



GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO
MINISTRY OF ENERGY AND ENERGY INDUSTRIES

Head Office: International Waterfront Centre, Level 26, Tower C, Energy Trinidad and Tobago
#1 Wrightson Road, Port of Spain, Trinidad and Tobago
Telephone (868) 225-4334 Facsimile (868) 225-5746

13 August 2018

The Honourable Bridgid Mary Annisette- George, MP

Speaker of the House
Speaker's Chambers
Level 2, Tower D
The Port-of-Spain International Waterfront Centre
1A Wrightson Road
Port-of-Spain

Dear Madam Speaker,

Re: Thirteenth Report of the Public Accounts Enterprises Committee on the Examination of the Audited Accounts Balance Sheet and other Financial Statements of Union Estate Electricity Generation Company Limited (UEEGCL) for the financial years 2008-2015

Reference is made to your letter dated 09 July 2018 on the subject matter at caption.

I hereby submit the Ministry's written response to the recommendations stated in the Report for the consideration of the Committee.

Sincerely,

Mrs. Penelope Bradshaw- Niles
Permanent Secretary (Ag)

Response to Thirteenth Report of the Public Accounts Enterprises Committee on the Examination of the Audited Accounts Balance Sheet and other Financial Statements of Union Estate Electricity Generation Company Limited (UEEGCL) for the financial years 2008-2015

UEEGCL noted that the responses to the recommendations of individual items are in recognition of the transfer of all TGI-J shares held by UEEGCL to the National Investment Holding Company Limited (NIFHCL), which was effected on July 4, 2018. UEEGCL noted that they have communicated and are awaiting feedback on the direction for UEEGCL subsequent to the aforementioned transfer as indicated in the correspondence to the Ministry of Finance which is attached as **Attachment I**.

Recommendations:

I. The non-adherence to the State Enterprises Performance Monitoring Manual

Recommendations:

- **UEEGCL should implement measures to ensure adherence to the stipulated deadlines set out in Section 3.28 and 3.29 of the State Enterprises Performance Monitoring Manual.**

Response:

UEEGCL indicated that the Board of Directors of UEEGCL and TGI-J have instructed that both companies adhere to the stipulated deadlines for submission of State Enterprise Performance Monitoring Manual Reports, to the monitoring agencies.

- **UEEGCL should develop strategies for effective communication within the organisation and with the Board of Directors to inform them of all issues arising from the operational activities of the Company going forward and submit a report on the initiatives taken by September 03, 2018.**

Response:

UEEGCL noted the recommendation and indicated that following the transfer of the TGU shares held by UEEGCL to NIFHCL, they are awaiting guidance on the governance structure moving forward. UEEGCL also noted that in respect of TGU the Board of TGU will submit its reporting structures and guidelines.

II. The Lack of robust and/or meaningful Oversight by the Ministry of Finance-Investments Division

Recommendations:

- **In accordance with Section 32.8 of the State Enterprise Performance Monitoring Manual, the Ministry of Finance- Investments Division must ensure the receipt of all reports from State Enterprises under its purview on a quarterly basis commencing June 30, 2018.**
- **The Ministry of Finance-Investments Division should host semi-annual meetings with all State Enterprises under its purview to assess their performance over the past fiscal year and take the initiative to recommend actions to eliminate the deficiencies at State Enterprises going forward.**

Response:

The MEEI accepts this recommendation and will coordinate with the Investment Division to track and mandate the timely submissions of all reports from UEEGCL.

UEEGCL indicated that they remain available for any meetings with the Ministry of Finance-Investments Division.

III. The Absence of an Internal Audit Department and Internal Audit Process

Recommendations:

- **UEEGCL, and by extension, TGU should take urgent steps to establish a proper Internal Audit Department by July 31, 2018.**

Response:

UEEGCL noted that both companies have taken action to properly establish their Internal Audit functions. UEEGCL also indicated that the direction on the way forward for UEEGCL will also be factored into the implementation of the Internal Audit Department.

UEEGCL also indicated that TGU has advised that interviews for persons to fill the position of Internal Auditor have been conducted and the TGI-J Board is awaiting the approval of the Cabinet Appointed Human Resource Advisory Committee for the new Internal Audit position.

- **UEEGCL should take urgent steps to implement an effective Internal Audit function.**

Response:

UEEGCL noted that the action plan for developing an effective Internal Audit function within the Company is dependent on the decisions made with respect to its future operations. UEEGCL also indicated that a request has been submitted to the Minister of

Energy and Energy Industries (MEEI) for additional Board members at both UEEGCL and TGI-J which each currently comprise only two Board members and that this will facilitate the proper establishment of the Board level oversight.

- **The Audit Committee of the Board should immediately increase its monitoring capacity over the internal controls and Internal Audit functions of the Company.**

Response:

UEEGCL is currently working through a transition following the transfer of its TGI-J shares to the National Investment Fund Holding Company Limited (NIFHCL) and the institutional strengthening will be dependent on the outcome.

- **UEEGCL should immediately develop a new internal audit policy which would clearly outline targets, goals and standards in order to improve the efficiency of the Internal Audit function;**

Response:

UEEGCL noted the recommendation and will be guided given its role subsequent to the transfer of the TGI-J shares to NIFHCL effected on July 4th, 2018. UEEGCL indicated that TGI-J has advised that the internal audit recruitment exercise is being addressed with urgency, and the policy development is a priority following the retention of the Internal Auditor, following which submissions will be made to the Minister of Energy and Energy Industries for approval before finalising, and submitting to the relevant monitoring agencies.

- **UEEGCL should urgently establish key performance indicators in order to measure the company's Internal Audit Performance;**

Response:

UEEGCL noted the recommendation and will be guided given its role subsequent to the transfer of the TGU shares to NIFHCL effected on July 4, 2018.

- **The Permanent Secretary should ensure that top management positions at state enterprises under his/her purview do not remain vacant for extended periods of time;**

Response:

The MEEI accepts this recommendation and will track the efforts taken to fill all management vacancies in the company.

- **The Audit Committee should cease its direct involvement in the audit processes of the company going further and urgently employ an Internal Auditor to perform these functions;**

Response:

UEEGCL noted the recommendation and noted that a request for additional Board members have been requested to facilitate the establishment of the appropriate oversight and at TGI-J the Internal audit policy, as well as current recruitment exercises, will address the audit processes within the Company.

- In accordance with Section 31.5 of the State Enterprise Performance Monitoring Manual, State Enterprises are required to submit to the Minister of Finance within fourteen (14) days following the end of each month, lists of all contracts which were awarded during the month, together with the value of each contract; and

Response:

UEEGCL indicated that the Company will send the list of all contracts awarded for the year to date, together with the value of each contract by August 15, 2018

- **The company should establish an official Procurement Policy and have same approved by the Line Ministry and Ministry of Finance- Investments Division by September 30, 2018.**

Response:

UEEGCL indicated that TGU's Procurement Policy will be submitted for the consideration and approval of the Ministry of Energy and Energy Industries and Ministry of Finance - Investments Division by September 30, 2018.

UEEGCL noted the recommendation and will be guided given its role subsequent to the transfer of the TGI-I shares to NIFHCL effected on July 4, 2018.

IV. The Absence of a Current Strategic Plan

Recommendations:

- **UEEGCL/TGU should formulate a Strategic Plan and have same approved by the Ministry of Energy and Energy Industries and the Ministry of Finance-Investments Division no later than July 31, 2018 and submit a copy of the Strategic Plan to the PAEC no later than August 31, 2018.**

Response:

UEEGCL indicated that TGU has engaged a service provider to assist with the development of the Strategic Plan, however UEEGCL and TGI-J are currently processing the implications of the National Investment Fund share transfer of the full UEEGCL 100% shareholding in TGU. UEEGCL believes that an expanded Board of Directors, by way of appointment, would be critical to this process and at that time a date for submission can be set.

The MEEI accepts this recommendation and will coordinate with the Investment Division to mandate the company to report on their strategic plan and communicate all shortfalls to the company's strategic goals.

- **UEEGCL should actively pursue other ventures to expand its revenue stream.**

Response:

UEEGCL recognises the importance of this recommendation and noted that any investment strategy has to be in conjunction with the direction and approval of Corporation Sole and the Ministry of Finance — Investment Division.

- **The Company should submit a report on the steps taken to improve market share and the revenue anticipated no later than August 31, 2018.**

Response:

UEEGCL noted that in light of the creation of the National Investment Fund (NIFHCL), which resulted in all of UEEGCL's shareholding in TGU being transferred to NIFHCL, any market share improvement would have to be in conjunction with the direction and approval of the Ministry of Finance — Investment Division.

V. The increase in Administrative Expenses

Recommendations:

- The company should look at ways of minimising Administrative Costs going forward.

Response:

UEEGCL indicated that over the past 18 months the Company has been pursuing operational efficiency efforts which will reduce Administrative Costs and will be reflected in the Annual Reports.

- UEEGCL/ TGU should submit a report on the initiatives being taken to ensure that total revenues sufficiently cover its operating and administrative expenditure.

Response:

UEEGCL indicated that UEEGCL/TGU as part of the annual budget review and approval process will submit to the Ministry of Finance — Investment Division, by September 30th its Report on the initiatives being taken to ensure that revenues sufficiently cover its operating and administrative expenses. Also by November 30th, and as a component of its budget plan for full year 2019, a report showing the initiatives proposed and to be considered for the following year (2019) can be submitted.

VI. Unsigned Bank Reconciliations

.Recommendations:

- **All bank reconciliations should be reviewed and approved with signature by the relevant Senior Manager immediately after completion.**
- **Bank reconciliations must be prepared on a monthly basis and completed in the General Ledger before the third week of the following month going forward.**

Response:

UEEGCL indicated that all bank reconciliations are being prepared, reviewed and approved by the relevant parties on a monthly basis.

VII. The Lack of Policies guiding the Organisational Direction of the Company

Recommendations:

- **UEEGCL should urgently develop an Internal Fraud policy to deal and treat with any instances of non-compliance and have it approved by the Ministry of Energy and Energy Industries by August 31, 2018.**

Response:

UEEGCL indicated that to further direction and as a consequence of the transfer of its TGI-J shares to NIFHCL, the Company is currently finalizing the Internal Fraud Policy and will submit same to the Minister of Energy and Energy Industries, for approval, by the stipulated date.

The MEEI accepts these recommendations and will coordinate with the Investment Division to mandate the company to report on their Internal Fraud policy and the status of internal fraud controls through regular audits.

- **UEEGCL/TGU should ensure that its Procurement Unit operates in accordance to the guidelines provided in Appendix B- Section 3.1: Procurement Unit/Function of the State Enterprises Performance Monitoring Manual.**

Response:

UEEGCL noted the recommendation and indicated that this will be actioned.

- **The company should finalise and submit its Risk Management policy to the Line Ministry for approval no later than June 30, 2018.**

Response:

UEEGCL indicated that TGU's Risk Management Policy was finalized and submitted to the Ministry for approval on July 31, 2018.

UEEGCL also indicated that UEEGCL's Risk Management Policy and TGU/UEEGCL's Fraud Policies are currently being finalized and it will be submitted to the Ministry for approval by August 31, 2018.

VIII. The Late Submission of Audited Financial Statements to the Parliament for the Financial Years ended 2016 and 2017

Recommendations:

- **UEEGCL as well as the Ministry of Energy and Energy Industries should adhere to the stipulated deadlines in Section 3.1 of the State Enterprises Performance Monitoring Manual which states that audited financial statements must be submitted to parliament within four (4) months after a company's end of year and within two (2) months of the mid-year date subject to the approval of the Minister of Finance.**

Response:

UEEGCL noted the recommendation and indicated that this is being actioned.

- **UEEGCL should make every effort to ensure that its Annual General Meeting is held to finalise and approve the 2017 Audited Accounts and have them submitted to the Ministry of Finance- Investments Division as soon as possible.**

Response:

UEEGCL indicated that the 2016 audited financial statements have been submitted to the relevant Ministries and the 2017 audited financial statements are completed and will be submitted shortly.

- **The Finance and Accounting Department should set clear targets and milestones for successful performance levels and submission of Audited Financial Statements;**

Response:

UEEGCL noted the recommendation and indicated that this is currently being actioned.

- **The Ministry of Finance- Investments Division and the Ministry of Energy and Energy Industries should exercise their oversight functions to ensure that all State Agencies under their purview submit their Audited Accounts to the Parliament in a timely manner.**

Response:

The MEEI accepts these recommendations and will coordinate with the Investment Division to track and mandate the timely submissions of all Audited Account reports from State Agencies as stipulated in section 3.1

- **UEEGCL should undertake a quarterly closing process of financial accounts to ensure the ongoing completeness and accuracy of data collected.**

Response:

UEEGCL noted the recommendation and indicated that this is currently being actioned.