Government of the Republic of Trinidad and Tobago

MINISTRY OF FINANCE

OFFICE OF THE PERMANENT SECRETARY

MF: DPS 1/2/2

March 26 , 2018

Ms. Jacqui Sampson-Meiguel
Clerk of the House
Parliament
Level G-9, Tower D
The Port of Spain International Waterfront Centre
1A Wrightson Road
Port of Spain

Dear Ms. Sampson-Meiguel

Re: Response to the Thirteenth Report of the Public Accounts Committee on the 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.

Reference is made to your letter dated January 25, 2018 wherein you requested a written response to the recommendations/comments contained in the Thirteenth Report of the Public Accounts Committee on the 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.

In this connection, and attached, are the Comments on the Issues and Recommendations highlighted in the Thirteenth Report of the Public Accounts Committee.

Should you need additional information, please contact me.

Respectfully

....
Permanent Secretary

Issues and Recommendations - 13th Report of Public Accounts Committee on the Examination of the Report of the Auditor General on the Public Accounts of the Republic of T&T for the Financial Year 2016 with specific reference to the Ministry of Finance

I. STATUS OF THE INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM (IFMIS)

Endorsement/ Recommendations

(i) 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

(ii) 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.

The update on the sub-reforms is as follows:

- In November 2017 the Ministry of Finance, via the Central Tenders Board invited a list of nineteen (19) individuals to submit their CVs for evaluation for four key consultancies for reforms in the Treasury Function, Budget Preparation and Execution, IT Supervision, and reforms of the Internal Audit Function.

- At the closing date for submissions, only seven (7} persons had responded: There were 3 persons for the Long-Term IT Supervision Consultancy, 2 persons for the Long-Term Consultancy for Treasury Reforms, and 1 person each for the Consultancies of Budget Reform, and the Reform of the Internal Audit Function, respectively.

- The IDB procurement process requires a minimum of three candidates for the procurement process to be considered competitive.

- Consequently the selection process for the consultants for reforms in the Treasury Function, Budget Preparation and Execution, and the Internal Audit Function, was terminated. The selection of a long Term IT Supervisor was completed.

- In January 2018, the PFMMU sent to the IDB, for its no-objection, Expressions of Interest (EOI) documents for the Long-term Consultants for Treasury, Budget and Internal Audit reforms. The no-objection was obtained at end-February, and the PFMMU will restart the procurement process for these consultants in March 2018.

II. THE IMPLEMENTATION OF THE PUBLIC PROCUREMENT AND DISPOSAL OF PUBLIC PROPERTY ACT

Recommendations

(i) 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

(ii) Provide a status update on the appointment of the Procurement Regulator by February 28, 2018.

Comments

- Government took a decision in July 2017 to the establishment of Procurement Units under each Accounting Head in Ministries, Departments and State Agencies, the functions and duties in respect of said Units to be carried out by existing staff, as far as possible. In that decision, it was recorded that wherever it is necessary for an Accounting Officer to recruit staff from outside of the Public Service to carry out the functions and duties of the Unit, the Accounting Officer will first seek the approval of Cabinet to initiate the recruitment process.

- At present, in the absence of Regulations to guide the process and the fact that the Procurement Regulator and Board were appointed, the Treasury Division is not in a position to brief on the steps to be undertaken during the procurement process.

- The Procurement Regulator was appointed by the President on January 12, 2018.

III. BACKLOG AND DELAYS IN FINANCIAL REPORTING

Recommendations

(i) The MOF should develop a succession plan for February 28, 2018 so that the organization can continue to run smoothly after experienced employees are promoted to new positions;

(ii) 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

(iii) The MOF should implement and promote the use of electronic signature which will allow for faster transmission of data between Ministries.

Comments

(i) The Ministry of Finance is in the process of developing a succession plan, which would be finalized by September 2018.

(ii) Provision is made for the electronic transmission of data and electronic signature in the Electronic Transactions Act, 2011. The full proclamation of the Act is under the remit of the Ministry of Public Administration and Communications (MPAC).

(iii) The current engagement of an EFT (Electronic Transfer of Funds) Consultant by the Treasury will facilitate consultation with the Minister with responsibility for information and communication technology, to guide the use of electronic signatures and authentication procedures, in accordance with Regulation 4 of the EFT Regulations.

IV. OUTDATED ACCOUNTING STANDARDS

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.

Response

See Report at Appendix 1

V. POOR INTERNAL AUDIT FUNCTION AT THE INLAND REVENUE AND CUSTOMS AND EXCISE DIVISION

Recommendation

(i) 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, 2008.

Comments

(i) Reference is made to letters from the Permanent Secretary, Ministry of Finance dated December 01, 2017 and January 25, 2018 with reference to the follow up recommendations in the Seventh Report of the PAC, Issue 1: Internal Audit. Excerpts are attached for your ease of reference. The Internal Audit initiative has been set back due to only one respondent to the RFP resulting in a non-competitive bid. Therefore to exercise proper procurement practices, the RFP had to be re-advertised. Consequently, the start of the long term consultancy is expected to begin in May 2018; and

(ii) Additionally, the Public Service Academy is responsible for providing training in various areas of internal audit.

VI. PENSION AND LEAVE

Recommendations

(i) 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

(ii) 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.

Comments

(i) Paragraph 13 (f) of Minister of Finance Circular No 6 dated December 18, 2017, which was issued to all Ministries and Departments, states that:

> **"Where officers are transferred, it is mandatory that their P&L Records are updated and submitted to the receiving Ministry in a timely manner. Where the receiving Ministry is not in receipt of the Circulating Personal File, the Accounting Officer should write the Accounting Officer of the sending Ministry, informing him/her of the breach in procedures. A copy of the communication should also be forwarded to the Head of the Public Service and the Pensions Management Branch."**

(ii) Cabinet by Minute No. 1299 of July 20, 2017 agreed to the procurement and implementation of a Radio Frequency Identification (RFID) Technology System for use by the Pensions Management Branch, Treasury Division, to assist with the tracking of pension and gratuity files.

- A Request for Proposal (RFP) was sent out for the procurement of the RFID for tracking the physical location of pensioners' files. However, due to the planned relocation of the Pensions Management Branch, this project is temporarily on hold.

- The three (3) relevant modules in the existing IGP/IhRIS that are necessary for computing and generating Pension and Leave records are as follows:

a. **Administer Workforce** which captures and maintains employee personal and job information. This module is fully utilized by Ministries and Departments;

b. **Absence Management** which provides for the maintenance of the history of every type of absence in the Public Service. It records, tracks and maintains employee absences to ensure accuracy in salary payments. However all the features of this module are not fully utilized;

c. **Integrated Global Payroll (IGP)** which processes employees' payroll data using HR information from the modules specified in (i) and (ii) above.

- However, a Pension and Leave Repot/Record cannot be currently generated by the IGP/IhRIS. A full development project, including Fit/Gap Analysis, Design, Build and Testing steps, would be required to build and implement a Pension and Leave Record from the IGP/IhRIS. Consideration must also be given to:

  a. The processed payroll data which is only available from the implementation of the IGP in July 2006;

  b. The ongoing technical upgrade of the IGP/IhRIS which is expected to be completed by September 2018, and

  c. Existing HR procedures which significantly affect the accuracy and timeliness of updates to the **Administer Workforce** and **Absence Management** modules and the resulting impact on the processed payroll.

VII INSUFFICIENT STAFF TRAINING

Recommendations

(i) Training sessions should be held by the Treasury in internal auditing and related disciplines such as auditing, accounting, back-checking and reconciling in a computerized environment as well as training in the use of Information Technology systems;

(ii) 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

(iii) 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.

Comments

(i) The Treasury Division does not have the expertise to conduct training in back-checking and reconciling in a computerized environment and the use of Information Technology systems. However, the Division continues to collaborate with the Public Service Academy (PSA) on internal audit training. In 2017, the PSA provided training in the areas of Fundamentals of the Internal Audit Function and Working Paper Analysis. Training by the Treasury Division is usually done bi-annually for the sub accounting units. Please refer to Appendix I.

(ii) See excerpt at Appendix 11, which refers to previous responses dated December 01, 2017 and January 25, 2018 respectively.

(iii) Currently, an Internal Audit Manual is available on the internet which is referenced by all Ministries and Departments. Additionally, a draft Internal Audit Manual was produced by the Consultant which will be finalized on the resumption of the Consultancy.

VIII. High Turnover of Staff

Recommendation

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

Comment

Noted. The MoF is in the process of preparing a succession plan, which would be completed by September 2018.

IX. Non-submission of Annual Reports by State Enterprises

Recommendations

(i) 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 statement and all other relevant documents to the Parliament; and

(ii) 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 the monitoring state enterprises.

Comments

- The Ministry of Finance – Investments Division has been actively pursuing the filling of vacancies of established positions with the Service Commissions Department. Also, a number of auditors have been assigned to the Central Audit Committee, several Business Analyst positions have been filled and the Research Unit has been strengthened. Further, the Investments Division has embarked on continuous training in Corporate Governance to ensure that the staff enhance their skills in the monitoring and oversight of state entities.

- The Ministry of Finance – Investments Division has also been liaising with other Ministries to ensure that they establish Monitoring Units and acquire the required human resources to ensure that proper oversight of their respective state entities is achieved.

X. STORAGE OF DOCUMENTS

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.

Comment

Kindly refer to response at Issue III.

XI. DOCUMENTS NOT PRODUCED

Recommendation

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.

Comment

Documents are usually provided when requested by the Auditor General. The Comptroller of Accounts will ensure that all required documents are readily available when requested by the Auditor General.

XII. Contracts non Produced

Recommendations

(i) The MOF should ensure that all its Divisions continuously update and maintain Contract Registers as required by Financial Regulations 129 (1) and (2) by February 28, 2018;

(ii) 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

(iii) Proper training should also be provided by the Financial Management Branch of the Treasury Division of 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.

Comments

(i) Noted. This exercise was undertaken in February 2018.

(ii) Noted. Systems will be put in place to have more regular checks on this process.

(iii) Bi-annual training in 2016 and 2017 was provided for all Ministries and Departments included Maintenance of Registers in which Divisions of the MoF were participants. This training will continue to be provided.

XIII. Expenditure Control

Recommendations

(i) 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

(ii) 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.

Comments

(i) Noted. Currently, internal training is done on a quarterly basis.

(ii) The Comptroller of Accounts has enforced monthly reconciliation of expenditure and introduced the half yearly balancing and production of draft Appropriation Accounts which has resulted in discrepancies being identified and resolved promptly.

Appendix I

Report 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

Terms of Reference

The Public Accounts Committee (PAC) established by the Constitution of the Republic of Trinidad and Tobago in accordance with Section 119(4) presented 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 (MoF) for the Financial Year 2016. Based on the examination, the PAC proposed specific recommendations which include the submission of a Report 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

Executive Summary

2. This Report presents a list of the initiatives currently being undertaken by the MoF to strengthen the internal control systems across Ministries and Department. Initiatives include Public Financial Management (PFM) Reform; the issues of Circulars as well as the delivery of training to Accounting Officers and the sub accounting Units of all Ministries and Departments. The Report also outlines the actions, within the core functions of the Treasury Division, that are taken to address the non-compliance with legislative requirements and/or financial directives

Initiatives

3. There are several initiatives being undertaken by the Ministry of Finance which include Public Financial Management (PFM) Reform; the issue of Circulars as well as the delivery of training to Accounting Officers and the sub accounting Units of all Ministries and Departments. Each area is considered in the following sections:

(a) Public Financial Management (PFM) Reform

(i) *Cash Basis IPSAS*

The objective of the IPSAS is to serve the public interest by setting high-quality public sector accounting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances.

(ii) *Electronic Funds Transfer*

The ultimate aim of GoRTT's EFT initiative is to implement an EFT by establishing appropriate mechanisms and criteria for the effective and efficient administration of EFT for GoRTT, which includes, but not limited to, the following objectives:

- Make and receive electronic payments in order to improve the efficiency of its payments and receipts systems;
- Provide the public with more efficient and convenient options for transacting with the Government with due regard to issues of consumer and data protection;
- Provide a safe and secure EFT environment for the consumer to transact business with Government agencies, and
- Minimize Government's risk with respect to litigation from loss suffered by the customer arising from situations including but not limited to malfunctioning of equipment, unauthorized access and errors in processing

(iii) *Internal Audit Reform*

One of the objectives of Internal Audit Reform is to contribute to the improvement of public sector management by seeking to maintain the highest Internal Audit standards with respect to public sector governance, risk management, resource stewardship, and accountability within Central Government Ministries and Departments. An oversight office will be established with the following roles:

- The continuous development of the policies that will guide the internal audit function of Government ministries and departments including monitoring and assessing policy implementation and compliance
- Functional leadership of the Internal Audit Function within Government Ministries;
- Assessment and assurance pertaining to the practice of internal audit
- To provide oversight and challenge support to internal audit within Ministries and Departments

(iv) *IFMIS*

The services required for the implementation of an IFMIS are to supply, install and make operational an Integrated Financial Management Information System (IFMIS) inclusive of the implementation of a new budget classification system (GFS based), the electronic transfer of data, and movement from a largely cash based accounting system to a modified cash system, and aimed at the future introduction of performance informed budgeting and accrual accounting. The Public Financial Management Modernization Unit (PFMMU), within the Ministry of Finance, is the designated Project Implementation Unit (PIU), for the IFMIS Project.

(v) *Procurement*

- The Public Procurement and Disposal of Public Property Act, 2015 reforms public procurement in Trinidad and Tobago in line with modern procurement management and practice. The Public Procurement and Disposal of Public Property Amendment Act, 2016 amends the 2015 Act in certain matters related to the Office of Procurement Regulation. This Act establishes the Public Procurement Review Board which is empowered to review decisions of the Regulator.
- The Internal Control Framework for Public Procurement applies the role based checks and balances to manage the risks associated with public procurement and the disposal of public property.
- The modern approach to public procurement addresses accountability, integrity, transparency and value for money in the management of both organisational effort and individual procurement and disposal actions.

(b) 2017 and 2018 Circulars

The Treasury Division developed and issued eighteen (18) Circulars from 2017 to present to all Accounting Officers. Eleven (11) of these Circulars were accompanied by training sessions for the Internal Audit and Accounting Units in all Ministries and Departments.

(c) Biannual Training for sub accounting Units 2017

Biannual Training for sub accounting Units is done by the Treasury Division for one day a week over a five-week period which culminates in the presentation of certificates of participation to all attendees. The topics of the training sessions are as follows:

(i) The Overview of the Government Accounting Cycle;
(ii) The Payroll System, IhRIS, M&M Insurance, NIS;
(iii) The Preparation and Maintenance of Voucher System;
(iv) The Maintenance of Registers and Ledgers; and
(v) The Vote Control System.

(d) Annual training for Accounting Officers:

In November 22 and 24, 2017, the following training and presentations were delivered to all Accounting Officers

(i) Role Of The Accounting Officer;

(ii) Overview of the Financial Management and Accounting System of the Government of Trinidad and Tobago;

(iii) Observations Of The Auditor General And Comptroller Of Accounts For The Financial Year 2016; and

(iv) Public Financial Management Reform updates:

- Cash Basis IPSAS
- Electronic Funds Transfer
- Internal Audit Reform
- IFMIS

Actions taken to address the non-compliance with legislative requirements and/or financial directives

4. Actions taken by the Treasury Division to address non-compliance with legislative requirements and/or financial directives include:

(a) The provision of training to Ministries and Departments twice per year in the months of March and November. This includes the distribution of a comprehensive package of relevant Circulars and templates as well as references to relevant legislation, Financial Regulations and Financial Instructions.

(b) The provision of annual training to Accounting Officers which includes overpayments as a major issue that is reported in Observations of the Auditor General and Comptroller of Accounts for each financial year. The enforcement of HR policies and procedures is beyond the scope of the Ministry of Finance. It is therefore the responsibility of the Accounting Officer of the Ministry/Department to ensure that the Human Resource and Accounting Units adhere to legislative requirements and/or financial directives

(c) The conduct of annual surveys in Ministries and Departments which is based on a schedule. Follow up surveys are also scheduled six (6) months after the despatch of the Management Letter for the annual survey; and

(d) Random communication with Ministries and Departments.

1) With reference to the responses to Issue 1 – Internal Audit:

INITIAL QUESTION	FIRST REPONSE **December 01, 2017**	FOLLOW-UP QUESTION	SECOND RESPONSE **January 25, 2018**
a) How will the revision of job descriptions and qualifications of Internal Auditors affect Internal auditing across the public service?	• The staffing of the internal audit will be reviewed for the establishment of an internal audit, professional cadre, a career structure and competency framework. This will also enable the GoRTT internal auditors to identify with other internal audit professionals .The recruitment, promotion and retention processed currently operating will also require review to support the change to a modem internal audit service. • There will be a curriculum/ program to retrain and certify GoRTT internal auditors. The syllabus would be tailored to the needs of the GoRTT public sector and follow international auditing standards established by the Institute of Internal Auditors, where possible. • GoRTT internal auditors will be equipped to conduct other types of auditing, for example, risk based auditing, IT auditing, value- for- money auditing etc. • Internal audit staff who decline the option to be certified will continue to perform compliance audits in the normal manner.	• What is the status of the review of the staffing of the internal audit? • What is the status of the curriculum/program to retain and certify GoRTT internal auditors? • What public sector needs with the syllabus be tailored towards? • Provide a list of all the types of audit GoRTT internal auditors will be equipped to conduct?	• The responses to these questions are largely dependent on the Consultancy for Internal Audit. The activities of this Consultancy are as stated at our first response in (b) below. • When these activities are being undertaken, the Ministry will be in a position to answer the follow-up questions. • Additionally, we continue to liaise with the Ministry of Public Administration and Communications who are preparing training courses on the various types of auditing.

Follow up Questions to the Ministry of Finance's Ministerial Responses

INITIAL QUESTION	FIRST REPONSE **December 01, 2017**	FOLLOW-UP QUESTION	SECOND RESPONSE **January 25, 2018**
b) What is the status of the Internal Audit reform?	• The current strategy includes sending invitations for a Long-term Consultant during the week of October 23-27,2017. This was done and responses are expected to be received by the end of November 2017. An Evaluation Committee is already existent. Finalization of the selection of the Long-term Consultant is expected by December 2017 with a contract signed by February 2018 and the Consultancy to be operational for a 2-year period. • Activities of the Consultancy will include: o Conduct broad stakeholder discussions at the level of Government Ministries and Departments. This is to obtain a consensus on the structure and content of an Internal Audit Charter, Internal Audit Standards and an Internal Audit Manual which were drafted after a diagnostic review of the Internal Audit function was done by the PFMMU through a Consultancy in 2015; o Develop a training programme (including a risk-based approach); o Begin work on a syllabus/curriculum for a specific Internal Audit certification for public servants which will take into consideration the required qualifications, and o Finalize the structure and staffing of a Central Internal Audit Secretariat.	• What is the status of the selection of the long-term consultant	• Five international Consultants were solicited and they all agreed to send in their Curriculum Vitae (CV) for evaluation. • Only one (1) Consultant responded by the deadline date for submission. • IDB rules usually require a minimum of three CVs for a bid to be deemed competitive. As a result, the Public Financial Management Modernization Unit (PFMMU) has to restart the process, and will have to advertise internationally. • The advertisements are expected to be released by the end of January, with an end of February submission deadline.