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MINISTER OF FINANCE

The Honourable Colm Imbert

Government of the Republic of Trinidad and Tobago

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The Honourable Bridgid Mary Annisette- George, MP
Speaker of the House
Parliament of the Republic of Trinidad and Tobago
Speaker's Chambers
Level 2, Tower D
The Port of Spain, International Waterfront Centre
1A Wrightson Road
PORT-OF-SPAIN

Dear Speaker

The Tenth Report of the Joint Select Committee on Local Authorities, Service Commissions and Statutory Authorities (including the THA) on an Inquiry into the Internal Control Systems and Corporate Social Responsibility Policies of the National Lotteries Control Board (NLCB)

I refer to your letter dated October 8, 2018, ref: Parl: 14/3/55 Vol. II on the subject captioned.

In respect to the recommendations emanating from the Tenth Report of the Joint Select Committee of Parliament on the Inquiry into Internal Control Systems and Corporate Social Responsibility Policies of the NLCB, please find enclosed the Ministerial Responses attached as an **Appendix** to this letter.

Yours sincerely

Minister of Finance

cc Ms. Jacqui Sampson-Meiguel
Clerk of the House

Encl. (1)

Tenth Report of the Joint Select Committee on on Local Authorities, Service Commissions and Statutory Authorities (including the THA) an Inquiry into Internal Controls and Corporate Social Responsibility Policies of the National Lotteries Control Board.

SUMMARY OF RECOMMENDATIONS

Short-term Implementation (3 months to 6 months)

Responses to the Committee's recommendation to be implemented in the short-term are outlined below:

i ***The Ministry of Finance must take urgent steps to assist the NLCB in negotiating an improved remuneration package for the position of Financial Comptroller (Pg. 20).***

NLCB is to submit a proposal for consideration. Upon receipt the Ministry of Finance will review and make the necessary recommendations to the Human Resource Advisory Committee.

ii *Consideration should be given to:*

a) Having the Chief Accountant collaborate with an external Auditing Firm in order to ensure the annual financials of the NLCB are prepared in an acceptable and timely manner in accordance with established accounting standards and principles (Pg. 20).

In May 2018, the NLCB underwent a tendering process whereby proposals were requested from six (6) accounting firms to engage in:

- the preparation of accurate financial statements for the years 2010 to 2012 which are in compliance with International Financial Reporting Standards;
- addressing the matters raised in the Management Letter as reported by the Auditor General in respect of the audited financial statements for the years 2010 to 2012;
- the preparation of financial statements for the years of 2013 to 2017; and
- the identification of weaknesses in the company's internal controls and recommendations to strengthen these controls

The proposals were evaluated, a selection made and approved by the Board of Directors. The Ministry of Finance has written to the NLCB on this matter and is awaiting a response.

b) ***Reassessing the NLCB's book keeping systems and procedures to ensure that accounting and records management systems are supported by up-to-date ICT programs/software (Pg. 20)***

NLCB has informed that its accounting system is supported by an accounting software called Great Plains. Not all of the modules of Great Plains have been implemented. In an effort to optimise and improve the efficiency of the accounting system the following modules will be implemented within the NLCB's 2019 financial year:

- Accounts Receivable
- Inventory
- Fixed Assets
- Purchase Order, and
- Payroll/HR.

NLCB has projected that within the next two (2) months, Request for Proposals will be issued and a service provider will be selected to assist with implementation.

Records management will be supported by the Customer Relationship Management (CRM) software on Microsoft Dynamics 365. This software provides the NLCB with an electronic Agent management system, Debtors management and Sponsorship tracking. This will be implemented within the NLCB's 2019 financial year.

iii ***The line Ministry must engage in closer monitoring of the operations of the Audit Committee and other Sub-Committees of the NLCB (Pg. 20).***

Consideration has been given to the appointment of an officer of the Central Audit Committee, Investments Division of the Ministry of Finance to attend meetings of NLCB's Audit Committee to undertake closer monitoring of the operations of the Audit Committee and where applicable other the Sub-Committees.

iv ***The NLCB should sustain its marketing campaign which aims to encourage the public to patronise official NLCB Operators/agents. The campaign should also aim to highlight the negative consequences of engaging the services of illegal operations (Pg. 26)***

The NLCB has embarked on a media campaign with immediate effect informing the public of the consequences of engaging in illegal gaming.

v ***The Ministerial Response to this Report should include a status update on the investigations into illegal online game operators which are being conducted by the Police Service (Pg. 26).***

The NLCB has embarked on discussions with the Municipal Police and TTPS in this regard.

vi ***With immediate effect the NLCB must publish a brochure or document on its website or other internet platform outlining the processes which must be followed and the requirements for becoming an Agent/Operator (Pg. 27)***

NLCB has requested a quotation from its current website host, Computers and Controls, for the creation of a webpage on NLCB's website (nlcb.co.tt), to publish the following:

1. Requirements for obtaining an Electronic Lottery Agents License
2. Requirements for an Instant Money Game Agency

NLCB anticipates that this web-page will become available to the public by December 1st, 2018.

vii ***The Committee recommends that the Ministry of Finance give consideration to granting approval to the NLCB to offer compensation packages aligned to market/industry rates to the holders of job positions which are determined by the Board to be of key strategic importance to the growth, internal control and managerial efficiency of the NLCB (Pg. 27).***

The Ministry of Finance will give serious consideration to the recommendations of the NLCB on proposals for compensation for senior positions that do not fall under the Statutory Authority Service Commissions, before submission to the Human Resource Advisory Committee.

viii ***The Committee strongly recommends that the NLCB conducts research on the market salaries of the existing staff positions. After which, it should conduct a review of its remuneration package for all staff for submission to the Minister of Finance who is the Chairman of the Human Resource Advisory Committee (Pg. 35).***

For positions that fall within the remit of the Statutory Authority Service Commissions, salaries for staff have been determined for the period 2011-2013. There are two (2) main companies that conduct compensation surveys; HRC Associates and Employers Consultative Association both of whom will make available their research for a fee. Both associations were contacted, and the information will be available upon the payment of the relevant fees.

NLCB has stated that this exercise also will need to look at benchmarking similar positions with not only the salaries but the requisite qualification and experience.

ix ***The Ministry of Finance must mandate the Board of Directors of the NLCB to review the current Policy on Sponsorship with a view to enhancing the accountability and oversight mechanisms contain therein (Pg. 32).***

The current Policy on Sponsorship is attached. NLCB has stated that a member of the Board of Directors is currently reviewing the existing Policy with a view to enhancing accountability and oversight. This is expected to be finalised by the end of the calendar year 2018.

x ***In the Ministerial response to this Report, the Ministry of Finance will provide the Parliament with a copy of the sponsorship rules/guidelines which will guide the NLCB's sponsorship practices (Pg. 32).***

This document will be forwarded when it is finalised by NLCB. This refers to (xi) below as well.

xi ***The Policy should be modified to include a requirement for recipients of sponsorship values at $10,000 and up to submit a report to the NLCB presenting:***

- ***i Proof that the event or project was executed;***
- ***ii A financial report detailing actual expenses incurred and income earned;***
- ***iii Information on the level of participation and support received for the event/project (Pg. 32).***

Refer to the response to (x) above.

xii ***The NLCB should highlight the impact of their contributions in the areas of youth, sport, culture, education, environmental and community development on the social development of communities in order to build its brand and properly justify its decision to support these initiatives (pg. 33).***

NLCB has stated that the execution of this will rely heavily not only on the traditional print media, but also, on social media. To this effect, the Marketing & Public Relations Officer, along with the Communications Specialist and the IT Coordinator, will consult in order to get the NLCB social media accounts and pages on board and operational. The NLCB will also look towards any teams, organizations etc. who have made significant contributions in their areas and utilize them as 'brand ambassadors' for the company.

Medium-term Implementation (7 months to 12 months)

xiii ***The Committee recommends that the NLCB produce a feasibility study on the expansion of its game portfolio to include mobile gaming. It was noted that at present the NLCB operates a Mobile App called "NLCB Mobile" that allows the public to view results (Pg. 26).***

NLCB presently is conducting a feasibility study in light of the changing gaming industry environment and are in discussions with mobile gaming companies on the expansion of its game portfolio including mobile apps.

xiv ***The Ministry of Finance must institute arrangements to place specific attention on State Entities which have been the subject of Special Audits. The NLCB should be a "beneficiary" of this proposed arrangement (Pg. 26).***

It is the intention of the Central Audit Committee, Ministry of Finance to include the NLCB in its work plan notwithstanding resource constraints.

xv ***The NLCB should create a proposal outlining the draft amendments to the National Lotteries Act which would assist with deterring illegal operators (Pg. 27).***

The National Lotteries Act Chap 21:04 was proclaimed in 1968 creating the National Lotteries Control Board (NLCB) with the last amendment occurring in 2006. Over the years, NLCB has evolved and thus the legislative framework guiding the NLCB needs to be amended accordingly.

NLCB is considering the proposed amendments to the Act as follows:

a. Redefine gaming to include non-ticket games such as mobile gaming

b. Increase the number of board members to add a Vice Chairman and one other Director with qualifications and experience in specific fields such as security administration, business, legal, finance, public administration and technology.

c. Allow the decisions of the Board to be adopted by a majority vote of the directors.

d. Require members, both Board and Staff to declare a conflict of interest.

e. Upgrade the position of Director to Executive Director and for the Executive Director to be appointed by the Board and approved by the Minister of Finance.

f. Allow the Board to set terms and conditions for employees inclusive of annual salary increases.

g. Provide the requirements and guidelines for prize competitions.

h. Establish penalties for operating an unlicensed gaming machine (illegal gaming), default payments, operating without a valid Agent's license, credit betting, permitting a minor to place a bet, making false declaration with intent to deceive, failure to obtain consent for prize competitions, failure to train employees to detect money laundering.

i. Allow the NLCB to partner with non-gaming entities.

NLCB has recommended that a committee be formed to draft the proposed amendment comprising:

1. A Board Member
2. The Corporate Secretary
3. Representative from the Legislative Drafting Department, Ministry of the Attorney General and Legal Affairs
4. External Counsel

xvi ***The Committee recommends that an Actuarial Firm be consulted in order to assist in preparing an appropriate formula to calculate accurate annual sponsorship allocations (pg. 33).***

The total sponsorship yearly allotment is based on 1% of forecasted yearly sales.

Based on the data from 3-5 years prior to date, an analysis of the previous years can be undertaken and the percentage of sponsorship money estimated to be utilized each month. With this, it is possible to map out an estimated month by month budget each year.

Using this same principle, an even more detailed analysis can be undertaken to determine if the trends per sponsorship pillar remain relatively constant per month or if they fluctuate wildly. If the trends are somewhat constant, then this can also be used to estimate how much of each allocation per month should go towards a particular pillar.

Possible 1 year contracts such as those with NLCB Fonclaire, NLCB Buccooneers and NLCB Paramininios should be discussed at the close of the financial year and subsequently factored in at the start of the new fiscal year.

Notwithstanding the above, the sponsorship policy is to be reviewed and this recommendation will be considered.