903.88 were not produced. At the Customs and Excise Division, variances recorded at Note 1 to the Appropriation Account were not reflective of the actual variance as seen in Section C. The differences amounted to $32,127,331.49. Additionally, nine vouchers totalling $1,182,469.50 were authorised by the Chairman of the Inland Revenue Division in excess of the limit of $25,000.00. This was in contravention of Financial Regulation 8 (f) which requires that "…no payment is made which is not covered by proper authority." The MOF highlighted that the majority of these discrepancies was as a result of persons in particular positions not adequately carrying out their duties or making errors in such.

Recommendations:

- ***The MOF and all its Divisions should take the necessary steps to be more proactive in ensuring that staff executes its duties more effectively and efficiently; and***
- ***Provide a report to the Parliament on the status of the initiatives being undertaken to rectify the discrepancies in the Appropriation Accounts by February 28, 2018.***

Ministry of Finance – Concluding Remarks

The need for the urgent implementation for the Integrated Financial Management Information System (IFMIS) is emphasised. Institutions under the purview of the Ministry of Finance such as Inland Revenue, Customs and Excise and Comptroller of Accounts must address the non-compliance to financial regulations and instructions. To ensure this, the Ministry of Finance should establish a Compliance Unit for its own institutions. Also, cash based IPSAS is needed to increase transparency and accountability in the public service. These best practice guides should be adopted in an effort to facilitate better governance over the country's public sector.

An effective public procurement management system is a vital component in a country's public administration that links the financial system with economic and social outcomes. The proper execution of procurement policies and procedures reflects the degree of control entities exhibit with respect to the delivery of goods and services in the public service. Efficient procurement should lead to the promotion of innovation and sustainability, the discovery of the optimum solutions to the issues and promote value for money. To make this possible, proper and effective training in alignment with the Procurement Legislation of 2015 is essential to ensure that the proper procedure is followed when procuring goods and services.

Ministries and Departments should make every effort to ensure that Pension and Leave records of all officers are updated regularly, and that Pension and Leave files are thoroughly checked and audited internally, before submission to the Comptroller of Accounts or the Auditor General within the stipulated deadlines. Also, the addition of a pension and gratuities function to IGPIHRIS will greatly improve the documentation of data at source so that when a public officer is reassigned to another Ministry, their record is automatically transferred and the information is already up to date.

The continuous updating and maintenance of a Contract Registers, as required by Financial Regulation 129 (1) and (2), needs to become a priority in the MOF to ensure that proper records are being kept of the contracts executed and the parties involved. Implementing electronic storage wherever possible will also make it easier to be access, track and update the contract registers which will in turn prove to be a major advantage to both the entity and the AGD because information will be presented in a timely manner.

This Committee respectfully submits this Report for the consideration of the Parliament.

Sgd.
Dr. Bhoendradatt Tewarie
Chairman

Sgd.
Mr. Taharqa Obika
Vice - Chairman

Sgd.
Mrs. Ayanna Webster-Roy
Member

Sgd.
Mr Randall Mitchell
Member

Sgd.
Dr. Lester Henry
Member

Sgd.
Mrs. Paula Gopee-Scoon
Member

Sgd.
Mr. Adrian Leonce
Member

Sgd.
Ms. Melissa Ramkissoon
Member

APPENDIX I
Meetings

At the meeting held on Wednesday June 28, 2017, the witnesses attending on behalf of Auditor General's Department (AGD) were:

Auditor General's Department (AGD)

- Ms. Lorelly Pujadas - Deputy Auditor General, Ag Auditor General
- Ms. Jaiwantie Ramdass - Assistant Auditor General, Ag. Deputy Auditor General
- Mr. Gary Peters - Assistant Auditor General
- Ms. Gaitrie Maharaj - Assistant Auditor General
- Ms. Nela Dwarika-Ali - Audit Director
- Ms. Nicole Cockburn - Legal Officer
- Ms. Jacqueline De Gannes - Audit Executive I
- Mr. Brian Caesar - Audit Executive II (Ag.)

Ministry Of Finance

- Mr. Vishnu Dhanpaul - Permanent Secretary
- Ms. Lisa Ann Phillips - Permanent Secretary (Ag.), Investments Division
- Ms. Suzette Lee Chee - Permanent Secretary (Ag.), Economic Division
- Ms. Michelle Durham- Kiss - Permanent Secretary (Ag.), Office of the Permanent Secretary
- Ms. Savitree Seepersad - Deputy Permanent Secretary (Ag.), Office of the Permanent Secretary
- Ms. Yvonne Neemacharan - Deputy Permanent Secretary (Ag.), Strategic Management Office
- Mr. Glen Singh - Comptroller of Customs and Excise (Ag.)
- Ms. Sherma Thompson-Sukra - Accountant IV Customs and Excise Division
- Ms. Karen Seebaran- Timothy - Deputy Comptroller of Accounts, Treasury Branch
- Ms. Vashti Maharaj - Treasury Director
- Ms. Jenepha Khan - Director of Contracts, Central Tenders Board
- Mr. Nayak Ramdahin - Commissioner of Audit and Compliance
- Ms. Allison Raphael - Chairman, Inland Revenue Division

THE PUBLIC ACCOUNTS COMMITTEE –
SECOND SESSION, ELEVENTH PARLIAMENT

MINUTES OF THE NINTEENTH MEETING HELD ON WEDNESDAY, JUNE 28, 2017 AT 10:15 A.M. IN THE ARNOLD THOMASOS MEETING ROOM (WEST) AND IN THE A.N.R ROBINSON (EAST) MEETING ROOM, LEVEL 9, OFFICE OF THE PARLIAMENT, TOWER D, THE PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON ROAD, PORT-OF-SPAIN.

Present were:

Dr. Bhoendradatt Tewarie	-	Chairman
Mr. Rodger Samuel	-	Vice- Chairman
Ms. Jennifer Raffoul	-	Member
Ms. Keiba Jacob	-	Secretary
Ms. Hema Bhagaloo	-	Assistant Secretary

Excused were:

Mr. Randall Mitchell	-	Member
Mrs. Paula Gopee-Scoon	-	Member
Dr. Lester Henry	-	Member
Mrs. Ayanna Webster-Roy	-	Member

Absent was:

Ms. Marlene McDonald	-	Member

COMMENCEMENT

1.1 At 10:41 a.m. the Chairman called the meeting to order and welcomed those present. Mr. Randall Mitchell, Mrs. Ayanna Webster-Roy, Dr. Lester Henry and Mrs. Paula Gopee-Scoon were excused from the meeting.

THE EXAMINATION OF THE MINUTES OF THE EIGHTEENTH MEETING

2.1 The Committee examined the Minutes of the Eighteenth (18th) Meeting held on Wednesday June 14, 2017.

2.2 There being no further omissions or corrections, Minutes were confirmed on a motion moved by Mr. Rodger Samuel and seconded by Ms. Jennifer Raffoul.

2.3 The issue of improving the Committee System was suggested as a possible topic for the Committee's consideration.

CONSIDERATION OF THE COMMITTEE's REPORTS

3.1 The Chairman invited Members to make any comments and/or suggestions on the Eighth and Ninth Report of the PAC. After some discussion, it was agreed that the Reports will be finalized for presentation at the next Sitting of the House of Representatives and the Senate.

PRE-HEARING DISCUSSION RE: MINISTRY OF FINANCE (MOF)

4.1 The Committee agreed on the focus of the meeting which were the concerns raised in the Report of the Auditor General of the Republic of Trinidad and Tobago on the Public Accounts of Trinidad and Tobago for the financial year ended September 30, 2016 with specific reference to the Ministry of Finance.

4.2 Members discussed the issues of concern and the general approach for the Public Hearing.

4.3 There being no further business for discussion *in camera*, the Chairman suspended the meeting at 11:00 a.m.

DISCUSSION WITH THE MINISTRY OF FINANCE (MOF)

5.1 The Chairman called the public meeting to order at 11:06 a.m.

5.2 The Chairman welcomed officials from the Ministry of Finance, Auditor General's Department (AGD), members of the media and the public to the Nineteenth (19th) public hearing with the PAC and introductions were exchanged.

5.3 The following officials joined the meeting:

Ministry Of Finance

- Mr. Vishnu Dhanpaul - Permanent Secretary
- Ms. Lisa Ann Phillips - Permanent Secretary (Ag.), Investments Division
- Ms. Suzette Lee Chee - Permanent Secretary (Ag.), Economic Division

- Ms. Michelle Durham- Kiss - Permanent Secretary (Ag.), Office of the Permanent Secretary
- Ms. Savitree Seepersad - Deputy Permanent Secretary (Ag.), Office of the Permanent Secretary
- Ms. Yvonne Neemacharan - Deputy Permanent Secretary (Ag.), Strategic Management Office
- Mr. Glen Singh - Comptroller of Customs and Excise (Ag.)
- Ms. Sherma Thompson-Sukra - Accountant IV Customs and Excise Division
- Ms. Karen Seebaran- Timothy - Deputy Comptroller of Accounts, Treasury Branch
- Ms. Vashti Maharaj - Treasury Director
- Ms. Jenepha Khan - Director of Contracts, Central Tenders Board
- Mr. Nayak Ramdahin - Commissioner of Audit and Compliance
- Ms. Allison Raphael - Chairman, Inland Revenue Division

Auditor General's Department (AGD)

- Ms. Lorelly Pujadas - Deputy Auditor General, Ag Auditor General
- Ms. Jaiwantie Ramdass - Assistant Auditor General, Ag. Deputy Auditor General
- Mr. Gary Peters - Assistant Auditor General
- Ms. Gaitrie Maharaj - Assistant Auditor General
- Ms. Nela Dwarika-Ali - Audit Director
- Ms. Nicole Cockburn - Legal Officer
- Ms. Jacqueline De Gannes - Audit Executive I
- Mr. Brian Caesar - Audit Executive II (Ag.)

5.4 The following Key Issues were discussed:

- The status of the implementation of the Integrated Financial Management Information System (IFMIS);
- The implementation and integration of the Integrated Human Resource Information System (IhRIS);

- The procurement structure of the public service in preparation for the proclamation of procurement law;
- The status of the Public Financial Management System reform;
- The reasons for the delays in the processing of pension and leave claims;
- The weakness in the internal control system;
- The possible solutions to reduce the delays in the processing pension and leave files;
- The impact of the high staff turnover at the MOF;
- The status of State Entities submitting financial reports and other documents in a timely manner;
- The technological improvements needed to reduce the backlogs in financial information processing;
- The mechanisms in place to review and rectify the pervasive issues at the Inland Revenue Division and Customs and Excise Division;
- The technological challenges experienced by the MOF;
- The Status of Public-Private Partnership projects;
- The recognition of the improvements of the Inland Revenue Division on revenue collection;
- The steps to improve the tax collection system; and
- The status of the level of borrowing and debt management on the economy.

Please see the attached verbatim notes for the detailed oral submission by the witnesses.

<u>SUSPENSION</u>

6.1 At 12:43 p.m., the Chairman suspended the *public* meeting.

<u>ADJOURNMENT</u>

7.1 The Committee agreed to discuss the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the financial year 2016 with respect to the Ministry of Energy and Energy Industries at the next meeting.

7.2 The Chairman thanked Members for their attendance and the meeting was adjourned to **Wednesday September 13, 2017.**

We certify that these Minutes are true and correct.

CHAIRMAN

SECRETARY

June 28, 2017

APPENDIX III
Notes of Evidence

VERBATIM NOTES OF THE NINETEENTH MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD IN THE ANR ROBINSON (EAST) MEETING ROOM, LEVEL 9 (IN PUBLIC), TOWER D, THE PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON ROAD, PORT OF SPAIN, ON WEDNESDAY, JUNE 28, 2017, AT 11.05 A.M.

PRESENT

Dr. Bhoendradatt Tewarie	Chairman
Mr. Rodger Samuel	Vice-Chairman
Miss Jennifer Raffoul	Member
Miss Keiba Jacob	Secretary
Miss Hema Bhagaloo	Assistant Secretary

ABSENT

Mrs. Paula Gopee-Scoon	Member
Mr. Randall Mitchell	Member
Miss Marlene Mc Donald	Member
Dr. Lester Henry	Member
Mrs. Ayanna Webster-Roy	Member

AUDITOR GENERAL'S DEPARTMENT

Ms. Lorelly Pujadas	Deputy Auditor General, Ag. Auditor General
Ms. Jaiwantie Ramdass	Asst. Auditor General (Ag.)
Mr. Gary Peters	Asst. Auditor General
Ms. Gaitrie Maharaj	Asst. Auditor General
Ms. Neela Dwarika-Ali	Audit Director
Ms. Nicole Cockburn	Legal Officer

Ms. Jacqueline De Gannes	Audit Executive I
Mr. Brian Caesar	Audit Executive II

MINISTRY OF FINANCE

Mr. Vishnu Dhanpaul	Permanent Secretary
Ms. Lisa Ann Phillips	Permanent Secretary (Ag.) – Investments Division
Ms. Suzette Lee Chee	Permanent Secretary (Ag.) – Economic Division
Ms. Michelle Durham-Kissoon	Permanent Secretary (Ag.)
Ms. Savitree Seepersad	Deputy Permanent Secretary (Ag.)
Ms. Yvonne Neemacharan	Deputy Permanent Secretary (Ag.) – Strategic Management Office
Mr. Glen Singh	Comptroller of Customs and Excise (Ag.)
Ms. Sherma Thompson-Sukra	Accountant IV – Customs and Excise
Ms. Karen Seebaran-Timothy	Deputy Comptroller of Accounts, Treasury Branch
Ms. Vashti Maharaj	Treasury Director
Ms. Jenepha Khan	Director of Contracts, Central Tenders Board
Mr. Nayak Ramdahin	Commissioner, Audit and Compliance
Ms. Allison Raphael	Chairman, Inland Revenue Division

Mr. Chairman: Okay, good morning. [*Pause*] Okay, good morning again. Welcome. I have never functioned in this room. It has two qualities, I find; one is a little greater intimacy, but I find it a little more intimidating. I hope that that does not transfer to the people from the Ministry of Finance who will have to answer some questions. I want to welcome all the officials from the Ministry of Finance, all the officials from the Auditor General's Department, members of the media if they are present—yes—and if there are any members in the public gallery, welcome to you too.

Now, the purpose of a meeting of the Public Accounts Committee, and certainly this one, is to examine the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the financial year 2016 and, in this particular case, Ministry of Finance, and I want to indicate how we got here.

What we did is that we had the Auditor General and his team come in and we engaged them generally on the 2016 report, with some comparison to 2015, and besides the general issues and the questions that recur, we might have asked some more specific questions about particular Ministries, or institutions. So we have now gone to the Ministry of Finance because this is our main revenue and expenditure allocation Ministry in a fundamental way, the budget. You align yourself with policy and, therefore, that is why we are going to you now as we look at the Auditor General's report.

This Committee is desirous of hearing the challenges being faced by the key stakeholders of the Ministry of Finance in an attempt to determine some of the possible solutions to these challenges. The role of the Committee is to help the Ministry of Finance improve its delivery of services in an efficient, effective and economic manner. So we will ask you relevant questions, tough questions, but our general role is developmental in nature and corrective if we feel that something needs to be addressed, or the Auditor General flags it and so on.

Now, this meeting is being held in public and will be broadcast on Parliament Channel 11 and radio 105.5 FM, and on Parliament's YouTube Channel *ParlView*. I will begin by asking members of the Ministry of Finance to introduce themselves, then I will ask the members of the Auditor General's Department to introduce themselves, and the members of the Committee here we will introduce ourselves, and then I will give the Permanent Secretary in the Ministry of Finance to give a kind of overview—you are all right with that?

Mr. Dhanpaul: Yes.

Mr. Chairman: And then following that, we will begin the questions. Okay? So Ministry of Finance, would you introduce yourselves?

Mr. Dhanpaul: Thank you, Chairman. Firstly, I am Vishnu Dhanpaul, the Permanent Secretary in the Ministry of Finance. And to my left—

[*Introduction made*]

Mr. Chairman: Auditor General's Office.

Ms. Pujadas: Hi. Good morning, Lorelly Pujadas, Deputy Auditor General, Acting Auditor General. The Auditor General is on vacation at this point in time.

[*Introduction made*]

Mr. Chairman: Okay. Well my name is Bhoe Tewarie. I am Chairman of the Committee and a member.

[*Introduction made*]

Mr. Chairman: Okay. Well, thank you all very much. And, as you know, we are here to engage some of the issues in the Auditor General's report and also based on your own response. We have two responses to you—from you, sorry—one based on some of the questions that you sought to clarify, and the second one has to do with some responses based on comments we made on the 2015 Auditor General's Report. But before we get into that, I will ask Permanent Secretary Dhanpaul if he would make an opening statement.

Mr. Dhanpaul: Thank you, Chairman, and good morning again to you and the members of the Committee. I just want to thank you for inviting us firstly. We appreciate it, and also to thank the Auditor General, in this case the Acting Auditor General, for her comments and observations. This gives us an opportunity at the Ministry of Finance to respond to some of those comments and observations. Essentially, the objective of the Ministry of Finance is to not be referenced in the report at all. However, it is not an ideal world, it is not an ideal state that we live in, and given the mandate of the Ministry of Finance what we try to do instead is to try to minimize the amount of times that the Ministry of Finance is referenced in the report.

The Ministry of Finance is on a mode of continuous improvement I should say, and this can be seen through such projects as the Public Financial Management system (PFM), the Integrated Financial Management Information System, the implementation of the Procurement Act, improvements in the internal audit process, implementation of the gas-based IPSAS, significant changes in the Pension Division of the Ministry of Finance, essentially also as it pertains to the IT. And, finally, I would just like to say that my colleagues and myself, as a team, we are here to give answers in full transparency and with a significant level of candour.

Thank you, Chairman.

Mr. Chairman: Thank you very, very much. In a way, you have kind of set the agenda because of the nature of your report on some of the things that you have made reference to, having to do with some of the questions we had asked, or some of the recommendations we had made based on the 2015 Report.

So, the first thing I will ask is about the Integrated Financial Management Information System. And for the understanding of the public, I want to indicate that that Integrated Financial Management System is really one that would link the Ministry of Finance and other Ministries in such a way that financial information will be available at all times to the Ministry of Finance. And more than that, it would be possible for the Ministry of Finance to get information on, let us say, expenditure in any particular area, or in the Ministry as a whole in a timely manner; that is to say, basically, to make it always available.

So that this is a very important system in terms of the efficiency and effectiveness of the management of finance within the ministerial system of

Government, and I just wanted to ask, you know, notwithstanding the responses that you have given me here, where are we in terms of that system, and when can we expect a system to at least get to the point of first testing to know that it is likely to be operational?

Mr. Dhanpaul: Chairman, just to mention on the IFMIS, the IFMIS cannot be seen by itself. You have to look at the entire Public Financial Management Reform System, and the Public Financial Management Reform system, the reforms began in October of 2016 and there are two broad areas—the technical foundation and, secondly, purchasing of the IFMIS itself—and I will expand on both.

As far as the technical foundation is concerned, it is essentially designed for the modernization of the operation functions in the areas of budget, Treasury and IT operations, and this is very critical. It is going to change the way in which obviously we do business, and the way we do budgeting, and the way in which Treasury responds to the general public. Secondly, we are well advanced as far as the Public Financial Management system is concerned and the IFMIS, in that this is the furthest we have reached in history as far as the implementation is concerned.

As far as the technical foundation of the system is concerned, we are hiring long-term consultants. As you know, the Public Financial Management Unit is already in existence. We expect the PFM to be rolled out, I would say if other things being equal, I would say in about 18 months to two years. The IFMIS itself, about four to five years. It is a very complex issue, but we are well on the way to getting it done.

Mr. Chairman: Let us say from a citizen's point of view you are looking at this and thinking, well why does it have to take four or five years to have a system like this functional, is there a good answer you would say for that?

Mr. Dhanpaul: Well, there is not a good answer, but the proper answer would be that, as I said, it is a complex situation and it has been phased. So essentially, we are going through the first phase of selecting consultants, we are in the first phase of procuring the IFMIS itself, and that is where we are right now. So I would say the PFM, as I said earlier, should be about two years, and once we get the PFM itself into place, the IFMIS would follow. It may be four years, it may be at a shorter time

Mr. Chairman: What will the PFM allow you to do?

Mr. Dhanpaul: I would just—the Treasury Director.

Mr. Chairman: Okay.

Ms. Seebaran-Timothy: Good day everyone, again. As PS said, reform will actually take between four and half years to five years. There are many sub-reforms that must take place before we introduce the Integrated Financial Management Information System which will allow us to record expenditure and revenue on a real-time basis. So what I can add to what the PS said is that the first year will be to get the procurement finalized and in place. For the system itself, testing and customization, 12 to 14 months to implement. But before that, those sub-reforms, as I just mentioned, require that these must be done before the implementation, and what these are is that there must be approval for the new chart of accounts for the recording of revenue and payments, and the approval of a manual that defines the international public sector accounting standards, and these standards is a new reporting format for the accounting framework which will reside in the IFMIS system. It is a framework for policies and procedures which will embed all of the accounting rules so that the IFMIS will be a much more modern way of operating our financial business. Also—

Mr. Chairman: So you going to be going to an accrual system? Is that it?

Ms. Seebaran-Timothy: Not in the first instance. In the first instance, we will adopt a cash basis accounting, and then later on move to an accrual basis because the cash basis is how we operate presently.

Mr. Chairman: At the present time, yeah.

Ms. Seebaran-Timothy: Yes. Also, we need to have an approved internal audit charter and, of course, this defines the new version of the internal audit function and approval of manuals that define the internal audit standards and internal audit procedures. So these are sub-reforms that must take place and must be completed before the implementation of an IFMIS because this is the framework which is embedded into the IFMIS system itself. So presently, we are in this initial phase of the reform.

Mr. Chairman: Okay, but let me—I mean, are you thinking of these sequentially, or can they be done simultaneously—

Ms. Seebaran-Timothy: Yes.

Mr. Chairman:—which would in my view shorten the time? It may impose some learning requirements that are much more severe and internalization, but, I mean, how are you approaching this, sequentially or simultaneously?

Ms. Seebaran-Timothy: Simultaneously. In this year there have been terms of reference for consultants on budget reform, Treasury reform, reform of the internal audit function, and for the IT supervisor of the IFMIS project. These were approved by IDB in April 2017, and some shortlisting has already taken place. However, the IDB also, they have their process to take place. For example, the non-objection which was attained in June, but given the normal lead time associated with the evaluation selection, official non-objections to the selected consultants, contract preparation, this should be completed by November of this year, 2017.

Mr. Chairman: All right. I will leave this—I just want to ask one more question. Yeah, you want to add something, PS?

Mr. Dhanpaul: Chairman, just to clarify the role of the IDB just quickly, because the Comptroller mentioned the IDB.

Mr. Chairman: Yes.

Mr. Dhanpaul: A loan was taken from the IDB for US $40 million to develop the

IFMIS system, and that is why the IDB is involved.

Mr. Chairman: Yes, I am aware. I wanted to ask you because you mentioned it in your opening statement, the issue of procurement and—how far along are we in terms of preparation of the ministerial system of Government, if not the whole state system, how far are we in terms of being prepared to function in accordance with the new procurement law when proclaimed?

Mr. Dhanpaul: Thank you, Chairman. I would just like to start off, but I will let PS Michelle Durham-Kissoon continue because she is responsible for the implementation and the procurement. But just to say, this week Cabinet will be discussing the final organizational structure for each Ministry as far as the procurement units are concerned. We are working—as you know, we have been asked by the President to assist in getting a firm to hire the procurement regulator on the insistence of the President. We did not ask.

Secondly, we are well on the way to organizing the Central Tenders Board as far as the staff is concerned, and what we are going to do with the staffing at the Central Tenders Board. Because, as you are aware, Chairman, when the procurement Act is fully proclaimed there will be no more Central Tenders Board. So we are putting things in place to deal with the staff, but for further details I will pass you over to PS Durham-Kissoon.

Ms. Durham-Kissoon: Thank you, Chair. As PS Dhanpaul just indicated, the Ministries and Departments have submitted, for consideration, designs for their organizational units. As PS also indicated, these units are being discussed, and once these units are approved the Ministries, if they feel it is necessary, may recruit staff for these units. In addition, we have been working closely with the UNDP for training of persons to bring the necessary skills in procurement, but there are also workshops that the UNDP has been spearheading to advise the Ministries and Departments to be prepared. The UNDP has drafted for the assistance of Ministries and Departments the model handbook. That is required by legislation for approval by the regulator, and the UNDP has assisted Ministries and Departments in customizing this handbook.

They have been a series of workshops that occurred in April, and the Ministries and Departments were asked to highlight change leaders. Their responsibility would be to spearhead the change management process that will take place in their respective Ministries and Departments, and these change leaders, Chair, were the ones who were exposed to these workshops. The UNDP also worked with us in helping us with their special guidelines. They also did a training of trainers in the internal controls to manage the whole process, and there was also a training of trainers for persons to go out to highlight to accounting officers the systems that they need to have in place to be in readiness for the roll-out of this legislation.

Mr. Chairman: I think what you have indicated is that a lot of work has gone on and you feel you are pretty much prepared to align once this system comes on stream after proclamation?

Ms. Durham-Kissoon: Yes, Chair.

Mr. Chairman: Okay. Sen. Samuel.

Mr. Samuel: Just a quick question. Oftentimes, software and systems and programmes in the public sector seem to take a mighty long time to get going when compared to private enterprises. If a private enterprise and conglomerate wanted to install and utilize software of this manner, when you compare the time frame, I am sure that if this was being done in the private sector in a conglomerate it may not take five years, six years. I wonder why when compared to the public sector and the private sector things seem to take much longer, and then by the time it is installed and it is used, then there needs to be further upgrades because technology is advancing all the time, systems are being advanced, and then there is the whole process again, why does it take so long compared to the private enterprises?

Mr. Dhanpaul: Thank you, Senator. I will start off the response and then I will ask the Deputy Comptroller to respond. As you know, we are guided by something called the Exchequer and Audit Act, we are also guided by something called the Financial Regulations. So we have to put things in place accordingly.

In the private sector, you may find that these things may work faster, or be implemented faster. However, we are dealing with close to 80,000 public servants, both daily paid and monthly paid public servants. So it is a bit of a larger task than I would think that most private sector entities. Just to summarize, we have to stick with what we consider to be the correct legislation. We are guided by the legislation and the sheer magnitude of the exercise.

Miss Raffoul: Well, let me start with saying thank you all for being here. If think we all have an interest in seeing Trinidad and Tobago progress, and I thank you all for your work on behalf of our country. My main question is about following up on Sen. Samuel's questions, why the delays? Is it that we have technology that is outdated; is it that we have logistical issues because the Ministry does have to work with so many different entities across the country, in different units within it; or is it human error? And if so, what are the accountability mechanisms; how do we identify what the problems and the backlogs are in the system; and how do we move our country forward? Because you all work in this on a day-to-day basis, you all have the information at hand, and really the expertise in how we move Trinidad and Tobago forward. So I would really like to hear from all of you, or whoever feels best to answer, perhaps the PS, how we can identify what really are the causes of the backlogs, and how we can go forward.

Ms. Seebaran-Timothy: Chair, through you, before I answer the second question I would like to really like to answer the question from the Mr. Vice-Chairman, and it really concerns why the time frame is that long. Now, it is expected that the IFMIS will be fully operational at the end of four and half to a five-year period. However, the many steps that we need to take are very important in order to have successful implementation. And just to give you an idea of what we have done so far concerning the purchase and installation of the IFMIS solution, expressions of interest from firms wishing to be selected for the purchase were published in 2016 and we did receive 13 responses from international firms.

In April of 2017, five of these firms were shortlisted and they are to receive the RFP document for the purchase and installation of the IFMIS. The closing bids originally were set for June 29, 2017, but this has been extended to July 13th based on the request from the bidders. The IDB approved the evaluation committee and it is anticipated that—given the normal time associated with the evaluation of bids, obtaining official non-objections to the selected bidder, finalization, the overall project plan with the prospective vendor—this should be concluded between the period August to December of 2017.

11.35 a.m.

Thereafter, the installation of the system will take place and this installation of the system will take place but on a phased basis because it requires us to be careful about how we go about implementation. In the first instance, there will be the budget execution module which will be implemented and then thereafter other modules. So that in the four and a half to five years' time, there will be full implementation of the IFMIS. Does that answer your question as well?

Miss Raffoul: I wanted to clarify. My question was not about IFMIS in particular but about the incomplete reporting and data. To be specific, I just found the paragraph that was in the Auditor General's report for 2016 that said:

> The findings are set forth in Chapters 2 to 4 include examples of weaknesses in the internal control systems as well as non-compliance with legislative requirements and/or financial directives. Comments also cover the lack of proper maintenance of the relevant subsidiary books and records. The state

of the internal audit function in Ministries and Departments remains a matter of grave concern as in previous years.

So my question was not about that particular project but about why so many delays in reporting and data collection and the concern from the Auditor General's office about the gravity of the situation when it comes to a lack of proper maintenance of books.

Ms. Seebaran-Timothy: In most instances, the reasons for the backlog and delays in reporting is because of the manual system that we operate in and utilizing physical documentation rather than an automated system. Also, a high turnover of staff also contributes to that fact as well. Training is very important and I did mention the internal audit as well and of course, in the public financial management reform, there is a component for internal audit upgrade as well.

Mr. Dhanpaul: Senator, if I may also respond? I understand your frustration. You share my frustration. I want to use one example to explain my frustration and that has to do with pension and leave records. It is totally unacceptable that someone would retire at 60 and not get their pension and gratuity until 63. My objective, if I could achieve that objective—you retire today and you get your pension tomorrow. It is as simple as that.

There are several reasons why and it has to do with delays throughout Ministries and delays in getting information to the Treasury department but something as pension, I think there is a human side to it and there is no reason why—and it is something I have been discussing with the Treasury Division. There is no reason why at least 50 per cent of the gratuity of every pensioner cannot be paid the next day after retirement because the Treasury is fully aware of what the 100 per cent should look like and there is precedence. So even if you cannot pay the entire 100 per cent, there should be at least 50 per cent of it. Those are the kind of frustrations I know you are mentioning, the delays.

I think the pension and leave example is a better example than even the internal audit example and that is something we are trying very much—and maybe it will come up later in the discussion—we are trying very much to solve. I think if we can solve that, it will be a significant breakthrough as far as—I do not want to call it pension reform but as far as the provision of pension when necessary for the retired public servant.

Miss Raffoul: I really appreciate your answer. And could you give some more elaboration on how the pension system is being improved and any timelines that are being work towards, any objectives?

Mr. Dhanpaul: Senator, through you, Chairman, I would respond firstly and then again to the Deputy Comptroller. But we are working within a timeline especially to fixing the IT. The perfect situation is that you are 40 years old and you can go online and tell—and know on your data retirement what your pension would look like. That is the perfect system. I would like to get there within a time frame of maybe two years. Right now, we are working on an IT system within the pension division of the Treasury to track files. But you see, unfortunately the Treasury does not operate in a vacuum, we have to depend on the other Ministries and when there are delays in the other Ministries, you have delays at the Treasury Division. Okay, but just for more details, the Deputy Comptroller.

Ms. Seebaran-Timothy: Senator, as PS indicated, we do rely on all other Ministries and Departments to submit to the Treasury reliable and accurate information and oftentimes, this is not so. What we have done in the interim, though, is that we work assiduously and closely with each Ministry and Department by establishing liaison officers that we have communication with on a direct basis instantly without having to do the internal memos and stuff and so on.

And also, what we have done is we have sort of reengineered our internal processes to make it a little more efficient. We have cut down some time frames internally as well. We have also reassigned staff from other sections, branches, so that we have more assistance in the pension management branch. We are also looking at a full—a closer look at full automation is being pursued as the Permanent Secretary indicated. But definitely, we recognize that we do face many challenges. We do try to improve as best as we can and liaise with all the Ministries and Departments and our key stakeholder, the Auditor General.

Miss Raffoul: Can I ask a follow-up question on that? You were saying that there are delays at the Ministries, do you think it is because they are all paper-based manual systems, and if so, is there one Ministry or one piece of legislation or how can we move forward to make sure that everyone is on the same page to make sure things are digitally transmitted and digitally collected?

Ms. Seebaran-Timothy: If you do not mind, can you repeat the question?

Miss Raffoul: Sure. I was a bit convoluted on my end, so my apologies. How do we identify a way forward so it is not just dependent on the Ministry collecting data from other entities still manually to then make everything efficient? How do we make sure the other Ministries are also transmitting data? I know that there has been quite a bit of discussion about the fact that things are still manual and paper-based and we do not yet have any legislation for it—electronic data transaction. So do you think that it is purely a legislative approach we need to take or do you think it is technology or do you think it is also better communication between the Ministries?

Ms. Seebaran-Timothy: It is a combination of all those factors. Technology being important as well. And I think an interim or an alternative solution or system that can be recommended is the information for the preparation of the pension and leave can be automatically generated from the Integrated Global Payroll Integrated Human Resource Information System database. But this will require that all core agencies are involved to have an integrated approach to the upgrade and presently, we are pursuing an upgrade of the IGPIHRIS system. In this upgrade, we can retrieve information on pension and leave as well using the subset tables of the IGPIHRIS. So this, in the short term, before we have our full solution, we can access information from that. So that we can improve retiring benefits to pensioners on time.

So Ministries and Departments can use the existing technology for the maintenance of the personnel records, for example, the absence management module and the IHRIS and of course, with the upgrade, which is coming soon, after the contract is signed, it is a go-live of nine months thereafter, the Comptroller of Accounts will commence a drive to ensure that all the key stakeholders input the relevant information so that the IGPIHRIS system could be fully utilized and we can receive the benefits of it.

Further, training: we can have more training. We do training on—not as regular as we wish to because of our human constraints but we are liaising with the Public Services Academy to doing training with respect, particularly with the interpretation of the Chief Personnel Officer. The circulars that they introduce, there are some interpretation issues by Ministries preparing the pension and leave records. So the automation training, the liaison officers and the internal reengineering of the Treasury or the pension management business processes, we were trying to improve as best as we can.

Miss Raffoul: Thank you. You had said earlier that there is a high turnover of staff, could you comment on why?

Ms. Seebaran-Timothy: Promotions. Persons are being promoted to new positions; acting positions are becoming more available. As the retirees are much more than the employees coming into the service, so that the positions at the senior level are becoming more available and this is one of the reasons why staff is constantly moving. It is not like a turnover from one Ministry to the next, but it is really an upward movement of staff in the Ministries and departments.

Mr. Samuel: I want to follow up on the issue of the reassignment of public officers and in many instances when we interviewed—we had committees and Ministries before the Public Accounts Committee—that stood out and it was not just reassignments within the Ministries themselves, immediate Ministries, but they were reassigned to other Ministries. Seeing that it is a reoccurring situation that we may not be able to get past, in your plan to implement your financial management system, have you taken into consideration that there is a possibility that in five years, a great deal of the staff that you have now, after training, may not be existing in the Ministry itself in five years and then there is a problem again? Have you taken that into consideration and how do you plan to get past that?

Mr. Dhanpaul: Thank you, Senator. It is a problem throughout the public service. I remember a very good example of the Public Sector Investment Programme and the creation of units to implement the Public Sector Investment Programme throughout Ministries. These units were set up to fast- track the implementation rate of the Public Sector Investment Programme and they were all staffed by qualified personnel, and within a year, the units were literally disintegrated because of the fact that all these people were doing so well in the units that they were all promoted out. We are going to try to avoid that. I do not know how we could do it within the confines of the public service but it is something that we are giving consideration and we are hoping to avoid as much as possible. We are trying to learn from that experience with the Public Sector Investment Programme units.

Mr. Samuel: Because I know that there is a struggle when it comes to the IHRIS programme. Can you tell the Committee what percentage of the public service currently, effectively, uses the IHRIS programme?

Mr. Dhanpaul: Thanks again, Senator. There is 100 per cent coverage but I would like the Comptroller also to respond to that.

Ms. Seebaran-Timothy: With respect to the year 2017, the IGPIHRIS production team continue to pay over 102,000 persons on the IGPIHRIS system while at the same time, maintaining the corresponding HR records for 40,000 public servants.

Mr. Samuel: So are you saying that when it comes to the IHRIS system that all the relevant Ministries and agencies are fully on board when it comes to the system?

Ms. Seebaran-Timothy: Yes.

Mr. Chairman: PS, when you were talking, you said that part of the reason it took so long to basically get a system like the financial management system operational was because of the legal constraints that you had. You mentioned the Exchequer Act and I think you mentioned something else.

Mr. Dhanpaul: Financial Regulations.

Mr. Chairman: Financial Regulations. I mean, would it make sense or is there an opportunity here to review the Financial Regulations and to modernize them and to deal with the Exchequer Act and make it much more relevant and appropriate to our time? And should we not consider doing this rather than find ourselves in a box where we take a system that was designed to make us efficient and effective, which we end up constraining because of the backward legal framework that we have which governs the operations? I mean, am I saying the obvious here or should we not do it?

Mr. Dhanpaul: Chairman, I agree with you 100 per cent. Those are two backward archaic pieces of legislation and as you correctly said, we find ourselves boxed in by these pieces of legislation and they require immediate amendment.

Mr. Chairman: Okay, so I mean, maybe we should address that issue of reforming and technologizing the financial system from the point of view of the amendments to the legislation that would be required to make that possible. Because I am afraid from what you tell me that you are going to make the technological-driven system backward because of the existing legislation and you will have to do it because you are legally bound to do so if you keep the legislation like that. Am I correct?

Mr. Dhanpaul: Very correct. Like for instance, the law governing electronic fund transfers—it is a good example—and the use of electronic signatures, this is very critical in the whole framework but obviously we cannot do it.

Mr. Chairman: You cannot do it.

Mr. Dhanpaul: Exactly.

Mr. Chairman: All right. Well we will take a note of that immediately and one of the recommendations will certainly be to deal with the legislative side to facilitate a really progressive and enlightened technological solution through the IFMIS system. Okay? Because I feel that we are going to find ourselves in another problem two years from now and maybe five years from now, we may be much more backward than we are at the present time. Go ahead.

Miss Raffoul: Thank you. A quick follow-up question on that. If you could estimate how much potential improvement that could be in the backlogs because of the electronic signatures, that will be extremely helpful.

Ms. Seebaran-Timothy: I would like to ask if you can rephrase the question because backlogs in terms of—which aspect?

Miss Raffoul: Well, let us start with pensions. Would electronic signatures help with getting data faster between Ministries?

Ms. Seebaran-Timothy: Yes. That would greatly improve the receipt of information, accurate information from the Ministries and with the approved or certified signatories. It will also improve the receipt of information from the Budget Division as well with the electronic signatures and all the areas where certifying signatures are needed, all of these areas will be improved greatly.

Miss Raffoul: Okay.

Mr. Chairman: Could I ask one from the Auditor General's Department? I mean, we just had that exchange there about the changes necessary in legislation to facilitate a much more enlightened system, progressive system and we also had the business of the electronic signatures, et cetera, come up. Could I have a comment from the Auditor General if there are any problems, issues, or what you would like to see, what you think would be preferable to see?

Ms. Pujadas: Chair, I will answer one aspect and I will lead off to our IT people, Ms. Dwarika-Ali and Ms. Maharaj to sort of further expand on what I am saying, but let us take the pension and leave issue. I would want to say that one of the key features with the pension and leave system is not so much the electronic signature in that particular aspect, but I would support the Deputy Comptroller of Accounts in saying that if your information is inputted at source. So what does that mean? It means that your information, utilizing the IHRIS system, which means your records, your record of employment, your data—every aspect of your service is inputted at source, is matched with your payments.

So therefore, everything is inputted and all the information is agreeing electronically, then it will be easy for that record—so if I go to a Ministry X, it does not matter because I do not need a manual paper, all my information is there. My year to date information is there, my payments are there, my arrears are there—everything is there on to that system and so therefore, that would facilitate a more readily and easier way because that is what we use to compute pension and leave.

In terms of the electronic signature and the advantages and the disadvantages of that, I will lead off to our IT specialist in that regard.

Ms. Dwarika-Ali: Good morning, everyone. As we are on the topic of electronic signature, we had suggested to Comptroller of Accounts and their team when they were rolling out the IFMIS that the Electronic Transactions Act and the part that deals with the electronic signature, although it has been proclaimed, it has not been in operation. And if you need an electronic signature to authorize or even to verify that that is the receiver and sender, then we would need to have an authentication body that would issue a certificate of the electronic signature and in the absence of that, then that would defeat the whole purpose of our IFMIS so that needs to be done as soon as possible.

In terms of the pensions, currently the upgrade of IHRIS, if it is done properly, it would address the issue with pensions because the modules in terms of position management, which would allow all positions in the public service to have a position number, and that would mean with the timely input of information and the verification of those inputs, that would lead to accurate information, then we would have the timely generation of pension and leave records. So once we have all those controls in place in the current upgrade of the IFMIS, that should address your issues with the pension and leave.

Mr. Chairman: Now, what about the larger question of basically changing the legal framework to facilitate a more progressive solution to basically the management of finance in the country? You have any problems with that? You have any issues with that?

Ms. Pujadas: Well previously—we did not speak with Mr. Dhanpaul but with the previous Permanent Secretary of the Ministry of Finance, we, ourselves, have been looking at—we are embedded in what is ostensibly their legislation and so, of course, that puts limitations on us as well. So we have been having discussions with them, in terms of modernizing not only their legislation but for us to go forward in terms of having a specific Act that speaks to us as well. There are certain things in that legislation which we do not feel we need to be part of and it speaks to also the pension and leave which is in the civil service regulations and it also speaks to what is fundamentally, we believe, a Treasury function and that is the application of credits which is involved in the processing.

So it is my understanding, though, that there has been some consideration of modernization of the legislative Act for the finance regulations and I believe that they have been looking at that in terms of how that will impact on the IFMIS. I know that there has some been consideration on that as well. So I think the Ministry of Finance is well aware that there needs to be a modernization of that Exchequer Act to ensure that the IFMIS is actually implemented because without that, you cannot implement the IFMIS. So I think Mr. Dhanpaul—

Mr. Chairman: All right. So that this is a high item on the agenda then, or else it will just frustrate everything else. We have got to make that very specific recommendation. And this is taking place at the Ministry of Finance and I do not want—I think it is important not to get the argument bogged down in terms of current functioning of institutions. It must be legislation to facilitate an enlightened and modern system that has built-in flexibility in it—because that is the way technology operates—to allow the country to simply advance as technology advances and therefore, we continue to be current with what the rest of the—what can I say?—enlightened world is doing.

And if you get bogged down with what Auditor General is supposed to do and what Ministry of Finance constraints are and so on, we will never progress because it will then become an argument about self-interest and what we really need is a system to have the country advance, and within that system, we may then have to have the reforms that are necessary, whether it is the autonomy of the Attorney General's office, maybe it is much more autonomy of individual offices within the financial system but, of course, built-in accountability because you now have on-time information, real-time information, that is then easily auditable and it may have implications for internal audit as well which, of course, as we know, is a big bugbear in the public service system as a whole. Okay? Would any of the Senators like to ask anything at this point? Yeah, go ahead.

Miss Raffoul: I wanted to ask about the state-owned entities that have not submitted their reports. In the Auditor General's report for 2016, there was a list of about 20 to 25 different entities. Some of them had not submitted reports since 2009. Are there any repercussions when they do not and how do we make the system better for all the citizens that are taxpayers?

Mr. Dhanpaul: Senator, I will respond initially and then the Acting Permanent Secretary responsible for state enterprises will follow up. But just to let you know, I find it totally unacceptable that boards—that members and chairmen of boards could sit on a board for a full five-year term and not insist on audited financial statements. They are guided by the state enterprises performance manual which spells out, in no uncertain terms, that they must provide audited financial statements on time. To be eight years behind schedule is totally unacceptable and we have had many instances of that. Several pieces of correspondence sent to these state enterprises but we still have the issue. So my colleague, Ms. Phillips, would outline and point out some of these enterprises to you.

Ms. Phillips: Good morning, everyone. We, at the Investments Division, have been working closely with the state enterprises with a view to having them become up to date with the submission of their audited financial statements. We wrote to them in January of this year requesting financial statements and subsequent to this submission to the Auditor General as contained in the Auditor General's report, we have three companies who have since submitted audited accounts: Trinidad and Tobago Tourism Business Development Limited, Evolving Technologies and Enterprise Development Company Limited and the National Commission for Self-Help.

12.05 p.m.

In addition, two companies have held AGMs and their audited financial statements have been sent to Parliament. That is the Vehicle Management Corporation of Trinidad and Tobago and the National Schools Dietary Services? But the others are still a work in progress. Some have had challenges because they have changed their auditors and some lacking staffing. For instance, some do not have corporate secretaries but we are working with them to have them being those accounts up to date.

Miss Raffoul: Thank you. If they do not submit in a timely fashion in future, are there any repercussions for them; the staff, directors, any personnel? Or are there any—I would stop there and then I would ask my follow-up questions.

Ms. Phillips: It is the prerogative of the Minister of Finance to change the Board of Directors if he is not happy with their performance. But other than that, we really have no recourse in terms of punitive measures.

Mr. Samuel: To me, the Ministry of Finance is supposed to be the exemplary Ministry, when it comes to accounting and reports and stuff like that, or else the Ministry of Finance cannot fault-find any other Ministry if they are making the same kind of mistakes.

On page 33 of the Auditor General's Report, we have quite a number of problems that have been noted by the Auditor General. In 2.37, contracts not seen; 2.38, the vote is not updated; 2.39, the schedules of accounts amounting were not produced and the figures are there. And then we have 2.43, from the Inland Revenue situation expenditure control, nine vouchers were authorized by the chairman in excess of the limit of $25,000. There are questions that arise from such, and it means that we have to ask the questions as to how often are account records reviewed, if this is happening within the Ministry of Finance. So I am asking the question: Have these things been rectified with the Auditor General's Department and how often are these accounts reviewed?

Mr. Chairman: The same thing can also be asked on the same page of the Customs and Excise Division because that falls under here too.

Mr. Samuel: Variances.

Mr. Chairman: And the variance here is a significant number.

Mr. Dhanpaul: Chairman, if I may? We have responses to the questions, Senator. We would have responses from the Inland Revenue Division. We would have responses from Treasury and from Customs. But just to say, you are correct. We are the Ministry that is supposed to set the example. As I said in my opening statement, we prefer not to be mentioned in the report, but given the nature of our mandate, it is unavoidable. So what we are going to try to do, going forward, to minimize the references to the Ministry of Finance. I would just like the Chairman of the Board of Inland Revenue to respond, as far as page 33 is concerned and 2.43.

Ms. Raphael: Morning Senator. The nine vouchers they are speaking, they referred to, that relates to the rental of property, right, all nine of them. Normally rental of property, they are normally dealt with through the Property and Real Estate Division and these properties were not, the leases had expired and, therefore, the Auditor General had said that these expenditures should be approved by the Permanent Secretary, and this was not done. That is what those vouchers relate to.

Mr. Samuel: But while you explained it, is this not a breach of the regulations? And if it is a breach of the regulations—

Ms. Raphael: It was identified. To date, the Auditor General did point it out and it no longer exists. All these such expenditures are now—this happened—this is since April 2016. It has stopped and all such expenditures are approved by the Permanent Secretary.

Mr. Samuel: But did the Chairman not know that his limit was $25,000? Was he informed clearly?

Mr. Chairman: She.

Mr. Samuel: She, sorry, sorry about that. Was she informed clearly? I am sorry, Ma'am?

Ms. Raphael: That is okay. Of the limit? Well the limit, they are saying here is $25,000, but the actual limit is $50,000. Yes, I know clearly that it is $50,000. Okay?

Mr. Dhanpaul: Chairman, in defence of the Chairman of the Board of Inland

Revenue she has ceased and desisted from that.

Mr. Chairman: As matter of concern, it is corrected.

Mr. Dhanpaul: Yes.

Mr. Chairman: Any other responses? What about Customs?

Mr. Dhanpaul: Mr. Glen Singh, the Comptroller of Customs and Excise, will respond.

Mr. Singh: Thank you, Senator. Through you, Chair. We are referring to expenditure control regarding the variances to note 1 of the appropriation account. Am I correct? Okay. But first of all, I would like to actually reflect on what the Permanent Secretary had related earlier, as to the thankfulness that we would really give to the Auditor General's Department for pointing out certain things to us because all we all know, and as was mentioned before, the constraints under which we would operate, and even though these procedures might seem to be regulation items and it should be followed and we should do certain things, certainly where the human factor is concerned and because of the manual systems that are in operation, we actually come with these types of inaccuracies from time to time. Suffice it to say that in all these cases they have taken care of, but subsequent to it being pointed out to us.

So, the first response would be what are the reasons for the different variances in the appropriation accounts submitted for audit? How can this situation be rectified? I would simply say, after consultation with my accountant, given the time constraint a detailed cross-check of the final accounts could not be undertaken, as it relates to the variances submitted for audit. This has since been rectified and what we have done, we have put in place certain mechanisms to avoid a repeat of such an occurrence.

What systems are in place to ensure that the appropriate internal checks will be conducted before and after the preparation of the appropriation accounts? What we have done since, we have set up a quality verification unit to oversee these procedures and this comprises a compliance officer and a reconciliation officer. So we are aware of what taking place and certainly we have done certain things to minimize these reoccurrences.

Mr. Chairman: You want to follow? I mean, is all of this paper-based?

Mr. Singh: Partially. In the case of what we are referring to here, yes it is, yes.

Mr. Chairman: I mean, has there not been a number of years expended in time trying to automate Customs and Excise?

Mr. Singh: Yes.

Mr. Chairman: But what is the problem then? Why can we not do that?

Mr. Singh: Well, we had made reference to the Audit and Exchequer Act and there are certain issues that would still have to be done in a particular way. Certain books would still have to—

Mr. Chairman: Okay, so the legislation is the constraint?

Mr. Singh: Well, at present, what we do is the automated system provides certain real-time information as to what would be the eventual take. But reconciling that together with Treasury and everyone else—

Mr. Chairman: So, the reconciliation is a human activity?

Mr. Singh: That is it, yes.

Mr. Chairman: I see, okay. But you are now automated enough to get real-time information on what has been traded and what has passed through, and so on?

Mr. Singh: Yes, certainly, yes.

Mr. Chairman: Okay. So that is up to date?

Mr. Singh: That is up to date.

Mr. Chairman: And functional?

Mr. Singh: Yes, it is.

Mr. Chairman: All right. I want to ask some questions that are more macro in nature at this point. I am only going to go until 12.30. So we just have about 16 minutes to proceed and anyone is free to ask any questions, whether they are nitty-gritty questions or other questions. But I am just going to raise these, which is that—I mean, when you look at the mandate here that you mentioned, right, to facilitate revenue collection and revenue management. Okay, like I mean our whole system, especially in this time, rests on the amount of revenue we have, given our situation. And then budget planning, preparation and management, the formulation of promotion of national fiscal and economic policy, trade facilitation and border control, debt management and the management of the state enterprises sector. Now, that is a big mandate that involves a lot of things. But I mean, does the Ministry—who sets the priority agenda for the economy, the things that are priorities in the economy, for which the budged is then prepared? How is that done?

Mr. Dhanpaul: Obviously, the Government sets the economic policies and the priorities.

Mr. Chairman: But that comes out of what Ministry, Planning? Is that it?

Mr. Dhanpaul: Planning in some cases, yes.

Mr. Chairman: But it is like bringing together all the Ministries to determine what are the rankings of priorities?

Mr. Dhanpaul: For instance, the polices in this administration, we are guided by the manifesto of the current Government, which is now Government's economic policy.

Mr. Chairman: Yes.

Mr. Dhanpaul: And that entails a combination of all the Ministries.

Mr. Chairman: Okay, so the determination of budgetary allocations then, is based on those priorities?

Mr. Dhanpaul: Exactly.

Mr. Chairman: Okay. And how do you reconcile that with the fiscal challenges that we have of revenue, on the one hand and the need to curb expenditure on the other, and basically reform the system? I am just trying to understand and trying to help the country too. Remember, people are looking at this to help them understand what is involved.

Mr. Dhanpaul: As far as the budgetary process is concerned, as you are aware, Chairman, it is based on priorities, obviously. And as you are aware also, in an environment of falling revenues—

Mr. Chairman: Yes, I am aware.

Mr. Dhanpaul: It becomes even more—

Mr. Chairman: The country is aware too.

Mr. Dhanpaul: Exactly—it become even more important to prioritize. For instance, I would give you an example. In previous years Ministries would make representations for funding from the Budget Division of the Ministry of Finance and at the end of the exercise we would usually have a fiscal deficit of about $20 billion, at the end of that exercise. Currently, it cannot be business as usual. We have told all—well, at least we pointed out to all Ministries that the previous model cannot work. They have to prioritize now. We cannot have a first draft of a budget at $20 billion and then let the Budget Division decide your priorities, okay, to bring it down to a targeted fiscal consideration. It is now up to the Ministries to determine their priorities and approach the Ministry of Finance accordingly.

As you are also aware, Chairman, from your previous incarnation, we give an envelope for the PSIP. Then we give an idea of what, if you are targeting a budget deficit or that target would be as a per cent of GDP, and then we use the assumptions of an oil price, we use the assumption of production and we use the assumption of a gas price and we determine the revenue.

Now if, for instance, this is hypothetically speaking, you have $20 billion in revenue and you have expenditure at $50 billion, you are going to have to close that gap by doing something. As you know, in the previous budget that gap is being closed by financing through external and domestic borrowing plus the sale of assets, which could go either way.

In this year's budget, for example, the expenditure is $53 billion. The core revenue is $37 billion. The deficit is $6 billion. So really and truly they need something to close that gap there and we are trying to do it with the sale of assets. However, I do not know how long that would be sustainable.

Mr. Chairman: That cannot be sustainable.

Mr. Dhanpaul: Right. So that is the challenge now for all Ministries; to close that gap between core projected revenue and core project expenditure. That is the challenge with the priorities.

Mr. Chairman: And how are you going to deal? I mean, I know I am asking you from the point of view of Ministry of Finance and I understand that there is a constraint there because you are more concerned with how you manage revenue and expenditure, keep the deficit down, keep Ministries in line, in terms of expenditure. But, I mean obviously from your point of view, the growth side is critically important. How do you deal with that issue, when you are also managing in a time of constraint?

Mr. Dhanpaul: I think what is critical here is that we maintain the Public Sector Investment Programme at least 4 per cent of GDP, which would take it around $5 billion to $6 billion. It is very critical regardless of the level of revenue or projected revenue that we maintain the Public Sector Investment Programme at some point, at that level of GDP, because simply that is where we generate our investment activity. That is where we generate our employment creation, and without that level of PSIP we would not be able to generate the economic growth that we projected.

But, that being said, it is one thing to factor in that level of PSIP but you must have the necessary implementation—

Mr. Chairman: And the management.

Mr. Dhanpaul:—and the management of the PSIP, which is the critical factor.

Mr. Chairman: All right, for instance, one of the institutions you have under you is the public/private partnership unit. Is that something that can be leveraged in a constructive way, or is it non-functional or is not as active as it should be—or? I mean, I would think that that supplementing public sector investment might be useful.

Mr. Dhanpaul: It is active, maybe not as active as it should be, but it is part of Government's economic policy.

Mr. Chairman: Okay, so do you have any projects under that that could add to the growth side?

Mr. Dhanpaul: Not at this moment but we are reviewing a few potential pilot projects.

Mr. Chairman: Senators, do you have any follow-up questions, you want to ask? Yeah, go ahead.

Miss Raffoul: I am so glad you raised the question about public/private partnerships. I think it is such an innovative way of managing the economy, PPPs and social impact bonds in a deficit situation.

And what you were saying about measurement for impact, I am paraphrasing, about making sure that with the PSIP that there is effectiveness in impact associated with it. My question is about the impact assessment. How does the Ministry assess which projects are successful or beneficial or which ones are not? How strong would you say your impact assessment unit is? And how can we improve that? Are there plans in place to do that; to improve impact assessment on the whole?

Mr. Dhanpaul: Senator, and through you, Chairman, as you are aware the PSIP is really under the mandate of the Ministry of Planning and Development. But, obviously, we keep an eye on the Public Sector Investment Programme because, as

I said earlier, that is what generates the economic growth that we are projecting. Within the Ministry of Planning, I do not want to speak for them, the Ministry of Planning and Development they have several systems in place for checks and balances. They have units in each Ministry that are monitoring. The Ministry itself has a very well-staffed monitoring unit. And the PSIP is not only within the public service itself.

It also takes into consideration an institution like WASA; WASA is part of the PSIP. It takes into consideration the Infrastructure Development Fund. That is also part. It is a wide range of activities. But so far, for this year, the implementation rate is not where it is supposed to be. It is about 30 per cent, I think, when I last checked. We only have three more months of the fiscal year. I think that is something that we as a public sector need to really look at very seriously in ramping up the implementation rate of the PSIP. As I have said earlier, again if we do not do that, we are going to find ourselves in some major economic problems.

Mr. Chairman: Can I summarize you by saying that you think that an essential part of budgetary strategy would be a ramping-up of the PSIP and proper management and implementation of that to get any measure of growth whatsoever pulling us out of this recession?

Mr. Dhanpaul: I think that is the critical part. The capital expenditure programme is the critical part. You cannot generate economic growth, the type of economic growth you want, with recurrent expenditure.

Mr. Chairman: Yes. Okay. Go ahead. You wanted to ask something? Please.

Miss Raffoul: Sure. Two questions. One to the PS. Thank you for your answer. So to make sure I have the correct interpretation of what you said, you think that we have strong impact analysis?

Mr. Dhanpaul: Yes, Ma'am.

Miss Raffoul: And then to the Chairman of the Board of Inland Revenue, I am curious about when the improvements are supposed to be coming on stream for revenue collections? I know it has been on stream for a while and I am wondering about timelines and targets.

Ms. Raphael: I think I need you to be a little more specific, with respect to—

Miss Raffoul: Sure. Basically, our Ministry of Finance documents have said, since I was a student 15 years ago, that we have been looking at implementing a better or improved tax collection system, digitized, better technology, in order to improve our tax collections. I know that it was one of the things that was prioritized, now in the current time because of the deficit and the fact that there is greater need to prevent leakage in the future. So my question is just about timelines and expectations, in keeping with the macro-oriented view now, you know, of making sure that we have a better fiscal balance going forward. What is the timeline for improvement within the tax revenue collections?

Ms. Raphael: Well, I do not know if you are aware that, of course, you know, the Government has said that we are going towards a Trinidad and Tobago Revenue Authority. But all now, I mean, the organization has continued to improve. For example, one of the recent improvements, would be, of course, the e-tax services that we offer now where you can file your return online. But we continue to improve our taxpayer services because, of course, the whole system of collection of taxes is on a voluntary compliance basis where persons assess themselves. So we have tried to improve the services that we offer to the taxpayers. Our compliance exercises, of course, have increased. So, of course, the revenue collection has improved considerably, as well as our collections process.

We are asking for timelines, the mandate right now is for the Trinidad and Tobago Revenue Authority, and that is expected to start sometime, I think, in this next fiscal year. I think the PS will speak to that more. But, so that is the target right now. The focus is on this Revenue Authority for the further improvement of the organization.

Miss Raffoul: I thank you for your answer. There is one statistic I learned recently, which I was so impressed by, the EITI, the Extractive Industries Transparency Initiative, said that when they started working with the Board of Inland Revenue to track energy companies, it also included mining companies, quarry companies, specifically, and the collections improved from quarry companies from, I think, $34 million in one year to over $1 billion in the following year. So I want to commend what the Board of Inland Revenue is doing there with collecting greater revenue and I am curious about what other steps have been taken with quarrying companies, as well as other companies in Trinidad and Tobago. As you did say, it is voluntary assessments, self-assessments. So what other mechanisms are being looked at to improve collections from companies that might not be paying and not be declaring or might not even be registered?

Mr. Ramdahin: Thank you, Senator. Well the issue specifically with regard to the quarrying company and using information through the EITI process has all helped us in the compliance approach. We are using a number of various data from a number of different organizations, even large taxpayers, in an attempt to gather as much information so that it would help us to all the necessary compliance checks to see where we are going and what sort of reporting we have, in terms of accuracy. It has worked well and it continues to do better. We have a strong IT system, a strong database system, which is driving that particular initiative.

In addition to that, we do have our regular routine audit checks and various other compliance activity to ensure total compliance. Thank you.

Mr. Chairman: Just a quick follow-up. I notice from the Auditor General’s Report, a lot of these quarries are unlicensed. I mean, is not one solution to the problem simply indicating that before your licence can be renewed, or before you can get one that you show your last five years of payment of taxes to Inland Revenue and would that solve your revenue problem and also the legitimacy of these institutions?

Mr. Ramdahin: Thank you, Chair, we have seen that the imposition of those sort of requirements sometimes prohibit business. So whilst we would want to say that yes, it will help us, we have to strike a delicate balance of whether we are putting restriction, in terms of business moving forward. We have instances where we do, for purposes of tenders of contract to government agencies where the requirement obtains a tenders certificate and, of course, it would be looked at to see whether the same could apply, as you had mentioned, to the quarrying industry and its registration.

Mr. Chairman: But how could insisting that they pay their taxes be bad for business?

Mr. Ramdahin: Well, it was a point raised previously that, you know, whatever tax authority does to collect the taxes, regardless of the regulatory aspect, in terms of operating—

Mr. Chairman: Yes, exactly, and let the regulator deal with that. You know, you cannot do regulator's job. You do your job, which is to collect money for the revenue and they will do their job, which is how to regularize, you know, and legitimize their work. It is just that. But, you see, if they ask that it be supported by recent tax payments then that would ensure that you get your money and also they will be in a position to legitimize them with some information. Right now it is a kind of free-for-all down there, you know.

Mr. Samuel: To the Permanent Secretary. In the Auditor General's Report on page 35 it is noted that there was a circular No. 3, dated 2005, July 29, with regard to the requirements of the Ministry to submit to the Comptroller of Accounts the personal information of employees and all the relevant documentations, because of the delay in provisions of separation and pension benefits. Have there been subsequent letters sent to Ministries informing them that they have not adhered to the request of the

Ministry? And if so, if they have not, what is being put in place to ensure that accounting officers and pension and leave officers have fulfilled their mandate, and in so doing limit the struggles of people who have retired? What is the Ministry doing? Because this letter is dated 2005. What has been done subsequent to 2005?

Mr. Dhanpaul: Chairman, if I may. Thank you, Senator, again. I am glad you brought up this question on pension and leave, because it is like a pet peeve of mine. And as I tell all my colleagues, we are all going to retire one day and we are going to be faced with the situation, and I can assure you that the Comptroller of Accounts, they write constantly to these Ministries, asking for updated records. The problem is not necessarily only at the Comptroller, at the Treasury Division, it is a serious problem outside in the line Ministries. It is not for want of trying. I am aware of that. But we are not going to stop trying.

12.35 p.m.

We are going to try to fix this situation. Even at when we have Permanent Secretaries meetings, we have decided that—there is a Board of Permanent Secretaries that meet every month. We have engaged the Comptroller of Accounts and her team to have discussions with all Permanent Secretaries on how we could solve this situation, because it is absolutely an untenable situation where, as I mentioned earlier, you retire at 60 and you do not get—and sometimes you die before you get your pension or you retire at 60 and you do not get part of your gratuity or pension until you are 63 or 64. I cannot imagine being in that situation.

Ms. Seebaran-Timothy: Thank you Chair. In addition to what the Permanent Secretary indicated, just to inform you that we have drafted a new circular. It is being reviewed presently and it should be sent out to Ministries and Departments in the next month.

Further, I would like to add that one of the challenges that Ministries and

Departments are faced with is the realignment of Ministries that happened in the last few years, and that has contributed to their service records being separated by different Ministries with the movements. I think that is one of the main challenges in providing the pension and leave records to the Treasury.

Further, earlier this year, April 2017, we met with the accounting officers and they were sensitized as to the gravity of the situation with the pension and leave records and we beseeched them to try to work with their Ministry as well and for us to collaborate with each other so that we could improve the submission of documents to the Treasury. That is just a little update.

Mr. Chairman: Just a final question and it is about debt. Within the last several months, we have accumulated new debt of about $13 billion, just over that and the debt itself might be worrisome, but I mean, I think the real issue is the repayment of this debt over time and that relates to the management of expenditure at a lower level from, first of all, about 60 and then now last year to 53, perhaps even lower than that and the growth side of the equation. Do you think that given the level of borrowing that we have at the present time that we have any room for the accumulation of more debt and the ability to satisfy repayment of that debt going forward? I think it is a question that is on people's mind in the public, because they may not know the numbers, but they know we are in a difficult situation in terms of revenue. They know that we are accumulating debt and people are concerned about what that is going to mean. Would you care to comment on that?

Mr. Dhanpaul: Chairman, as you are aware, you run fiscal deficits, you have to borrow to finance the fiscal deficits whether it is on the domestic market or the external market, you have to borrow. Right now, our debt to GDP ratio is about 61 per cent. This may be a controversial statement, but I do not see—there is no number that you can say, then there is a slippery slope. It is the trajectory of the debt, your ability to finance the debt is the issue.

Mr. Chairman: Yeah, that second one is the—

Mr. Dhanpaul: Exactly, your ability to finance the debt. In many instances we have sinking funds put aside for financing of our debt, and it is something that we brought up in many cases with the credit rating agencies, our ability to finance the debt. As I said, there is no fixed number; there is no international benchmark. There are developed countries who are over 100 per cent. There are developing countries with less than 20 per cent or debt to GDP ratio, but you do not want to mortgage another generation. It is not our plan.

Mr. Chairman: Yes. And we do not want to be—well we are almost like Barbados, but we do not want to get further down that road.

Mr. Dhanpaul: Exactly. So the idea is to manage the borrowing as much as possible. You close that fiscal gap, you manage the borrowing. It is as simple as that.

Mr. Chairman: All right. But from your point of view, I mean, you feel given this situation going down the road that we will be able to manage that?

Mr. Dhanpaul: I think right now the debt is manageable, very much so. I would not say that we should borrow in addition, but right now I would say the debt is manageable.

Mr. Chairman: And this is just an aside. If you do not want to answer it, you do not need to answer it. One of the sources of debt that we have taken is from the Deutsche Bank, and this has now become a controversial bank in terms of what is happening in the US. Does that affect us in any way?

Mr. Dhanpaul: Not that I am aware at the moment, maybe I could ask the PS who is responsible for debt if she has a comment?

Ms. Lee Chee: Deutsche Bank was actually our manager for the last international bond issue.

Mr. Chairman: Not the source of debt?

Ms. Lee Chee: There were not the source of the debt so there is no issue—

Mr. Chairman: Well, that makes a difference. Okay. All right. Well, thank you very, very much. I will have to close this now. I took you longer than I intended to, but I must say that the Ministry of Finance has given what, in my view, has been a very straightforward account of itself and I thank you for that. I know in the Ministry of Finance generally we have a good team of people and I wish you all the best going forward.

I want to thank the members of the Auditor General's team. Before I continue, I just want to ask them if they might have any—I will allow just one question if you would ask—or any comment that you might make about the Ministry of Finance's response? Would anybody like to respond, make a comment on their contribution here this morning?

Ms. Pujadas: Well, we just want to say that we thank you for the opportunity for being present here to hear the responses from the Ministry of Finance, because as we listen we are taking note because that would certainly have an impact on our audit programmes going forward. We have also taken note, Sir, with regard to the interest that has been raised by the members of this Committee because that also indicates to us things that we may need to consider in terms of tweaking our audit programmes going forward.

But I would also want to say that we do have certain issues in here—internal control issues, monitoring issues that we raised—but we would also want to say that based from last year to now we would want to commend the Comptroller of Accounts Division which is responsible for the accounting function for at least eight or nine of the divisions of the Ministry of Finance in terms that they took note of our recommendations and they did seek to improve on their own internal control functions within their own initiative. So we really want to recognize that efforts were made to take note of what we said and they did seek to improve it. That is basically about all we have to say at this point in time. Thank you.

Mr. Chairman: All right. Well, thank you very much again to the Ministry of Finance, the Permanent Secretary and his team, the Auditor General's office headed by the Acting Auditor General and thanks to the media for being present. Thank you all very, very much, my own colleagues. Okay?

12.46 p.m.: *Meeting adjourned*.