PARLIAMENT

REPUBLIC OF TRINIDAD AND TOBAGO

PAC

*TWENTIETH REPORT OF THE*

# PUBLIC ACCOUNTS

## C O M M I T T E E

*THIRD 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 2017.

## 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 |
| Mrs. Charrise Seepersad | 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 |
| Mr. Justin Jarrette | Graduate Research Assistant |
| Ms. Kenika Espinosa | Parliamentary Intern |
| Ms. Anesha James | Administrative Assistant |
| Ms. Natoya O'Neil | Clerk Typist I |

## Publication

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

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[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.

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# 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**

Mrs. Charrise Seepersad
**Member**

## Executive Summary

The Public Accounts Committee (PAC) is the Parliamentary Financial Oversight Committee tasked with the responsibility of examining the issues outlined in the Auditor General's Report and audited financial statements of Ministries, Departments and Statutory Bodies. The PAC presents its Twentieth 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 for the financial year 2017***.

This report highlights the issues, observations and recommendations made by the Committee in its review of the 2017 Auditor General's Report.

**During this inquiry, the following issues arose:**

- ***The state of the internal audit function was identified as an area of major concern throughout the Public Service and was raised by the Auditor General in numerous Reports previously;***
- ***The maintenance of the Public Accounts largely through manual records presented huge inefficiencies in the accounting, reporting and auditing functions therefore surmising the need for the introduction of IFMIS;***
- ***Access to certain data at the Inland Revenue Division was denied by invocation of the official secrecy provisions of section 4 of the Income Tax Act, Chapter 75:01;***
- ***No evidence was seen to signify that projects were being monitored to ensure successful completion or adherence to agreed terms and conditions;***
- ***Some MDAs that flagrantly mismanage the preparation of the pension and leave records of their officers;***
- ***On four occasions duplicate schedules were not received by the Embassy in Havana, Cuba as acknowledgment of receipt of the bag and its contents;***
- ***The Auditor General's Report on the Public Accounts of Trinidad and Tobago for 2017 was replete with instances of documents not produced for audit scrutiny;***
- ***No evidence was seen that oil, gas and mineral extraction data used in the calculation of revenue collectible was verified by the Ministry;***
- ***Several revenue control weaknesses were noted at outstations of the Customs and Excise Division – MoF;***

- ***Cabinet approval for the refurbishments at the Official Residence in Geneva did not specifically cover the installation of extravagant kitchen upgrades;***
- ***Signed lease agreements were not produced with respect to certain properties for which rental payments were made;***
- ***The factors that contribute to the inability of AOs to comply with the financial rules regulations and the possible penalties for non-adherence;***
- ***The monitoring and oversight of the IT function in the Public Service by MPA was not evident also revealing that there was very little or no integration in the use of IT to facilitate efficient service delivery;***
- ***Greater emphasize was being placed on value for money within the Public Service for which the Auditor General's Reports were not focused on; and***
- ***Staffing issues continue to exist at the AGD which currently operates with 50% of its required staff compliment.***

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

- ***The MoF should submit a status report on the establishment of the oversight office that will be spearheading the Internal Audit Reform;***
- ***Provide the Committee with a timeline of how the concerns with the internal audit function would be addressed in the PFM System;***
- ***The MoF should submit an update on estimated timeline for the full implementation of IFMIS;***
- ***The AGLA should submit an updated timeline for the way forward for the amendment to section 4 of the Income Tax Act, Chapter 75:01;***
- ***The MoF-ID should provide the Committee of an outline of the oversight process it uses to ensure accountability of subventions by State Enterprises;***
- ***The MoF-ID should enforce the penalties in place for Accountable Officers who fail to account for the annual subventions they receive yearly;***
- ***The MoE should ensure that all educational institutes under its purview maintain Contract Registers that document all the contractually agreed terms and conditions;***
- ***The Committee endorses the steps being taken by the Pensions Management Branch, Treasury Division to ensure the timely receipt of pensions to public officers;***

- ***The MoF should provide a status update on the to the procurement and implementation of a RFID Technology System for use by the Pensions Management Branch, Treasury Division, to assist with the tracking of pension and gratuity files;***
- ***The MoF in collaboration with the AGD should devise penalties for the AOs of the MDAs which fail to respond to the Auditor General's Circular Memoranda deadlines for submission. Not having all the requested submissions lessens the effectiveness of the AGD's audit scrutiny;***
- ***The PRESD should formally begin the renewal process for properties leased by Ministries and Departments at least one year prior to the expiration of the lease;***
- ***The PRESD should submit a report of the initiatives be done to improve the lease renewal process as well as initiatives used to reduce the amount of Ministries and Departments that lease properties;***
- ***The PSA should ensure that all accounting officers are apprised of their roles and responsibilities of the positions they hold on a more regular basis as a means of ensuring constant compliance to the financial rules and regulations;***
- ***The Committee endorses the AGD's viewpoint on the need for value for money audits on the MDAs;***
- ***The AGD should submit a report on all the requirements it needs to begin focusing on value for money audits in the public service;***
- ***The PSC should submit a report on the initiatives being taken to fill the vacancies within the AGD; and***
- ***The MoF should take note of the underlying issue of insufficient funding available to AGD which stymies its ability to hire new auditing staff and conduct training which affects its capacity to conduct value for money audits of the public service.***
- ***The MoF should request training be provided by the PSA for the Customs and Exercise Division in each division's weak points identified above. This training should be provided at the earliest convenience to ensure that the country's revenue is properly maintained and accurately accounted for;***
- ***The MEEI should submit a report on all the initiatives being looked to determine the veracity of the production data submitted by the oil and gas extraction companies and quarry operators as well as the feasibility of each;***

- ***The TTPS should review the operations of VMCOTT as the" authorized company to carry out repairs and maintenance of vehicles for the Police Service" and submit a report to the Committee on its findings and recommendations on the servicing of TTPS's entire fleet of vehicles by April 25, 2019;***
- ***The TTPS should ensure there is transparent process for the selection of service providers;***
- ***TTPS should conduct public auctions for vehicles that are not cost effective to be retained;***
- ***TTPS should ensure that all vehicles have GPS systems that are functional as a means of keeping track of vehicles' speed before and after accidents; and***
- ***TTPS should ensure that all contracts for the provision of goods and services are available for audit scrutiny.***
- ***The MFCA should submit the policy which stipulates the standard requirements for an Official Overseas Residence to the AGD in time for the next audit of the Public Accounts;***
- ***The MFCA should investigate the use and control mechanisms for the use of diplomatic bags at all the overseas missions and determine whether more stringent control mechanisms are required;***
- ***The MSDFS should submit a report to the Committee on the benefits derived from the measure taken to facilitate access to information on deaths;***
- ***The MSDFS should again communicate with the PRESD on the status of the Cabinet Approval's for the continuation of lease arrangements for the properties rented by the Ministry;***
- ***The MALF should ensure that Cabinet approval is obtain for all projects undertaken by the Ministry;***
- ***The MoH should ensure that all accounting officers are apprised of their roles and responsibilities of the positions they hold as a means of ensuring proper record keeping and accounting for all documents for scrutiny; and***
- ***The Committee endorses the need for the implementation of recommendations made by the AGD in the Auditor General's Report on the Public Accounts for the year 2017.***

# 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 an eight (8) entity work programme for the Third Session of the Eleventh Parliament during its twenty-first meeting held on Wednesday November 29, 2017. These entities included:

1. Water and Sewerage Authority (WASA);
2. Trinidad and Tobago Electricity Commission (T&TEC);
3. Trinidad and Tobago Bureau of Standards (TTBS);

4. Airports Authority of Trinidad and Tobago (AATT)
5. Chaguanas Borough Corporation (CBC);
6. Chaguaramas Development Authority (CDA);
7. Housing Development Corporation of Trinidad and Tobago (HDC); and
8. Regional Health Authorities (SWRHA, NCRHA, NWRHA & TRHA).

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 2017 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 2017 and postpone the examination of the entities listed below. This public hearing was held on June 13, 2018.

1. Housing Development Corporation of Trinidad and Tobago (HDC); and
2. Regional Health Authorities (SWRHA, NCRHA, NWRHA & TRHA)

# The Inquiry Process

The Inquiry Process is the steps taken by the Committee in its examination of the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the financial year 2017. 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 2017;

II. A public hearing was conducted and the relevant witnesses were invited to attend and provide evidence on Wednesday June 14, 2018;

III. Questions were forwarded to each Ministry identified in Approved questions were forwarded to the Auditor General's Department for proposed discussion; and

IV. Reporting the Committee's findings and recommendations to Parliament upon conclusion of the inquiry.

# Background: Auditor General's Department

## History[3]

The Auditor General's Department of Trinidad and Tobago, formerly known as the Audit Department, came into existence with the appointment of a Director of Audit in the year 1862. Until that year, the accounts of the Colony of Trinidad, which became administratively linked with Tobago by an Order in Council of 1889, were apparently transmitted to the "Imperial Auditors" in London.

It was the coming into effect of the Exchequer and Audit Ordinance on December 05 1959 and the achievement of Independence by Trinidad and Tobago on August 31, 1962 that marked the creation of the post of Auditor General. The holder of that position has full responsibility for the audit and certification of the Nation's public accounts in accordance with Section 90 (2) of the Trinidad and Tobago (Constitution) Order in Council, 1962.

## Establishment of the Office of the Auditor General[4]

The Constitution of the Republic of Trinidad and Tobago (Act 4 Of 1976) Chapter 8– Section 116 states that:

1) There shall be an Auditor General for Trinidad and Tobago, whose office shall be a public office.
2) The public accounts of Trinidad and Tobago and of all officers, courts and authorities of Trinidad and Tobago shall be audited and reported on annually by the Auditor General, and for that purpose the Auditor General or any person authorized by him in that behalf shall have access to all books, records, returns and other documents relating to those accounts.
3) The Auditor General is hereby empowered to carry out audits of the accounts, balance sheets and other financial statements of all enterprises that are owned or controlled by or on behalf of the State.
4) The Auditor General shall submit his reports annually to the Speaker, the President of the Senate and the Minister of Finance.
5) The President of the Senate and the Speaker shall cause the report to be laid before the Senate and the House of Representatives, respectively, at the next sitting of the Senate and the House of Representatives after the receipt thereof, respectively.

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[3] Auditor General Department's webpage http://www.auditorgeneral.gov.tt/content/history accessed 30/Aug/2018
[4] Constitution Of The Republic Of Trinidad And Tobago http://laws.gov.tt/pdf/Constitution.pdf

6) In the exercise of his functions under this Constitution the Auditor General shall not be subject to the direction or control of any other person or authority.

## Mission[5]

To independently audit and report on the use of public resources for the benefit of the country and its people, and to lead by example.

## Vision

To be an Independent Supreme Audit Institution that effectively promotes Accountability, Transparency and Integrity in the use of Public Resources.

## Core Values

Values are the principles that represent the key ideas and ideals through which the Auditor General's Department is governed. They are the fundamental thoughts that shape behaviour and operations. In this context and based on its Beliefs and Philosophy the Department's core values include:

1. Integrity. The Auditor General's Department has built its image on this platform. All staff will contribute to the furtherance of this value.
2. Accountability and Transparency. These values will be foremost in the operations of the Auditor General's Department on a daily basis.
3. Endorsement of open communication. Employee participation and involvement in the business of the Auditor General's Department is a basic principle of its operations
4. Confidentiality. This is in force at all times.
5. Professionalism. All staff would operate with professionalism at all times
6. Participatory Leadership. Leadership in the Auditor General's Department goes beyond the 'open door policy.' Key staff are empowered to make decisions.
7. Service Orientation. Superior service to the Government and people of Trinidad and Tobago will be the strongest orientation of the Auditor General's Department.

## Appointment of the Auditor General[6]

The Auditor General is appointed by the President of the Republic of Trinidad and Tobago after consultation with the Prime Minister and the Leader of the Opposition and may hold office up to age

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[5] Auditor General Department's webpage http://www.auditorgeneral.gov.tt/content/mission-and-vision accessed on 30/Aug/2018

[6] Auditor General Department's webpage http://www.auditorgeneral.gov.tt/content/appointment-role-and-function accessed on 30/Aug/2018

sixty-five (65) years and may be removed from office only on certain grounds and after a prescribed procedure. Those provisions are entrenched in the Constitution of the Republic of Trinidad and Tobago (1976).

## Past Auditors Generals[7]

| Period | Auditor General |
|---|---|
| 1963 - 1967 | Mr. Mathieu V Lee Sing |
| 1967 - 1986 | Mr. Errol Gregoire |
| 1986 - 1990 | Mr. Alton A Campbell |
| 1990 - 2006 | Mrs. Jocelyn Thompson |
| 2006 - 2015 | Mrs. Sharman Ottley |
| 2015 - Present | Mr. Majeed Ali |

## Role and Function

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; and
- Economy, efficiency and effectiveness in the collection, disbursement and use of funds and other resources.

[7] Auditor General Department's webpage http://www.auditorgeneral.gov.tt/content/past-auditors-general accessed on 30/Aug/2018

## Duties and Powers of the Auditor General[8]

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. Part III of the Exchequer and Audit Act specifies these duties listed here under:

7. The Auditor General shall not be capable while holding the said office of holding any other office of emolument in the service of the State.

8. (1) Save as is otherwise provided for in the Constitution the provisions of the law and regulations in force relating to the public service shall apply to the Auditor General.

(2) Where the Auditor General is removed from office under the Constitution the Minister shall make a full statement of the reasons therefore at the first opportunity to Parliament.

9. (1) The Auditor General shall examine, inquire into and audit the accounts of all accounting officers and receivers of revenue and all persons entrusted with the assessment of, collection, receipt, custody, issue of payment of public moneys, or with the receipt, custody, issue, sale, transfer or delivery of any stamps, securities, stores or other State property.

(2) The Auditor General shall satisfy himself that -

a) all reasonable precautions have been taken to safeguard the collection of public moneys and that the laws, directions and instructions relating thereto have been duly observed;
b) all issues and payments were made in accordance with proper authority and that all payments were property chargeable and are supported by sufficient vouchers or proof of payment;
c) all money expended has been applied to the purpose or purposes for which the same was granted by Parliament and that such expenditure conforms to the authority which governs it and has been incurred with due regard to the avoidance of waste and extravagance;
d) essential records are maintained and the rules and procedures framed and applied are sufficient to safeguard the control of stores and other State property.

[8] Exchequer and Audit Act Chapter 69:01 http://rgd.legalaffairs.gov.tt/laws2/alphabetical_list/lawspdfs/69.01.pdf

## Overview of the Audit Process[9]

### Engagement

The Auditor General can be engaged to conduct audits in the following ways:

1) For the audit of Ministries and Departments of the government of the Republic of Trinidad and Tobago the Exchequer and Audit Act section 9(1)) mandates the Auditor General to conduct these audits.
2) In many instances the statute (law) setting up a Statutory Body or Authority indicates that the Auditor General shall be the auditor. In some instances the Auditor General is allowed the freedom to appoint an auditor who would submit reports through the Auditor General.
3) Some statutory bodies, which have the prerogative to appoint auditors in their own right, appoint the Auditor General to conduct the audit.
4) At times International Financial Institutions such as the IBRD and IADB require that the Auditor General's Department conduct the audits of projects funded by loan from these institutions.

### Instructions

The Auditor General need not be engaged by the Management of a relevant state owned or state run entity but is empowered under section 116(2) and (3) of the Constitution of Trinidad and Tobago to conduct an audit if he/she thinks it is necessary.

### Planning

Standard audit procedures are followed by the Department in the planning and preparation for the audit i.e.:

- Permanent files are reviewed and updated as necessary
- Planning meetings are held with the relevant senior staff to the entity and with the audit team
- Work programs and work schedules are prepared
- Letters of engagement are issued to all client entities including Ministries and Departments

### Execution

The Auditor General's Department has developed standard work programmes for most of the areas to be audited at client entities. These are adapted if the circumstances or the client requires it. The audit work includes testing of the internal controls in place at the client as well as verifying the figures

[9] Auditor General Department's webpage http://www.auditorgeneral.gov.tt/content/overview-audit-process accessed on 30/Aug/2018

in the financial statements. The audit is conducted on a test basis. Samples considered to be representative of the population are selected and tested. In certain small entities or areas considered to be of high risk 100% of the population may be tested. Findings are continuously discussed with representatives of the client. At the end of the fieldwork the findings are discussed with the client in what is called an 'exit meeting.' The audit work and findings are collected in the audit working papers. Current files contain all the detailed work and supports for the findings. The permanent files are updated with any relevant information.

### Review

The audit work is subjected to several levels of review in order to ensure a high quality of output.

1) The team leader reviews and directs the work of the team members while in the field and produces a summary report called the "Examiner's Report."
2) Another review is conducted by a senior Officer and review notes and a draft Audit Report are produced.
3) A final review is done at the level of Assistant Auditor General who may amend the draft Audit Report as necessary. A recommendation is made to the Auditor General.
4) The Auditor General examines the recommendations in the context of the findings and decides on the form of the Report.

### Reporting

The form of the Auditor General's Reports generally follows the format of the accounting profession. The reports can be:-

- unqualified
- qualified

Qualifications are based on:-

a) limitations in the scope of the audit work.
b) disagreement on quantities, treatment or presentation of information in the financial statements.

The Auditor General is required under the constitution to submit reports to the President of the Senate, Speaker of the House of Representatives and the Minister of Finance. Reports are also submitted to the management of the client entity and to the Ministry with overall responsibility for that entity.

## Clientele[10]

- Ministries and Departments of the Central Government
- Tobago House of Assembly
- Regional Corporations
- Regional Health Authorities
- Statutory Boards and Similar Bodies
- All State Enterprises owned or controlled by or on behalf of the State that the Auditor General is so empowered to audit.
- The Public Accounts Committee
- The Public Accounts (Enterprises) Committee of Parliament and
- All Officers, Courts, and Authorities of Trinidad and Tobago.

[10] Auditor General Department's webpage http://www.auditorgeneral.gov.tt/content/our-clients accessed on 30/Aug/2018

## Issues, Observations 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, 2017, the Committee identified pervasive issues as well as individual issues were identified and recommendations proposed:

### Pervasive Issues

**1. The state of the internal audit function in Ministries and Departments**

The AGD's Report indicated that the state of the internal audit function had been identified as an area of major concern throughout the Public Service and was raised by the Auditor General in numerous Reports previously. The 1987 Report of the Auditor General of the Republic of Trinidad and Tobago provided details on a Comprehensive Audit on the Internal Audit Function in Government Ministries/Departments and Statutory Boards. The 1987 Report outlined a number of recommendations *(shown in Chart 1.2)*[11] for the strengthening of the function, which the Auditor General believes are still applicable. The Auditor General's Reports on the Public Accounts for the fiscal years 2012 to 2016 also reiterated the 1987 recommendations but officials from the AGD stated that the level of implementation remained unsatisfactory. The Ministry of Finance (MoF) indicated that the concerns with the internal audit function would be addressed as part of the current reform of the Public Financial Management (PFM) System.

In a Ministerial Response submitted by the MoF on March 7, 2018, it was indicated that: *"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; and*
- *To provide oversight and challenge support to internal audit within Ministries and Departments.*

[11] Reports of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the financial years ended September 30, 2017 http://www.auditorgeneral.gov.tt/content/report-auditor-general-public-accounts-republic-trinidad-and-tobago-financial-year-2017

***Recommendations:***

- ***The Ministry of Finance (MoF) should submit a status report on the establishment of the oversight office that will be spearheading the Internal Audit Reform by April 25, 2019; and***
- ***Provide the Committee with a timeline of how the concerns with the internal audit function would be addressed in the Public Financial Management (PFM) System.***

***2. The status of the implementation of Integrated Financial Management Information System (IFMIS)***

The AGD's Report for 2017 noted that the accounting records supporting the production of the Public Accounts were largely manual records, some of which were introduced from as far back as 1959. The Report also stated that the maintenance of such records presented huge inefficiencies in the accounting, reporting and auditing functions and surmised that they could be resolved by the introduction of IFMIS. The implementation of (IFMIS) should facilitate, among other things, real time processing of data as well as timely generation of accurate statements. It is a financial tool that essentially provides and promotes good governance and accountability. Officials from the AGD indicated that from an audit perspective, it would also help facilitate the easier interrogation of information by the Ministries and Departments (MDAs) which would allow for easier access by the AGD.

In a Ministerial Response submitted by the MoF on March 7, 2018, it was indicated that: *"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."*

As outlined on page 16 of the Auditor General's 2017 Report: The Chairman of the Central Tenders Board by memorandum dated April 3, 2018 agreed to the award of a contract to FreeBalance Inc. for the procurement of the IFMIS for the MoF at a total cost of US$14,790,496.20.

***Recommendation:***

- ***The Ministry of Finance should submit an update on estimated timeline for the full implementation of the IFMIS by April 25, 2019.***

### 3. Limitation of Scope/Independence

The Auditor General has a constitutionally enshrined right to access all documents for the audit of the Public Accounts, nevertheless access to certain data at the Inland Revenue Division was denied by invocation of the official secrecy provisions of section 4 of the Income Tax Act, Chapter 75:01. Officials from the AGD indicated that the limitation of scope was included in its Report because in order to audit the collection of revenue, the AGD would need access to taxpayers' information. However, due to the interpretation and application of the secrecy provisions of section 4 of the Income Tax Act by the Board of Inland Revenue, the AGD was debarred from having access to those particulars.

The Auditor General's Report[12] states "*The interpretation and application by the Board of Inland Revenue of the secrecy provisions of section 4 of the Income Tax Act, have posed a challenge to the audit of revenue at the Inland Revenue Division. A legal opinion on this matter was prepared by the Legal Officer at the Auditor General's Department and forwarded to the Attorney General on 18th September, 2013 for consideration and final approval. The Attorney General in 2015 assured the Auditor General that the necessary steps were being taken to ensure that the Auditor General's access to the information is facilitated. Apart from the information covered by section 4 of the Income Tax Act, the weaknesses in internal control and lack of access to information highlighted in this Report are red flags that emphasize the need for a more intensive investigation into the operations of this major revenue collector.*"

The Report further goes on to say that: *"Following the recommendations of the Public Accounts Committee in the first quarter of 2017, the Chairman of the Board of Inland Revenue and the Auditor General met on several occasions under the auspices of the Ministry of the Attorney General and Legal Affairs. These meetings were intended to chart the way forward pending amendment to section 4 of the Income Tax Act, Chapter 75:01. To date the matter has not been resolved."*

***Recommendation:***

- ***The Ministry of the Attorney General and Legal Affairs (AGLA) should submit an updated timeline for the way forward for the amendment to section 4 of the Income Tax Act, Chapter 75:01 highlighting how the confidentiality and personal privacy considerations can be addressed while allowing for transparency and accountability in the conduct of affairs by the Board of Inland Revenue against the background of the scrutiny role of the Auditor General.***

[12] Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the financial year 2017 page 15.

## 4. Accounting for Subventions Received by State Enterprises

In preparation of the 2017 Auditor General's Report, by memorandum dated October 27, 2017, the Permanent Secretary (PS) of the MoF was requested to furnish information with respect to the following:

a) The last audited financial statements of State Enterprises submitted to the MoF, and
b) The last audited financial statements of State Enterprises laid in Parliament.

From the information received by the AGD, a table summary of the State Enterprises for which audited financial statements that have not been laid in Parliament by January 31, 2018 was highlighted on pages twenty-two (22) through twenty-five (25) of the Report. The AGD also inserted a column which showed the Total Subventions Received by the State Enterprises that have not been accounted for in terms of audited financial statements submitted to the MoF. The amounts unaccounted for ranged from as low as $1,964,000 by Cocoa Development Company of Trinidad and Tobago Limited's (CDCTT) to as high as $1,554,578,765 by The CEPEP Company Limited.

***Recommendations:***

- ***The MoF – Investments Division should provide the Committee with an outline of the oversight process it uses to ensure accountability of subventions by State Enterprises; and***
- ***The MoF – Investments Division should also enforce the penalties in place for Accountable Officers who fail to account for the annual subventions they receive.***

## 5. Processing time for Pension and Gratuity Payments

In accordance with the Civil Service Regulations, the Pension and Gratuity payments process, requires all MDAs to maintain updated annual pension and leave records for officers every year. These records are subsequently submitted to the Comptroller of Accounts, Treasury Division for verification. If records were submitted on a timely basis, issues and challenges relating to the person's service, i.e. overpayments, underpayments and anything else not properly reflected on the pension and leave record, would be adjusted annually. Therefore, when the public officer retires and there should be no issues in their records, resulting in the computation being done in a timely manner. The AGD is the last port in which a person's pension and leave assessment and computation is verified.

Officials from the AGD noted that over the years, officers' pension and leave records oftentimes do not follow them when they move within the Public Service. Officials also stated there are some MDAs that mismanage the preparation of the pension and leave records of their officers. Officials described certain situations where officers were about to exit the service and had to rush to try and update their pension and leave records by going back to their previous MDA. Also noted was the realignment of Ministries which causes Departments and Divisions to move from one Ministry to another. This has resulted in the misplacement of pension and leave records.

In a Ministerial Response submitted to the Committee on March 7, 2018, the MoF *cited:*

1. *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 Pension & Leave 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."*

2. *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.*

***Recommendations/Endorsement:***

- ***The Committee endorses the steps being taken by the Pensions Management Branch, Treasury Division to ensure the timely receipt of pensions to public officers;***
- ***The MoF should provide a status update on the procurement and implementation of a RFID Technology System for use by the Pensions Management Branch, Treasury Division, to assist with the tracking of pension and gratuity files by April 25, 2019; and***
- ***The recent decision by the Minister of Finance to pay a monthly stipend of $3,800 to public officers immediately upon retirement provides relief but a permanent solution must be pursued.***

### 6. Non-Submission of Documents / Responses to Memoranda

The Auditor General's Report on the Public Accounts of Trinidad and Tobago for 2017 was replete with instances of documents not produced for audit scrutiny. This represented a serious breach of both the Auditor General's constitutionally enshrined right to access all documents relating to the

Public Accounts and the financial regulations 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."* Apart from queries for supporting documents during the audit, the AGD made requests for information which were sent to MDAs via nine (9) Auditor General Circular Memoranda. The Report (Pages 20 and 21) show a detailed table summary of the MDAs which failed to respond to the Auditor General Circular Memoranda by the deadlines for submission.

***Recommendation:***

- ***The MoF in collaboration with the AGD should devise penalties for the Accounting Officers of the MDAs which fail to respond to the Auditor General's Circular Memoranda deadlines for submission. Not having all the requested submissions lessens the effectiveness of the AGD's audit scrutiny.***

**7. *Lease Agreements***

According to the Auditor General's Report, "Signed lease agreements were not produced for some properties for which rental payments were made. This matter was also raised in previous years and had been attributed to the length of time taken by the Property and Real Estate Services Division (PRESD) under the Ministry of Public Administration (MPA) to execute leases. The result was that rental payments were made without formalization of leases." Rent paid by MDAs during 2017 was in excess of $790,000,000.00.

Currently, MDAs reside in properties without formal lease agreements because the process for renewal is the same process involved when initially renting the property. With this in mind, when renewal processes are dragging on, the PRESD gives the MDAs permission to occupy the property under the previous contractual obligations on a month to month basis until a revaluation is done to determine whether or not rental payments should increase or continue. Because the nature of the process is very time consuming this impacts on MDAs' ability to actually comply with the legislation.

***Recommendations:***

- ***The PRESD should formally begin the renewal process for properties leased by Ministries and Departments at least one year prior to the expiration of the lease*; *and***
- ***The PRESD should submit a report of the initiatives be done to improve the lease renewal process as well as initiatives used to reduce the amount of Ministries and Departments that lease properties.***

**8. Accountability of Accounting Officers**

The Committee sought clarification on the factors contributing to the inability of Accounting Officers (AO) to comply with the rules and financial regulations and the possible penalties for non-adherence. Officials from the AGD indicated that AOs should be properly trained to understand their roles and responsibilities with regards to the entire accounting function since there are a lot of inexperienced accounting officers. There have also been a lot of changes regarding Permanent Secretaries as they move from one Ministry to the next. This creates disorganization because oftentimes the PS does not understand the operations of the new Ministry. The constant change of AOs has caused difficulties throughout the Public Service including the hindrance of the progress of mechanisms introduced. Furthermore AOs should be properly trained with the execution of their duties in accordance to the Financial Instructions/Regulations. Officials from the AGD indicated that the MoF is responsible for bringing accounting officers in line to ensure that rules and regulations are followed and to ensure there is more efficiency and accountability in the Public Service.

***Recommendation:***

- ***The Public Service Academy (PSA) should ensure that all accounting officers are apprised of their roles and responsibilities of the positions they hold on a more regular basis as a means of ensuring constant compliance to the financial rules and regulations or Ministries themselves could provide responsibility, accountability and department strengthening training.***

## 9. IT Management Across the Public Service

The impetus for the Auditor General's audit of Information Systems in MDAs derives primarily from the International Auditing Standards and from the Information Technology Policy for the Public Service approved by Cabinet on July 10, 1997. The AGD was so driven by the need for proper IT management and governance that it dedicated an entire Chapter (5) on IT assessment. Officials from the AGD hoped that the recommendations outlined in the chapter would be able to reduce wastage and improve the efficiency of information delivery to all the people that need it. The Report goes on to say that the production and maintenance of the Public Accounts and the operations of MDAs was becoming increasingly more dependent on the use of IT. MPAC is responsible for the coordination and implementation of national Information and Communication Technology (ICT) objectives for the Government of the Republic of Trinidad and Tobago. This is done through the development, implementation and oversight of ICT plans and programmes. The National Information and Communication Technology Company Limited (iGovTT) acts as the implementation arm of the

Ministry in the execution and administration of Government's enterprise-wide ICT strategies and programmes. The monitoring and oversight of the IT function in the Public Service by MPA was not evident which also revealed that there was very little or no integration in the use of IT to facilitate efficient service delivery.

***Endorsement:***

- ***The Committee endorses the need for the implementation of recommendations made by the AGD in the Auditor General's Report on the Public Accounts for the year 2017.***

### 10. The Need For Value For Money Audits

During the discussions with the officials from AGD, they noted that a greater emphasis was being placed on value for money within the Public Service for which the Auditor General's Reports were not focused on. Officials from the AGD indicated that they have been trying to expand that scope of work for some time but due to being continuously hampered by limited human resources, haven't been able to direct enough of its staff responsible for the audit of the Public Accounts, onto the value for money section. The AGD recognized that based on the countries current economic climate there was a need to look at best practice in the use of public funds across the board which meant allocating more resources to value for money type audits. While noting the audit of the Public Accounts was essential, the AGD identified looking at wastage and the economic disadvantages of entering into individual silo-like acquiring processes, opposed to having a central process that is both economical and accepted across the Public Service.

***Endorsement/Recommendation:***

- ***The Committee endorses the AGD's viewpoint on the need for value for money audits on the MDAs; and***
- ***The AGD should submit a report on all the requirements it needs to begin focusing on value for money audits in the public service.***

### 11. Auditor General Department's Human Resource Limitation

Staffing was highlighted as an issue within the AGD which currently operates with 50% of its required staff complement. Officials from the AGD told the Committee that it was currently seeking the filling of forty-four (44) entry level positions and a qualified officer position. While positions were advertised, interviews held and merit lists tabled, the problem was that there was insufficient funding to hire the persons or conduct trainings for current staff. Based on the current workload of the AGD and advancements in auditing methodologies they are severely understaffed and had sought assistance from the Public Service Commission (PSC) to remedy the situation. The AGD stated that persons whose competencies and skills complement its changing audit methodologies were needed. While methodologies have been retooled and advancing over a number of years, officials from the AGD indicated that it also needed to extend its research unit which presently consisted of one (1) officer. The AGD stated that present conditions were inadequate in terms of the complexities of the transactions and operations taking place in the environment of the entities which were being audited. Also mentioned were instances where competencies were lacking in staff and insufficient training was provided by the relevant agencies.

***Recommendations:***

- ***The PSC should submit a report on the initiatives being taken to fill the vacancies within the AGD; and***
- ***The MoF should take note of the underlying issue of insufficient funding available to AGD which stymies its ability to hire new auditing staff and conduct training which affects its capacity to conduct value for money audits of the public service.***

## Individual Areas of Concern

### The Ministry of Finance

**12. Revenue Control by the Comptroller of Customs and Excise, MoF**

During a visit by the AGD to one (1) outstation on two separate dates, several revenue control weaknesses were noted. This included the Cash Book not being properly maintained in accordance with Financial Regulations 8(*j*), 50 and 54 as evidenced by the following:

- Daily totals were not entered in the Cash Book;
- The Cash Book was not being balanced, and
- Deposits could not be traced to the relevant receipts.

Another instance was the Remittance Registers which were used for the receipt of monies by cheque were not maintained in two (2) outstations as required by the Financial Instruction 75.

On another occasion the following weakness in depositing cash and cheques was noted:

- An amount of $855,973.70 comprising cash totaling $80,422.00 and cheques totaling $775,551.70 that included monies collected since February, 2017 and remained un-deposited at the time of the audit in August 2017. This contravened Financial Regulation 53.

***Recommendation:***

- ***The MoF should request training be provided by the PSA for the Customs and Exercise Division in each division's weak points identified above. This training should be provided at the earliest convenience to ensure that the country's revenue is properly maintained and accurately accounted for.***

## The Ministry of Education (MoE)

### 13. Establishment of the Aviation Institute - UTT Camden - Phase 1

Contracts between The University of Trinidad and Tobago and two (2) construction firms totaling $10,000,000.00 were not produced for audit. Officials from the AGD indicated that while it recognized that Cabinet approval was granted for the project, no evidence was seen to signify that the projects were being monitored to ensure successful completion or adherence to agreed terms and conditions. Officials from the AGD further stated that it was only sensible for entities that are engaging in payments of contracts of any nature and size to always seek to ensure that the necessary documentation is on hand. While it was only an observation, officials from the AGD indicated that matters similar to the aforementioned will be delved into deeper to ensure compliance with the terms and conditions of their contracts. The AGD's Report for 2017 stated that the project was 92% completed and the building was yet to be outfitted.

***Recommendation:***

- ***MoE should ensure that all educational institutes under its purview maintain Contract Registers that document all the contractually agreed terms and conditions.***

## The Ministry of Energy and Energy Industries

### 14. The Ministry of Energy and Energy Industries' inability to determine the veracity of the production data submitted by the oil and gas extraction companies and quarry operators

No evidence was seen that oil, gas and mineral extraction data used in the calculation of revenue collectible was verified by the Ministry. After the AGD reviewed the MEEI's Draft Strategic Plan that was sent to Cabinet for approval, no measures were included to address the weaknesses related to the Ministry's inability to determine the veracity of the production data submitted by the oil and gas extraction companies and quarry operators. Officials from the AGD stated that at the time of asking, the MEEI was still dependent on its honour system, whereby the production data submitted by the oil and gas companies or the quarrying operators, is used as is in the calculation of the royalties due to the MEEI. The AGD was of the belief that in terms of management, the MEEI cannot rely on the truthfulness of the operators and as such, proper measurement tools/mechanisms needed to be implemented to determine the exact revenue owed to the State as far as royalties due was concerned.

***Recommendation:***

- ***The MEEI should submit a report on all the initiatives being looked at to determine the veracity of the production data submitted by the oil and gas extraction companies and quarry operators as well as the feasibility of each by April 25, 2019.***

## The Trinidad and Tobago Police Service (TTPS)

### 15. Repairs and Maintenance of Vehicles

The Auditor General Report stated that "The Vehicle Management Corporation of Trinidad and Tobago (VMCOTT) is the authorized company to carry out repairs and maintenance of vehicles for the Police Service. Amounts totaling $4,441,148.15 representing forty-two percent (42%) of the total expenditure under maintenance of Vehicles was paid to a private contractor. A contract was not produced for audit. Further, it was noted that VMCOTT provided services for only six percent (6%) of the total expenditure."

In a written submission dated June 6, 2018, the TTPS indicated that its fleet was approximately one thousand, six hundred and seventy-nine (1679) vehicles. The TTPS explained that car dealerships maintained the vehicles for the first three years, however, one thousand, four hundred and twenty-five (1425) vehicles in the fleet were at least three (3) years old and therefore would not be maintained by the dealership. In 2016, following a meeting with VMCOTT and TTPS, there was an agreement that VMCOTT would maintain Nissan X-Trails, Holden Omegas and Mazda 6s. However VMCOTT could only undertake minor repairs on a small number of vehicles on a daily basis. As a result of VMCOTT's inability to maintain a large number of police vehicles, the services of private repair garages have been utilized to repair vehicles that are no longer maintained at dealerships. These repair garages have demonstrated the ability to repair police vehicles at lower costs than VMCOTT and even the respective dealerships. Additionally, jobs are completed in a timely manner and at a very high quality.

The TTPS explained that the main reasons for forty-two percent (42%) of the expenditure being paid to one contractor were as follows:

I. VMCOTT's inability to maintain the vehicles of the TTPS fleet

II. Massy Motors Limited and Toyota Trinidad Limited stopped servicing TTPS vehicles for the majority of fiscal 2017 based on the fiscal challenges which resulted in the TTPS exceeding the established credit limits. However, Lifestyle Motors continued to service new TTPS vehicles throughout fiscal 2017.

III. The cost of maintaining the Nissan X-Trails at the dealership was becoming prohibitive as the age and mileage of the vehicle increased.

IV. Worrel Regis & Company Limited was utilized because:

a) They had the capacity to maintain and repair a wide range of vehicles. The Nissan and Toyota vehicles needed to be maintained to ensure continuous mobility for TTPS personnel.

b) The cost of servicing was actually lower than VMCOTT and the dealerships.

c) This contractor has the capability to refurbish Police Mobile Units. These units are critical to major policing initiatives and operations but are costly to refurbish.

d) The TTPS received a high quality of service from Worrel Regis and Company Limited.

e) They accommodated delayed payments which were due to financial constraints

## 16. Contract Agreements

The TTPS has entered into contracts with Toyota Trinidad Limited and Lifestyle Motors for preventative maintenance services for its new vehicles. It must be noted that these contracts do not cover breakdown maintenance. The TTPS acknowledged that ideally, it should enter into contracts with private repair garages, however, the following factors needed to be considered:

I. Service Contracts usually cover preventative and routine maintenance services while most of the jobs undertaken by the private garages are breakdown maintenance and repairs.

II. The exact nature of the repairs required for each vehicle is unique based on the actual condition of the vehicle, type of vehicle, type of component failure, root cause of problem and state of disrepair or damage.

III. In many cases an accurate estimate of the price and actual scope of work repairs can only be determined after a proper diagnosis and assessment of the vehicle. This may require components to be removed and disassembled to determine the problem and repairs required. This includes engine repairs, transmission repairs, braking system, major road traffic accidents and air condition repairs.

IV. The TTPS fleet of one thousand, six hundred and seventy-nine (1679) allows the TTPS to negotiate with garages to provide competitive pricing while ensuring value for money and savings for the organization.

***Recommendations:***

- ***The TTPS should conduct an immediate review of the operations of VMCOTT as the "authorized company to carry out repairs and maintenance of vehicles for the Police Service" and submit a report to the Committee on its findings and recommendations on its ability to service TTPS' entire fleet of vehicles by April 25, 2019;***
- ***The TTPS should ensure there is transparent process for the selection of service providers;***
- ***TTPS should conduct public auctions for vehicles that are not cost effective to be retained;***
- ***TTPS should ensure that all vehicles have GPS systems that are functional as a means of keeping track of vehicles' speed before and after accidents; and***
- ***TTPS should ensure that all contracts for the provision of goods and services are available for audit scrutiny.***

## The Ministry of Foreign and CARICOM Affairs

### 17. Refurbishment of Residence in Geneva

The Auditor General Report states that "On 8th September, 2011, Cabinet approved the refurbishment of the Official Residence at an estimated cost of TT$13.7 million. The approved refurbishment included structural works, upgrade of electrical and plumbing systems and new designs for the building. On May 21, 2015, Cabinet approved a revised cost of TT$27.31 million for the refurbishment. The justifications for the increase included interest and late payment charges due to significant shortfalls in annual allocations, delays due to climatic conditions, exchange rate fluctuations and the need for the upgrade despite the seemingly high cost. Actual cost to December 18, 2015 was TT$24,909,584.00. The project was still in progress during the audit visit in August 2017." Officials from the AGD indicated that the refurbishments were over 90 percent complete.

The Auditor General noted that there was no Tenders Committee for the selection of a contractor for the refurbishment project and a contractor was simply selected from among three who submitted quotations.

The alarming issue reported was that Cabinet approval for the refurbishments did not specifically cover the installation of a double-furnished professional second kitchen (with two of each major appliances and fully stocked with utensils), a kitchen elevator, a smart toilet with washer and dryer and a bathtub with spa jets. The Auditor General added that the costs of these items were also not separately identifiable because what was submitted to and approved by Cabinet could not be matched to the expenditure. The AGD also noted that the Ministry of Foreign and CARICOM Affairs (MFCA) did not provide a policy which stipulates the standard requirements for an Official Residence.

***Recommendation:***

- ***The MFCA should submit the policy which stipulates the standard requirements for an Official Overseas Residence to the AGD in time for the next audit of the Public Accounts.***

### 18. Duplicate Schedules for Diplomatic Bags

One of the key controls in using the diplomatic bag as the system of receiving the duplicate schedule is the acknowledgment of receipt of the bag and its contents. The AGD observed that on four occasions duplicate schedules were not received by the Embassy in Havana, Cuba. The AGD clarified that as part of the auditing of the MFCA they do a sample of the overseas missions. While it is not the AGD's mandate to audit the overseas mission which was in fact vested with the Comptroller of Accounts, the Treasury Division, when they do their sampling, they highlight certain risks. While the AGD did not deem the issue a pervasive issue because it was part of a sample of three embassies of which the issue was only found at one, it was still a significant risk. Officials from the AGD indicated that the risks stem from the fact that the diplomatic seal could be used with unauthorized packages.

***Recommendation***

- ***The MFCA should investigate the use and control mechanisms for the use of diplomatic bags at all the overseas missions and determine whether more stringent control mechanisms are required.***

## The Ministry of Social Development and Family Services

### 19. Overpayments

The Auditor General Report stated that "There were 1378 cases of overpayments totaling $9,279,535.79. However only 592 cases of overpayments were reported to the Comptroller of Accounts and the Auditor General."

In a written submission dated June 5, 2018, the Ministry indicated the major issue with respect to overpayments were:

- Late submission of notifications to the Human Resource Department with regard to officers' resignations, persons proceeding on sick leave and other absences from duty; and
- Tardy receipt of information on deaths of senior citizens in receipt of the Old Age Pension

However, the Human Resource Department has sought to ensure that employee information was submitted on a timely basis from Divisions by means of a Return of Personnel form, which was subsequently entered on to the Human Resource Information System to ensure that payroll information was accurate and overpayments were avoided. Whilst this system assisted to some extent, there was still a need for greater vigilance and compliance by the various Divisional Heads hence reminders of their responsibilities were outlined at the Heads of Division meetings.

With regard to the Senior Citizens' Pension, a time lag occurred between the date of death and the notification to the Ministry, during which time period one or more cheques may be generated. These funds were generally fully recovered. The Ministry signed a Memorandum of Understanding with the Registrar General to facilitate access to information on deaths in an effort to reduce incidents of overpayments of the Senior Citizens Pension grant.

Additionally, the other 786 cases of overpayments occurred at the Social Welfare Division and were reported by that Division directly to the Comptroller of Accounts and Auditor General. They were not reported through the Ministry's Accounts department and hence would not have been included in the overpayments register examined by the Auditor General.

Systems were in place to detect, determine and report overpayments in a timely manner such as:

- Reviewing personnel records and the Ministry's Internal Audit Unit during their routine review of the accounting records. All overpayments must be reported in accordance with Financial Instructions 164 (3), Financial Regulations 74, 83-85 and Comptroller of Accounts Circular No. 20 dated 17/08/88 (Appendix B).
- In addition, compliance is maintained with the recovery processes outlined in the Exchequer and Audit Act (1959) Chapter 69:01 (Subsidiary) Part IX: 83-85.
- Pension related overpayments were detected when the Social Welfare Division conducts its regular review of whether pensioners have signed their Life Certificates which must be done annually. In the event that the Life Certificate has not been signed by the due date, attempts were made to contact the pensioner to determine whether they are still alive. In the event that no contact was made, payments were stopped.

Subsequently, in accordance with the Financial Regulations 74, 83-85, the first course of action, with regard to salary overpayments, would be to inform the officer in writing of the overpayment and request from the officer a suggested method of repayment. In cases where the officer is no longer employed with the Ministry, overpayments are retrieved from monies owed such as gratuities or pensions.

Processes for repayment would include:

- via salary deductions;
- via cash payments supported by a deposit voucher made to the Comptroller of Accounts

In the case of overpayment of pension grants, legislation allows the Ministry to recover monies from the pensioner's estate which may have been paid after the pensioners' death. The Ministry has also collaborated with the commercial banks, by way of an MOU, to ensure that funds were returned to the Comptroller of Accounts where deposits were made into the pensioner's account after his/her death. Where an overpayment has occurred and the pensioner is still alive and in receipt of a pension, the funds were recovered through direct deductions from their pension payment.

**20. Rent/ Lease – Office Accommodation and Storage**

Lease agreements were not seen for all of the 26 properties rented by the Ministry at a total annual cost of $27,873,839.46 (VAT inclusive). Additionally Cabinet approvals were not seen for 16 properties rented by the Ministry at a total annual cost of $20,889,837.40 (VAT inclusive) as stated in the Auditor General Report for 2017. However, The Ministry of Social Development and Family Services has Cabinet approval for fifteen properties rented by the Ministry. The lease periods for all of the properties approved by Cabinet have since expired and the Ministry have formally written to the Property and Real Estate Services Division which is responsible for seeking the approval of Cabinet for continuation of these lease arrangements.

With regard to the sixteenth property, there is a Memorandum of Understanding between the Permanent Secretary and the Piparo Village Council for the use of space at the Piparo Community Centre. Copies of the respective Cabinet approvals were kept on the relevant accommodation files and available during the audit exercise. However, to date approvals were not yet available.

***Recommendations:***

- ***The Ministry should submit a report to the Committee on the benefits derived from the measure taken to facilitate access to information on deaths by April 25, 2019; and***

- ***The Ministry of Social Development and Family Services should again communicate with the PRESD on the status of the Cabinet Approval's for the continuation of lease arrangements for the properties rented by the Ministry.***

### The Ministry of Agriculture, Land and Fisheries

#### 21. Re-afforestation Project

"Cabinet approval was not seen for the Re-afforestation project. For the financial year 2016/2017 the two Forestry nurseries at Moruga and Ecclesville were selected to be constructed. Related expenditure totaled $7,001,824.65", as stated in the Auditor General's Report 2017.

In a written submission dated June 8, 2018 the Ministry indicated that they do not have a specific Cabinet approval for the Re-afforestation project and the entire Public Sector Investment Programme was approved by Cabinet for each fiscal year. However, a draft Cabinet Note is being prepared to seek the approval of Cabinet for the Project.

***Recommendation:***

- ***The Ministry should ensure that Cabinet approval is obtain for all projects undertaken by the Ministry.***

### The Ministry of Health

#### 22. Special Programme – Renal Dialysis

"Contract agreements with two Dialysis Centres for the provision of dialysis services at a total cost of $2,809,150.00 were not produced for audit"

In a written submission dated June 4, 2018, the Ministry indicated that they were tardy in seeking Cabinet approval for the continuation of the dialysis programme. Cabinet's approval was obtained in December 2017 and formal contracts were being executed and will be forwarded when finalized. However, 18 service providers were contracted for the provision of dialysis services and one (1) provider opted out of the arrangement. Additionally a total of 243 persons would have benefited from the dialysis services at the two dialysis centers for which contracts were not produced for audit.

Systems were taken to ensure value for money, accountability and transparency in the renal dialysis programme such as:

a) Approval of persons for the renal dialysis programme as well as final approval of payments to the service providers is done by the Permanent Secretary;
b) Approvals are granted only when the admissions and payment guidelines are adhered to;
c) Patients must meet the admissions guidelines (nationals of Trinidad and Tobago, and patients of the public health care system) before being able to benefit from this programme;
d) Payments are only facilitated when both the patients and the service providers sign off on the particulars of the dialysis treatments;
e) Public tender is used to select the service providers;
f) Customer service and satisfaction are documented and investigated by a multidisciplinary team; and
g) Scheduled and ad hoc visits are periodically conducted by a team to verify the information on official documents.

***Recommendation:***

- ***The Ministry should ensure that all accounting officers are apprised of their roles and responsibilities of the positions they hold as a means of ensuring proper record keeping and accounting for all documents for scrutiny.***

## The Service Commissions Department

### 23. Rent/Lease Office Accommodation and Storage

The Auditor General's Report stated that "Cabinet approvals were not seen for the rental of three properties with annual rental totaling $9,588,885.00 VAT inclusive.

In a written submission dated June 7, 2018, the department stated at the time of the audit review the files were not available and the approvals were subsequently submitted to the AFD. However, rent/lease arrangements for office accommodation and storage were conducted through the PRESD of the MPA; a Division which assists MDAs in determining spatial requirements. The SCD and/or PRESD identified the office accommodation/storage space. The PRESD would have conducted the necessary investigations to determine whether the buildings met the necessary requirements. On the basis of advice provided by the Valuations Division rent would have been negotiated with the relevant landlords. Following agreement, Cabinet would have been approached by PRESD for the necessary approvals. Attached to the Cabinet approvals would be a standard lease agreement that was developed by the PRESD and the AGLA.

## The Ministry of National Security

### 24. Construction of Penal Fire Station

The contract in respect of the above named project for which payments totalling $19,974,721.90 were made, was not entered in a Contract Register as required by Financial Regulation 129(l).

In a written submission dated June 18, 2018, the Ministry indicated that the Contract Register records the Contract agreements between the Ministry of National Security (MNS) and the Contractor. UDECOTT has been engaged for the construction of the Fire Stations and as such, Contracts between UDECOTT and its contractors (sub-contractors) are not recorded in the MNS Contract Register. These are recorded and reconciled in the Project documentation.

To ensure that all contracts were entered into a Contract Register as required by Financial Regulations 129 (1) the Ministry further stated that the Manager of the Programme Management Unit had been advised to ensure that all Contracts are entered in the Contract Register. The Ministry also recommended that the Internal Audit Unit include in its annual audit plan, exanimation of the Contract Register.

### 25. NS2 — Chief Immigration Officer

The Cash Books, Revenue Registers and Monthly Statements of Revenue were not produced for audit. As a result the total revenue figure of $44,200,497.46 reflected on the Statement of Receipts and Disbursements could not be verified. This contravened Financial Regulations 50 and 55.

In a written submission dated June 18, 2018, the Ministry indicated that the Immigration Division has offices located throughout Trinidad and Tobago and at these offices cash is received daily for the services provided. Each office has two cash books which are interchanged every month, because the cash book not being used in a month is forwarded to the Head Office in Port of Spain for reconciliation. Hence during the auditors' visit all the cash books were not available for their examination.

## The Ministry of Housing and Urban Development

### 26. Rent/Lease – Office Accommodation and Storage

Cabinet Approvals were not seen for four properties rented by the Ministry with an annual rent of $2,223,389.04.

In a written submission received on June 11, 2018 the Ministry indicated that the four (4) properties it was renting/leasing were the:

| | | |
|---|---|---|
| 1. | Second Floor, HDC Building | 44-46 South Quay, POS |
| 2. | HDC Carpark | George Street, POS |
| 3. | Catholic Carpark, | George Street, POS |
| 4. | GV Holding Limited, | Jobco Building, 3rd and 4th floors, 31-55 Frederick St, POS |

The Ministry does not have current Cabinet approvals for the four properties. The approval for the three-year lease has expired.

With respect to properties 1 and 2, the current Accounting Officer, who assumed duty in 2016, inherited the existing arrangement whereby the Ministry pays one third of the cost of rental for its main office space and for car parking lots. This practice has been occurring for more than ten (10) years. Since her appointment she has attempted to obtain a copy of the sub-lease from the Housing Development Corporation (HDC) but has been unsuccessful, despite repeated requests from the Ministry's Legal Department to the HDC's Legal Department. In this regard, the Accounting Officer has written to the Property and Real Estate Services Division (PRESD), to assist the Ministry in regularizing the arrangement.

With respect property 3 which entailed the rental of seven (7) additional parking lots, in light of the existing arrangement with HDC and the Cathedral Carpark for 79 spots, the Ministry approached the Cathedral directly to rent the seven (7) spots for visitors and employees of the Ministry. In light of the Auditor General's concerns in the Report 2016 on the absence of a contract with the Cathedral, an agreement was drawn up with the Cathedral Carpark for the additional spaces.

With respect to the JOBCO building, it is rented for use by the Ministry's Project Monitoring and Coordinating Unit, which was responsible for the IDB funded Neighbourhood Upgrade Programme. A three-year lease was signed, with effect from July 25, 2014, to end in 2017 when the loan and project were carded to come to an end. The loan was subsequently extended and the project and then officially closed in December 2017. Close out activities continue and are carded to be completed by the end of June 2018. The building is therefore currently being rented on a month to month basis. The Ministry has decided to keep the building as a new loan is being negotiated. PRESD has been approached to regularize the arrangement in this regard.

The Ministry has written to the PRESD to advise on the process of re-regularizing the arrangements, which will include the preparation of a Cabinet Note. Upon receipt of Cabinet approval, it will be submitted to the Auditor General.

## Auditor General Report 2017 – Concluding Remarks

The Committee observed that from its examinations of the Auditor General's Report on the 2016–2017 fiscal year, and years before that the most recent report was replete with issues that appear year after year. These issues include those relating to internal audit, procurement practices, improper maintenance of inventory records, the oversight of the IT function in the public service, overpayments, pensions and gratuities and the proper maintenance of accounting records.

While these issues recur yearly and need to be addressed across the entire public service, the Auditor General's Department is facing its own issues. The Committee, after yearly discussions with the Auditor General's Department, is very aware of the key issues the Office of the Auditor General faces. The Committee found management to be very candid and clear on the challenges they face and were receptive to the Committee members' comments and suggestions.

The Committee noted that the Office has set high quality standards of its audit works and has a satisfactory methodology to conduct reliable audits and studies. However, due to human and financial constraints which are beyond its control, the Office has to outsource its audit work to private auditors as well as scale down on value for money audits. Despite these constraints, the Office is able to systematically address its mandate whilst also reporting to the Parliament.

Three issues are critical for transparency and accountability in the public service system:

1) An accountability system across all departments which is well managed and enforced across Ministries and the public sector;
2) A procurement system in which effective scrutiny assures transparency and accountability; and
3) An external audit system which is independent, efficient and effective, capable of demanding answers and vested with the power to insist on compliance.

The Auditor General's Office is the one which fulfils that third role. To play that role effectively financial independence and competent staff in the required numbers must be supported by the Government.

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.
Mr. Adrian Leonce
**Member**

Sgd.
Mrs. Paula Gopee-Scoon
**Member**

Sgd.
Dr. Lester Henry
**Member**

Sgd.
Mrs. Charrise Seepersad
**Member**

# Appendix I
## Witnesses

At the meeting held on Wednesday June 13, 2018, the witnesses attending on behalf of the Auditor General's Department were:

**Auditor General's Department**

| | | |
|---|---|---|
| Ms. Lorelly Pujadas | - | Auditor General (Ag.) |
| Ms. Gaitrie Maharaj | - | Assistant Auditor General |
| Mr. Gary Peters | - | Assistant Auditor General |
| Mrs. Nela Dwarika-Ali | - | Assistant Audit Director |
| Mr. Brian Caesar | - | Audit Executive II (Ag.) |
| Ms. Rajkoomari Mohammed | - | Audit Executive II (Ag.) |

**THE PUBLIC ACCOUNTS COMMITTEE –**
**THIRD SESSION, ELEVENTH PARLIAMENT**

**MINUTES OF THE TWENTY- SEVENTH MEETING HELD ON WEDNESDAY, JUNE 13, 2018 AT 10:15 A.M.**
**IN THE ARNOLD THOMASOS (EAST)MEETING ROOM, LEVEL 6, AND IN THE J. HAMILTON MAURICE ROOM, MEZZANINE FLOOR, 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. Taharqa Obika | - | Vice - Chairman |
| Ms. Melissa Ramkissoon | - | Member |
| Dr. Lester Henry | - | Member |
| Mrs. Paula Gopee-Scoon | - | Member |
| Mrs. Ayanna Webster-Roy | - | Member |
| Mr. Randall Mitchell | - | Member |
| | | |
| Ms. Keiba Jacob | - | Secretary |
| Mr. Darien Buckmire | - | Graduate Research Assistant |

Excused was:

| | | |
|---|---|---|
| Mr. Adrian Leonce | - | Member |

**COMMENCEMENT**

1.1 At 10:15 a.m. the Chairman called the meeting to order and welcomed those present. Mr. Adrian Leonce, was excused from the Meeting.

**THE EXAMINATION OF THE MINUTES OF THE TWENTY-SIXTH MEETING**

2.1 The Committee examined the Minutes of the Twenty-Sixth (26th) Meeting held on Wednesday May 9, 2018.

2.2 There being no omissions or corrections, the Minutes were confirmed on a motion moved by Ms. Melissa Ramkissoon and seconded by Mr. Taharqa Obika.

## MATTERS ARISING FROM THE MINUTES OF THE TWENTY-SIXTH MEETING

3.1 As per item 4.1, the Chairman thanked Ms. Melissa Ramkissoon for her feedback on the Ministerial Responses to the Eleventh, Twelfth, Thirteenth and Fourteenth Reports.

3.2 As per item 5.2, the Chairman informed the Members that the Fifteenth and Sixteenth Reports of the Committee were laid in the House of Representatives on Friday May 25, 2018 and the Senate on Friday May 11, 2018.

3.3 As per item 8.5, the Chairman informed the Members that questions for additional information were sent to Chaguanas Borough Corporation on May 11, 2018. The requested additional information was submitted to the Secretariat on May 29, 2018 and will used to draft the Nineteenth report of the Committee.

## CONSIDERATION OF MINISTERIAL RESPONSES

4.1 The Chairman requested the Secretariat to circulate the Ministerial Responses received from the Ministry of Finance with specific reference to the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the Financial Years 2014, 2015 and 2016.

4.2 The Committee agreed that the Ministerial Responses received by Ministries and Department in relation to the Committee's Reports be submitted in a tabulated format for easier review.

## OTHER BUSINESS

5.1 The Chairman requested the following:

- the Draft Seventeenth and Eighteenth Reports of the Committee be circulated to the Members to review/make any comments and/or suggestions and to provide feedback by Tuesday June 24, 2018; and
- The Draft Reports be finalised at the next meeting of the Committee and presented at the next Sitting of the House of Representatives and Senate; and .

## PRE-HEARING DISCUSSION RE: AUDITOR GENERAL'S DEPARTMENT (AGD)

6.1 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, 2017.

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

6.3 There being no further business for discussion *in camera*, the Chairman suspended the meeting at 10:45 a.m.

## DISCUSSION WITH THE AUDITOR GENERAL'S DEPARTMENT (AGD)

7.1 The Chairman called the public meeting to order at 10:55 a.m.

7.2 The Chairman welcomed officials from the Auditor General's Department (AGD), members of the media and the public to the Twenty-Seventh (27th) meeting with the PAC and introductions were exchanged.

7.3 The following officials joined the meeting:

**Auditor General's Department (AGD)**

- Ms. Lorelly Pujadas - Auditor General (Ag.)
- Ms. Gaitrie Maharaj - Assistant Auditor General
- Mr. Gary Peters - Assistant Auditor General
- Mrs. Nela Dwarika-Ali - Assistant Audit Director
- Mr. Brian Caesar - Audit Executive II (Ag.)
- Ms. Rajkoomari Mohammed - Audit Executive II (Ag.)

**7.4 Key Topics Discussed:**

1. The pervasive weaknesses in the Internal Audit (IA) function across the public service;
2. The role of the IA function in a modern society;
3. The mechanisms needed to improve the IA function in the public service;
4. The involvement of the Ministries and Departments in the improvement of the IA function across the public service;
5. The status of the implementation of the Integrated Financial Management Information System (IFMIS);
6. The AGD's limitation of scope with respect to the assessment of taxation revenue at the Board of Inland Revenue;
7. The AGD's role with respect to the auditing of the Public Financial Management Modernization Unit (PFMMU);
8. The non-submission of contracts for audit with respect to the establishment of the Aviation Institute at the University of Trinidad and Tobago's (UTT) Camden Campus;
9. The need for a proper system to document all Cabinet approvals, contracts and other source documents;
10. The process in place for the assessment and verification of pension and leave records;
11. The challenges faced in the preparation and computation of pension and leave records;
12. The non-submission of evidence acknowledging the receipt of diplomatic bags and their contents at the Overseas Mission in Cuba;
13. The implications of the misuse and non-maintenance of diplomatic seals and diplomatic bags;
14. The individual accountable when Ministries/Departments do not comply with the AGD's requests for information;

15. The absence of sanctions in place for the non-submission of information requested by the AGD;
16. The status of the Ministry of Energy and Energy Industries' (MEEI) inability to determine the veracity of the production data submitted by the oil and gas extraction companies;
17. The weaknesses in the Comptroller of Customs and Excise's revenue controls;
18. The reasons for the reduction in the Consolidated Arrears of Revenue from the previous year's balance;
19. The completeness of the Refurbishments to the Official Residence in Geneva;
20. The absence of Cabinet approval for the extravagant kitchen and bathroom installations at the Official Residence in Geneva;
21. The reasons for the non-submission of signed lease agreements for which rental payments were made;
22. The reasons for the delays experienced in the renewal of lease agreements;
23. Whether or not improvements to the lease renewal process have been experienced;
24. The major issues highlighted in the AGD for the financial year 2017 with specific reference to the implementation of IFMIS, oil and gas royalty verification, the methods used to collect taxes, the IA function and the management of information systems and the recommendations to address the issues highlighted;
25. The status of the assessment of procurement practices across the public service;
26. The mechanisms in place to ensure Ministries/Departments comply with the AGD's audit recommendations;
27. The need for the inclusion of value for money audits in the Report of the Auditor General;
28. The AGD's ability to audit the entire public service despite limited human resources; and
29. The financial constraints experienced by the AGD's which limited the recruitment of additional audit staff.

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

**<u>ADJOURNMENT</u>**

8.1 The Committee agreed to examine the Audited Financial Statements of the Chaguaramas Development Authority for the period 2008 to 2014 at the next meeting.

8.2 The Chairman thanked the representatives from the Auditor General's Department, members of the media, and the Members for their attendance.

8.3 The adjournment was taken at 12:43 p.m.

**We certify that these Minutes are true and correct**.

CHAIRMAN

SECRETARY

***June 13, 2018***

**VERBATIM NOTES OF THE TWENTY-SEVENTH MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD IN THE J. HAMILTON MAURICE ROOM, MEZZANINE FLOOR (IN PUBLIC) TOWER D, THE PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON ROAD, PORT OF SPAIN, ON WEDNESDAY, JUNE 13, 2018, AT 10.55 A.M.**

**PRESENT**

| | |
|---|---|
| Dr. Bhoendradatt Tewarie | Chairman |
| Mr. Taharqa Obika | Vice-Chairman |
| Mrs. Paula Gopee-Scoon | Member |
| Mrs. Ayanna Webster-Roy | Member |
| Mr. Randall Mitchell | Member |
| Dr. Lester Henry | Member |
| Ms. Melissa Ramkissoon | Member |
| Ms. Keiba Jacob | Secretary |
| Mr. Darien Buckmire | Research Assistant |

**ABSENT**

| | |
|---|---|
| Mr. Adrian Leonce | Member |

**OFFICIALS OF**
**THE AUDITOR GENERAL'S DEPARTMENT**

| | |
|---|---|
| Ms. Lorelly Pujadas | Deputy Auditor General |
| Ms. Gaitrie Maharaj | Assistant Auditor General |
| Mr. Gary Peters | Assistant Auditor General |
| Mrs. Nela Dwarika-Ali | Assistant Audit Director |
| Mr. Brian Caesar | Audit Executive II (Ag.) |
| Ms. Rajkoomari Mohammed | Audit Executive II (Ag.) |

**Mr. Chairman:** Good morning everybody. I want to welcome all the officials here present from the Auditor General's Department. I certainly want to welcome members of the general public who are here, I do not think we have a presence here today, and certainly also the members of the media who usually transmit to the public their understanding of what important issues transpired during these meetings.

My name is Bhoendradatt Tewarie. I am the Chair of this Committee and my other members will state their names, so that the public will be aware of who is on the Committee.

The purpose of this meeting of the Public Accounts Committee is to discuss the Auditor General's Report for the year 2017, which takes us to the end of the fiscal year September 2017. That is this report. Now, this is an opportunity basically to discuss with the Auditor General's Department the report of the Auditor General and the purpose is, at the end of the discussion, to make recommendations that will help the Auditor General's Department, that will assist the Ministries and Departments to improve their delivery of services in an efficient, effective and economic manner.

So, that is what we are going to do today. I am grateful that the Auditor General's Office is here present. I am sorry that the Auditor General is not here, but I did have a preliminary meeting with him prior to this meeting, because he is out of the country now. And we will begin the discussion by having a presentation from the Auditor General's Department by the acting head.

**Ms. Pujadas:** Good morning everyone. Good morning Chair. Good morning members. We at the Auditor General's Department welcome this interaction and this engagement with the members of the Public Accounts Committee. We appreciate that we are one of the key inputs of data to the Public Accounts Committee and that, on the basis of what we have to say that you are there to help, not only the Auditor General's Department but to ensure that good governance and good accountability is achieved throughout the public service.

So at this point in time, I will just briefly introduce myself and I would let my colleagues introduce themselves here forth. I am Lorelly Pujadas, Deputy Auditor General and at present Acting Auditor General.

[*Introductions made*]

**Mr. Chairman:** Okay, and the members of my Committee will now introduce themselves. We could start with Senator, if you want.

[*Introductions made*]

Okay I am Bhoendradatt Tewarie. I introduced myself already, Chair of the Committee. This morning we will begin by asking you some general questions. I will start the ball rolling and each member will ask questions to their need and satisfaction. The forthrightness of the discussion, I think, will help to determine the quality of the discussion and also the value to the general public.

Now, we find in the Auditor General's Report for 2017, a number of recurring issues. All right? The first one is the condition of the internal audit function throughout their ministerial system and it seems to be a recurring matter because we have had that over and over and it persists.

Secondly, we have the issue of IFMIS, the Integrated Financial Management Information System, which has been on the books for some years, and the objective of that is to try to integrate financial management and create a system that could be live. So that you can look at public expenditure and the allocation of public expenditure and its deployment on a timely basis, that is to say on a day-to-day basis, looking at both operational and development expenditure and that, we are not sure about the progress on that and it remains and persists as an issue.

Before going on anymore, I wonder if you can comment or respond on the issue of the continuing and persistent weaknesses in the internal audit systems across the system, it seems, and the challenge of getting this IFMIS programme done and implemented, so that the country can benefit from it. Because the country as a whole will benefit from it, if we had an integrated financial management system.

**Ms. Pujadas:** I will take the lead on this one and then I would pass it over to my two Assistant Auditor Generals to have a discussion. Yes, the issue and challenges of the internal audit function continues to be a pervasive one throughout the public service. We have discussed this, not only in this report but we take note of the recent developments that are being undertaken by the Ministry of Finance.

In terms of the public financial management monetization unit, they have begun some work with regard to the internal audit reform. This is not—we take recognition that steps are being done to improve the internal audit function and that something is being done. But at present, we are still challenged to be able to rely and put reliance on the work of some of the internal auditors within the public service. We have highlighted that, in terms of their competencies, in terms of their qualifications, in terms of them even understanding what the role of the internal audit is in modern-day times. At this point in time, I would let Mr. Peters add anything that he wishes to add Ms. Maharaj to add.

**Mr. Peters:** One thing to remember, although we are seeing progress being made by the Comptroller of Accounts, it will take some time before any benefits can be seen. So it is something that we have to keep an eye on closely and hope that things move a little bit faster.

**Mr. Chairman:** This is for internal audit?

**Mr. Peters:** Yes.

**Mr. Chairman:** Okay. But I mean, how can we make this matter urgent and therefore get some action on it? Because you have highlighted it before, and this Committee has, on two occasions, recommended the strengthening. We have had responses that they, of course, will do something about it and they are attending to it with training and stuff like that. But what can we do to make something happen that is valuable? Because a lot of other issues stem from that. Because when the Ministries are late on certain things or when you have mistakes or when you have problems that come out of it, I mean your first port of call is really this internal audit function within the Ministry. I am asking you to help us to understand how we could make it work.

**Ms. Pujadas:** The last update we got from the Comptroller of Accounts was that they are seeking to hire a consultant to help them strengthen the internal audit across the Ministries. Right? And they are hoping to do this by this month. And the next step is to do a transformational plan and start training and recruiting, and all of that. So that is where they are with it.

**Mr. Chairman:** Okay. You wanted to add something? Yes.

**Mr. Peters:** Yes. In improving the internal audit, you have a lot of key players involved as well, like the CPO's Office, probably the Director of Personnel Administration. They need to be on board from the very beginning. I think that would help things along tremendously when you have to develop new job descriptions, and so on. Once you have these things done at a timely basis, everything will fall into place at a quicker pace.

**Mr. Chairman:** Okay. Is it bottlenecked at the CPO's Office? Do you know? Would you be able to say?

**Mr. Gary Peters:** No. No. I would not have any details on that.

**Mr. Chairman:** Okay. But you think—[*Interruption*] You wanted to say something?

**Ms. Pujadas:** Yes. I just would like to add, we had discussions with the Ministry of Public Administration and they have indicated that they will work with Comptroller of Accounts and the service commissions to ensure that the internal audit is properly staffed.

**Mr. Chairman:** Would it help if we wrote, as one of our recommendations to the Ministry of Public Administration, that they treat this matter as a matter of urgency and to emphasize the critical need for doing it? Would that help?

**Ms. Pujadas:** Yes, that most certainly would help. We would appreciate that. Yes. Thank you.

**Mr. Chairman:** Okay, so the appropriate Ministry would be Public Administration?

**Ms. Pujadas:** Yes.

**Mr. Chairman:** Okay. What about the IFMIS thing? Would somebody like to pick that up and let us know? This is the integrated financial management system. Sorry, sorry. For the benefit of the public, the Government, that is to say Government as Government of Trinidad and Tobago, has been for some time trying to establish an integrated financial management system that would allow senior officials, including Permanent Secretaries and the Ministers to be able to go into the system online and know on a daily basis how money is being spent, both for recurrent and developmental expenditure. And this integrated system would help a lot in the management of the budget and management of the business of Government on a daily basis. But this has not been done, and it has taken some time and we do not even know how far it has progressed by now. But it is an essential system for good government and good governance, and that is what we are enquiring about.

**Ms. Pujadas:** Chair, we recognize that the integrated financial management system is key to providing good governance and accountability. It would also help facilitate, from an audit perspective, easier interrogation of information, as a lot of that information would be electronically based. And, therefore, we would hope to also have access to that information.

We do believe, however, that the Ministry of Finance, coupled with the Comptroller of Accounts, has moved forward with the process of acquiring the IFMIS system. In terms of what challenges they are facing, we believe it is better served if the Chair would—we asked that question to the Comptroller of Accounts and to the Ministry of Finance because I think they would be in a better position to advise this particular Committee as to exactly where they are in the process.

**Mr. Chairman:** Okay, I will ask my other colleagues if they will ask questions at this point. I have many more questions, but in order to give my colleagues a chance to ask theirs, I will start with Sen. Ramkissoon.

**Ms. Ramkissoon:** Thank you, Mr. Chair. My first question is in relation to the limitations of the scope that was outlined by the Auditor General's Report before us. And one of the issues that was outlined was a legal opinion. But it was backdated since the 18th of September, 2013. Now, this report is 2016 to 2017. So I would just like some clarification on how this appeared under the limitations of scope for the Ministry of Finance in Inland Revenue Division as listed by your good self?

**Ms. Pujadas:** I would let my colleague speak on that. But there is a limitation of scope, in terms of completeness of information in terms of revenue gathered. In order to fully assess whether or not revenue has been completely gathered, we would need access to particular information, taxpayers' information. However, the legislation at this time would debar us from having that particular access and therefore that is one of the reasons why the limitation of scope has been included. Mr. Peters?

**Mr. Peters:** And for that reason we will not be able to say, with level of certainty if that figure can be accepted as fairly stated. Because, really we do not have any access to the underlying records. We will have to actually drill down to the individual taxpayer.

**Ms. Ramkissoon:** So which figure you would be alluding to, the Ministry of Finance figure that was audited?

**Mr. Peters:** Board of Inland Revenue.

**Ms. Ramkissoon:** Okay, so the Inland Revenue Division?

**Mr. Peters:** Yes.

**Ms. Ramkissoon:** Okay. It was also noted that, jumping ahead a little bit in your report, you had noted a lot of state enterprises and their last audited financial reports as of January 2018, as well as the audited financial statements that were not laid in Parliament, as well as the total subventions received for the periods not reported on. And this table was to give the committee an idea of, for example, if we look at the National Schools Dietary Services Limited, looking at the last audited financial statements, 2016; the audited financial statement not laid in Parliament, 30th of September, 2016; and total subventions received for the period not reported on was in the amount of $200 million?

**Mr. Peters:** Yes.

**Ms. Ramkissoon:** That is what you all were able to—You want to make a comment about that?

**Mr. Peters:** Okay, we asked the Ministry of Finance to provide this information. So we just presented it in a summary. Coming back down to National Schools Dietary Services, the only outstanding statement would be until the year ending 2017. When you look at the amount of money, the subvention that went to that company, $200 million, it is quite a lot and it has not been accounted for, in terms of audited financial statements being submitted to the Ministry of Finance.

**Ms. Ramkissoon:** And that was for the period 2016/2017; that $200 million?

**Mr. Peters:** Yes.

**Ms. Ramkissoon:** So it is an unaudited document. Okay. Thank you.

**Mrs. Gopee-Scoon:** Thank you very much. Could you please update us on the status of the Public Financial Management Modernization Unit? I know that this is key to improving and reforming the public financial management system. Could you please update us as to where this is?

**Mr. Peters:** Member, I think that the Comptroller of Accounts would be in a better position to give an update on the functioning and the status of the unit and how far they have reached on the system.

**Mrs. Gopee-Scoon:** Notwithstanding, but you did do an audit and, perhaps, at that time, what, in your view, was holding back this project?

**Mr. Peters:** This whole unit would be the subject of an audit of the IDB loan. We just accepted the appointment as auditors of this project. But we will not be able to get into the details until we start the audit of the project.

**Mrs. Gopee-Scoon:** Okay, I accept that. But there is another matter which I want to raise, which was one related to the establishment of the Aviation Institute at UTT in Camden, where I noticed that there were contracts with two construction firms totalling $10 million and these contracts were not produced for audit. Could you, perhaps, give us any details on that?

**Ms. Pujadas:** Okay, I think you are making reference to page 39, paragraph 2.63. Am I correct?

Right. In respect of that, I think that our officers were trying to ascertain—they recognized that there is Cabinet approval for the project, but what they expected to see when they went out is that the entity that was making the payments would actually have a copy of the contract on hand to ensure that the payments were being made in accordance with the terms of the contract. And those particular contracts were not available to be viewed at that point in time. We, therefore, thought it prudent that entities that are engaging in payments of contracts of any nature and any size should always seek to ensure that the necessary documentation is on hand and therefore need to ensure that compliance is being made with the terms and conditions of the contract. I do not know if any of the other officers would want to add anything else.

**Mrs. Gopee-Scoon:** Needless to say that it is very concerning and it is a matter that has to be dealt with, delved into a little deeper.

**Ms. Pujadas:** Yes, we agree and we take note of that and we will send it to the relevant officer who has actually made this particular observation that in going forward, they may need to delve into it a little more. Mr. Caesar.

**Mr. Chairman:** Could I ask MP Webster-Roy if she would pursue?

**Mrs. Webster-Roy:** Hi, good morning again. I wanted to turn to the pervasive issues, and my favorite topic, pensions and separation benefits. Could you explain, just for the public, the process? Because most times when people come to constituency offices they will say: "Well, I was told it is still at the Auditor General's Office" or: "I was told it is still in Trinidad." So could you just outline the process so that the public could understand and then say what are some of your challenges?

**Ms. Pujadas:** I just want to draw attention that the Auditor General's Department is the last port in which a person's pension assessment is verified. I would also draw to your attention that we are doing this verification. It is not an audit. This is a verification of a pension and leave records and computation entitlements under the Civil Service Regulations.

As part of that process, what is required in accordance with the Regulations is that each Ministry and each Department is supposed to have annual pension and leave records done for officers every year. These are supposed to be submitted to the Comptroller of Accounts, Treasury Division for verification.

At that point, if it is done on a timely basis, issues and challenges relating to a person's service, i.e. maybe they have been overpaid, underpaid, perhaps something has not been properly reflected on the pension and leave record, would be adjusted at that point. And, therefore, when it comes to when a person is about to retire, there would be no issues. And the person would be able to have their computation done in a timely manner.

However, what you have found is that over the years, officers' pension and leave records oftentimes do not follow them when they move from Ministry to Ministry, Department to Department, nor do most Ministries, and there are some Ministries that are actually very flagrant with that, they do not actually prepare the pension and leave records for officers. So what you find is an officer, like myself who is about to exit from the service, you will find that they rush at the end of my career to try and update my pension and leave record, at which point they may have found that I might have been overpaid in "19-o-ye-o-ho". It has to go back to the relevant Ministry or Department in which I was overpaid for that to be adjusted.

They may have the find the records pertaining to me for that particular Ministry or Department, which may not exist in that Department because that department may now have moved from the Ministry of Education. It may have gone to the Ministry of Public Administration, it may now be back to the Ministry of Education. So the record is just roaming all over the place. So, these are some of the challenges. So the challenges actually start long before they reach either the Treasury Division or the Auditor General's Department.

Generally, in most cases, when you find that officers are suffering, it is because the particular line Ministry has not prepared the relevant document, which is the pension and leave record, to facilitate the computation and the verification of their gratuity entitlements, and their pension entitlements. And that is really the key challenge that is faced in terms of the preparation of someone's computation. I do not know if I have been clear enough.

**Mrs. Webster-Roy:** That was helpful, and thank you very much. If you could make a recommendation to members of the public and also Ministries and Departments to help to improve the process and to speed it up, what would you suggest?

**Ms. Pujadas:** Mrs. Webster-Roy, going forward, those officers who have come in in let us say 2005, going forward, you find that when they are going to be retired it will be not to the same extent because their records and their information is on the electronic IHRIS system.

So from day one, their information has been there. For an officer like myself, they would have inputted the data for me and the data inputted may not have been accurate. So therefore, when they do a printout from the module to say that I am due to be retired and this is my status of my thing, it may be missing information. And then you have to go back to the source records, which are, you know, for a 33 and a third year career, that could be very difficult and time-consuming to obtain.

So I think, over time it is going to improve. But at the present time, for officers who are exiting, it is still difficult and what would need to be required is that at least over a five-year period, an officer within the next five years that is going to be retired, Ministries and Departments must seek, as a matter of priority, to ensure that those officers are known and that their pension and leave records are brought up to date and information that is missing is sought to be achieved from the relevant department from which that officer's information is missing, and get that information across to Treasury so that they can verify it in advance because oftentimes, when Ministries do it and the internal audit of their Ministries have verified it, sometimes when it reaches by Treasury, because of their expertise and because of their experience, they may also see where information gaps are missing.

So, it would be a good idea, at least if within not a five-year period, that at least officers due to retire within the next five years, that their information as a matter of priority is bought up to date, their pension and leave records because that is your source document for computation. All right?

**Mr. Chairman:** From what year would public servants be included on the IHRIS system?

**Ms. Pujadas:** We are all on the IHRIS system, but it is just that if you came into employment when the IHRIS—and I cannot remember the exact date. I think it is 2005, when the IHRIS system became live. At that point, an employee who was now entering the service, their information would have been entered live. Any employee before that, their information, I believe there was a committee that was, the service commission at the time was responsible for, they took the initiative to have committee and a group and they inputted the data for all the public servants that was in existence at that point.

**Mr. Chairman:** So, the difficulty would be for employees prior to 2005?

**Ms. Pujadas:** Yes.

**Mr. Chairman:** Okay. Could I ask Minister Mitchell? Member.

**Mr. Mitchell:** Thank you very much, Mr. Chairman. I want to take you directly to the matter of the diplomatic bag system. So the Auditor General's Department, you all also have the responsibility of auditing systems. And in your report you would have identified a significant weakness in the movement of the diplomatic bag, in that there is a system of receiving duplicate schedules as acknowledgment of receipt of the bag and its contents. And you would have observed that you could not find the records of, at least on four occasions when the duplicate schedules were not seen. Can you please describe what this weakness could mean for Trinidad and Tobago with respect to the abuse, the potential for abuse?

**Ms. Pujadas:** I just want to make two comments. We audit the Ministries, the overseas foreign affairs and as part of that auditing of the foreign affairs, we would do a sample of the overseas missions. It is not our mandate to audit the overseas mission. In fact, that mandate is vested with the Comptroller of Accounts, the Treasury Division. They have an app. They have a vote. And they are actually the body that is responsible for ensuring that systems are in place and functioning at all times. What we do is, when we audit, and we highlight certain risks, in this particular case it was in a particular mission that we attended. I am not sure if it is pervasive, because it was a sample of three. And this particular thing was found in one embassy. So I would not want to extrapolate that across the board to indicate that it is a pervasive issue.

However, it is a risk. It is an internal control risk, because the risk is that the diplomatic seal could be used and utilized with unauthorized packages. And that, of course, is a significant risk. And so, therefore, it is behoved upon the Ministry of Foreign Affairs, as well as the missions, as well as Treasury, to ensure that the controls that have been developed—because there are controls pertaining to those things—are compliant with. And, so therefore, we are highlighting this with this particular entity. It is up to the Ministry and for the Comptroller of Accounts to determine whether or not it is a pervasive issue across the board. But it is a risk.

**Mr. Mitchell:** Have you seen controls, written, documented controls?

**Ms. Pujadas:** There are guidelines, yes. There are guidelines.

**Mr. Mitchell:** Okay. Let us go to the issue of the non-submission of documents and the non-response to memoranda. It would be the accounting officer who would be ultimately responsible for the non-submission of documents and memoranda?

**Ms. Pujadas:** Can you guide me exactly to which paragraph you are making reference to?

**Mr. Mitchell:** No. I am on the issue of non-submission of documents, non-submission of memoranda. So I am on page 19, non-submission of documents, non-submission of memoranda.

**Ms. Pujadas:** Minister, could you repeat your question for me, please? I apologize.

**Mr. Mitchell:** Yes. So is it that the accounting officer is ultimately responsible for the non-submission of documents and non-response to memoranda?

**Ms. Pujadas:** I think if you look at the chain of command, yes, the accounting officer is the ultimate responsibility for that. Yes.

**Mr. Mitchell:** Right. Is there any way of/method to sanction the accounting officer for the non-submission of documents?

**Ms. Pujadas:** We do not have any authority to sanction at this point in time. But I do not know if the Committee, when they deliberate with the various Ministries and Departments, I think the Committee would have much a stronger role in that regard than the Auditor General's Department.

**Mr. Mitchell:** So, at this time there is really nothing that you can do, where an accounting officer decides not to submit a response?

**Mr. Peters:** But we can only report the non-submission of the document. And hopefully, subsequent discussions with the PAC would resolve those issues.

**Mr. Chairman:** On that matter of non-compliance, late submissions, et cetera, remember this had come up in this Committee before and we made a recommendation that the Auditor General in fact engage the Attorney General's Office in order to see whether some kind of clear sanctions could be imposed so that, let us say if you did not comply there could be a fine, and for each month that you did not comply, the fines would increase until you complied.

We got a response from the Ministry of Finance, which indicated that those kinds of matters would be addressed, not by the Auditor General, but by the Ministry of Finance. And so, we will try to take that into account in our recommendations this time in responding on that particular issue.

So, Member Mitchell, if you have any recommendations in that regard or you can help us to strengthen, I think that would be also valuable. Okay? Sen. Henry.

**Dr. Henry:** Yes, morning. My first issue is just to get an update on the thorny issue of the relationship with the BIR and the Auditor General. Could you give us a state of play of that?

Because after we spoke about it last year, we probably did not think we will still be talking about it this year again.

**Ms. Pujadas:** I will refer to Mr. Peters. But I will say that we have reached a stand-still.

**Mr. Peters:** Well have a very good working relationship with the BIR. It is just the matter of the access to the underlying records is still the problem. And they are holding fast to that privacy section in the Act.

**Dr. Henry:** So, can we be clear that they are holding fast to the privacy, to the application and the privacy rule or law or whatever they consider it. But what is needed for it to change?

**Ms. Maharaj:** We did have discussions with the Attorney General and the Board of Inland Revenue on this matter and there were certain amendments to the secrecy provisions that were proposed. We have not heard anything back from them since. This was last year, some time.

**Mr. Chairman:** You are all right? If I could follow-up on that matter. I noticed that the Auditor General had an interview in the *Sunday Express* and he highlighted a number of issues in relation to this report. But one of the things he highlighted was that particular issue of the Board of Inland Revenue and the denial of data, because of the privacy considerations. I want to ask a question. It really is based on the Income Tax (Amdt.) Bill, which was recently laid in Parliament, and I think that you all would be aware, members of the Auditor General's Office, of what might be in that particular Bill.

Based on what had transpired in the Public Accounts involvement with you and some of the issues involved between the BIR, on the one hand, and the Auditor General's Report, our recommendation was that the Auditor General meet with the Board of Inland Revenue under the auspices of the Ministry of the Attorney General and Minister of Legal Affairs. The idea was to try to see if we could find a way forward. Now, we have this Income Tax (Amdt.) Bill, 2018 in Parliament. Do you know if this matter is addressed there? Is it?

**Ms. Pujadas:** I have not properly scrutinized that particular Bill in Parliament, so I would not want to answer yea or nay to that question.

**Mr. Chairman:** So you do not know what the situation is? Would you take a look at it?

**Ms. Pujadas:** Yes.

**Mr. Chairman:** After we leave here and simply indicate to us whether—[*Interruption*]

**Ms. Pujadas:** And we would report back to you.

**Mr. Chairman:** And also, if you can suggest what might be the amendment that would be desirable in order to facilitate this process? Because there are two problematic issues. One is for you to get the information and the second thing is for the privacy of individual taxpayers or corporate taxpayers to be protected properly.

**Ms. Pujadas:** Correct.

**Ms. Pujadas:** So, if you can suggest that, maybe we can see if the matter cannot be addressed legislatively.

**Ms. Pujadas:** But what we could put forward to you is the amendment that was proposed and then we would also look at the Bill and to see if in fact any idea of the amendment has been incorporated in the Bill.

**Mr. Chairman:** Okay. Thank you very much. Sen. Taharqa.

**Mr. Obika:** Thank you, Chair. My questions are really around Chapter Three, accounts of receivers of revenue. Now, on page 53, we are saying at paragraph 3.9, regarding the Ministry's inability—that is the Ministry of Energy and Energy Industries' inability to determine the veracity of production data submitted by the oil and gas extraction companies. Has there been any interim update on that? And how grave a situation can this be? Or is it something—what are the opinions on that?

**Ms. Pujadas:** I would just take the lead, and then I will let you talk to Brian, Mr. Caesar. The Ministry of Energy and Energy Industries has been making attempts, and in their response to us, in terms of an update, because we did ask for an update as to whether or not the situation still stands. The situation still stands. However, they are seeking to develop an instrument in which they would be able to better calibrate the data, so that they would have better informed production data information coming forward. Mr. Caesar.

**Mr. Caesar:** The Ministry of Energy and Energy Industries has been making some attempts to address the situation. However, to date they have not really made any tangible changes, as far the way they operate as to verifying that production data. So, as it is, they still depend on what they call the honour system, whereby the operators, whether they be the oil and gas operators or the quarrying operators, do submit what they call production data. And they do the calculations of the royalty based what they submitted by the production companies.

So, in terms of management, you know, basically you cannot manage properly what is not measured. If the Ministry is not doing proper measurement, therefore we are not in a position to determine exactly what is the real revenue as far as royalty is concerned. That is supposed to be accrued to the Ministry. So that honour system, we have told them about it and they are still in a process where they have to come to some better arrangement, as far determining the truthfulness of production data that is submitted by the extraction companies.

**Mr. Obika:** Thanks for the submission, but I am mortified hearing the response. In fact, given the situation that the Minister of Finance finds himself in very budget and mid-year review, I think a strong recommendation, given international best practice, what obtains in other energy-producing countries, regarding the Auditor General's Department, a recommendation of such type could be tabled to us.

I am requesting if that is possible, if that is within the purview of the research department of your esteemed and every important institution in Trinidad and Tobago, to submit that to us—maybe the Ministry of Energy and Energy Industries is not so strengthened institutionally—so that the Ministry of Energy and Energy Industries can have the teeth. For example, if you speak to industry practitioners they would tell you that the energy companies actually dissuade persons within their structure from, not disclosing but not measuring wells below certain volumes. So even the reserves data is inadequate, because the Ministry would not have access to that, because the energy companies will not go further, in terms of exploring that information. And there seems to be asymmetric information in the industry. And it is not in the favour of the people of Trinidad and Tobago.

So I think if, given where you all are, and given the repeated attempts you all have been making over the years, if you all can produce some kind of best practice way of accounting for this thing so that the people of Trinidad and Tobago can know what is under the ground and what has been produced.

I want to go to a next point regarding the Comptroller of Customs and Exercise, the Ministry of Finance. On the same page at paragraph 3.14, there are some issues regarding the cashbooks not being balanced. And I did not see any report from the BIR regarding that.

Now, if you come from a financial service sector as I have, you would know that staff who do not balance their tills do not leave until it is balanced. And when it is complete and you realize that there is a shortfall, it comes out of someone's pay. So is it that—can we get any kind of idea as to what the Auditor General's Department is doing to get Comptroller to do their part to account for the cash under their care?

**Mr. Peters:** Well, when we conduct these surveys, any weaknesses, we send a management letter to the relevant body. In this case it would have been the Comptroller of Customs and Excise. You will notice that we went on two separate dates and the situation remained the same. So clearly nothing was—there was no improvement. So another management letter was sent. So, in the end, it will be up to the head of the organization to institute the relevant changes.

**Ms. Pujadas:** May I speak to that, please? I just wanted to clarify the first request that you made. You would like us to present to the committee a document that highlights best practice across the board, with regard to the auditing of the energy sector where it relates to royalties? Is that what you are requesting?

**Mr. Obika:** No, what I am asking is: Given the remit of your institution, if within your remit it is to communicate to the Ministry of Energy and Energy Industries or to Cabinet then, if you can do that. If it is also within your remit to communicate to Parliament, then we would benefit from that. But if that is not within your remit, it is okay. But at least once the problem is solved, which is really communicating to at least Cabinet, I would believe, or the Ministry of Energy and Energy Industries.

**11.40 a.m**.

**Ms. Pujadas:** We do not report to Cabinet. We are an entity that is coming through the Parliamentary [*Inaudible*]. And our role is really to ensure that the procedures that have been administered by the relevant Ministry of Finance, Comptroller of Accounts, who are the bodies who are really responsible for ensuring the integrity of the accounting framework and the accounting systems throughout the service is being adhered to.

So, we try to help as much as possible, by highlighting these significant weaknesses and highlighting the risk areas, with the hope that between the Comptroller of Accounts and the entity to which the matter is being reported that redress would be taken care of.

We also serve the Public Accounts Committee so that if the Public Accounts Committee desires us to look further into this, then we certainly can do so.

**Mr. Chairman:** Simple, I would say that, if you could—there are some follow-up questions and maybe I would address that afterwards. One is—I notice that the arrears on taxes and income on profits is now $25 billion plus, okay, but that is a reduction on the year before, I think. Can you explain what happened in terms of the reduction? Was it negotiated or were taxes paid? And secondly, why it persists in being pretty high, which is $25 billion. I mean $25 billion to the Treasury is half of the budget.

**Mr. Peters:** Okay, there was a significant reduction in that figure because the Chairman of the BIR—what was explained, they decided to remove moneys under objection or under appeal where collection maybe in doubt. So—I guess on the grounds of prudence they decided to remove it, not write it off, but remove it from the total based on possibility of collection.

**Mr. Chairman:** Would those negotiations for about $15 billion as I remember be ongoing?

**Mr. Peters:** Yes, it would be. If it is under appeal or there is some objection there will be some process to follow by both parties.

**Mr. Chairman:** So they have been removed as arrears because they are in negotiations?

**Mr. Peters:** Yes, and there is some doubt whether it would be collectable.

**Mr. Chairman:** Collectable or not?

**Mr. Peters:** Yes.

**Mr. Chairman:** Okay, fine. And what about this high number, $25 billion, which is about half of our annual budget or a little less?

**Mr. Peters:** I will have to get back to you on that. I do not have the specifics. So we can follow up with that part of it.

**Mr. Chairman:** Okay. I will ask Sen. Gopee-Scoon to proceed.

**Mrs. Gopee-Scoon:** Thank you very much. I am a little concerned, not a little concerned, I am quite alarmed, about the status of the refurbishment of the residence in Geneva, and you would have audited that project. Or you would have certainly visited the offices. On 8th September, 2011, the Cabinet approved the refurbishment of the official residence in Geneva at a cost of $13.7 million. A couple years later on 21st May, 2015. The Cabinet approved a revised cost of $27.3 million for the refurbishment which is a 100 per cent increase. Notwithstanding the actual cost to—18th December, 2015 was already $24.9 million and at the time of your visit work was still in progress and this is at August 2017.

My first enquiry is, what percentage of the project had been completed at the time of your visit. You were not specific as to that? Or I am not sure if that was within your remit. But what you stated here is that the project is still in progress and I am inclined to ask what percentage of the project has been completed?

What concerns me as well is the fact that no tenders committee was used for the selection of a contractor for the refurbishment project? And further, Cabinet did not approve with regard to the refurbishment, specific matters, for instance, the installation of a double furnished professional second kitchen, two of each major appliances and fully stocked with utensils, a kitchen elevator, a smart toilet with washer and dryer, and a bathtub with spa jets. And I am wondering—my concern here would be on whose authority, Cabinet not having approved these large and excessive purchases and grandiose items—on whose authority were these purchases made?

**Ms. Maharaj:** Okay, when we visited, we were not able to determine the actual percentage completion. But we would say—I would venture to say it was over 90 per cent. It was almost completed. They were working on the yard and various aesthetic things. The other thing about the kitchen, we were informed that the Ministry actually approved the refurbishment to include all of this, but we did not see any evidence as such.

**Mrs. Gopee-Scoon:** But the Cabinet did not approve these particular items?

**Ms. Maharaj:** What we did is, because it was such a large difference in the amount of money that was spent, we went through and we looked at what Cabinet approved and tried to match it with what was there and we did not see any of these in the Cabinet approval or the information submitted to Cabinet.

**Mrs. Gopee-Scoon:** So in other words, these may have been approved by the then Ministry?

**Ms. Maharaj:** Yes.

**Mrs. Gopee-Scoon:** Thank you.

**Mr. Chairman:** Any other questions from Members?

**Ms. Ramkissoon:** Thank you Mr. Chair. I have a question in relation to the pervasive issues related to your individual areas of concern that were listed and that is to deal with your—what you found with lease agreements. And it said here that rent paid by Ministries and Departments during 2017 was in excess of $790 million.

It went on to say that in the absence of written executed lease agreements, it could prove more difficult to enforce the State's right under the agreement leaving the State in a potentially more vulnerable legal position. And it went on to say that the public's interest is not best protected where lease agreements remain informal and unexecuted.

So my concern or question is, how then do these lease agreements or having this excess of some $790 million that you would have found really impact or affect the audit process or the auditing of the public accounts? Because, I also saw that, for example, one of your comments was "no Cabinet approvals for 21 properties" and you had a total cost. So if there are no Cabinet approvals then how do you know the total cost because you had it from numerous rental lease accommodations? So I guess you total all of that and that is where you came up with this figure. But now, how does this really impact or how does it affect you and also how would you suggest that this issue be addressed? It is a lengthy question, I am sorry.

**Mr. Peters:** Well the contract would detail the amounts to be paid in the first place. A signed contract is also the authority to make these monthly payments. Another issue is repairs and maintenance. We have come across a lot of Ministries, Departments or offices where it could be improved. Some repairs are needed. So the contract will also detail who is responsible for what repairs, what are they supposed to maintain and this kind of thing.

If we cannot find the contract or if no contract is available expenditure may be incurred that is not the responsibility of the Ministry say in terms of the repairs and maintenance. So all these things need to be clarified through up front. Sometimes when the contract has expired we cannot find it at all. So, you have new people coming into the Ministries, you have new people in charge, you will not know who is responsible for what. So these are the kinds of things that we think should be attended to.

**Ms. Ramkissoon:** Are you saying, for example, Service Commissions, right. So Cabinet approvals were not seen for the rental of three properties and you went on to say total about $10 million right? So, are you saying that you saw the contract for these three properties, but you did not see the Cabinet approvals? That is why you know it is about $10 million? Is that what you are saying?

**Ms. Pujadas:** Let me just first explain that a lot of times what happens again, these things are systemic problems that exist in the process that is occurring with regard to—now, it is not necessary that the entity or the accounting officer is in flagrant disregard of not having a Cabinet approval. They may have had a Cabinet approval for an existing lease. But for the renewal of the lease there is a process that is required starting with the Ministry of Public Administration, under which the unit is placed for the rental. They are responsible for taking the request forward to Cabinet, not the line Ministry per se.

What happens is the Valuation Division has to get into play to determine the rate that should be accepted for the renewal of the lease and because we are dealing with rentals for almost all the entire Ministries and Departments, what you will end up having is the Valuation Division is inundated with requests for this. So there is a time delay in which the Cabinet approval is actually granted.

In the moment time the Ministry generally says for the entity to continue to pay the existing lease rental which may not necessarily be the invoiced lease rental, to continue to pay that, until such time they have negotiated the rate with the landlord and Cabinet has agreed to that rate. So the process in itself creates bureaucratic delays that impact on the Ministry's ability to have the correct authorization and approvals in place. That being said you may wish to continue, Gary?

**Ms. Ramkissoon:** I have a question on that. So it is the Valuation Division that needs to strengthen or is it the appropriation or the public administration, I believe needs to strengthen? What is the weakest link then? Because you are saying there is a delay that affects the Cabinet approval?

**Ms. Pujadas:** I would not want to say what is the weakest link. When you—it is just that the system is very bureaucratic and the process in itself is time consuming. Because if every Ministry has to go through this one entity in order to get their approvals granted and their approvals for rent going forward, and that negotiation is being handled by one entity and that negotiation is based on a valuation that must be a government evaluation. It cannot be a paid external evaluation. Then you have this one Department who is also having to look at and negotiate the valuation of the true market value that is being asked for this particular rental. So we are looking at it from a system point of view. The question needs to be asked: Does that system need to exist, for accountability and good governance? That is not our remit.

**Ms. Ramkissoon:** But before you go there, I would like to ask: Does this even affect your audits of the pubic accounts?

**Ms. Pujadas:** What we are looking at is an internal control issue. Now remember, authorization of expenditure requires Cabinet approval and contracted agreements. We recognize that yes the

Ministry is challenged in order to do that but at the same time, we have to draw reference to it, in terms of a control issue. Because as it stands, you are not authorized to spend that money. But you are in the person's—you are housed there. The landlord certainly expects to be paid and he must be paid something. So there is a disconnect between the controls that have been established and what is actually taking place.

**Ms. Ramkissoon:** Okay, all right. I have one more question, but I can probably leave it. You want me to leave it for a next round, or?

**Mr. Chairman:** We will ask other Members if they have any questions. You have any other questions?

**Ms. Ramkissoon:** And then I will after.

**Mrs. Webster-Roy:** So, taking into consideration the entire report—and this is for the public to really understand. What would you say are some of the most critical deficiencies in the system that you will be able to identify? And what would be some of your top five recommendations?

**Ms. Pujadas:** We will need to think about that one for two minutes.

**Mrs. Webster-Roy:** For two minutes, okay.

**Ms. Pujadas:** Can you repeat again please?

**Mrs. Webster-Roy:** I am saying that taking into consideration the reports, right. Because we know usually the reports usually garner a lot of public interest. You, looking at this report, what would you identify as the most critical deficiencies in the system? And what would be your top five recommendations?

**Mr. Chairman:** Why do you not pick two or three most important things that you would like fixed?

**Mrs. Webster-Roy:** The most critical.

**Mr. Chairman:** Yeah. Two or three things that you would like fixed—

**Mr. Peters:** Well, the first one that comes to my mind would be the development of an IFMIS system and implementation across the board.

**Mr. Chairman:** And what would you recommend to fix that?

**Ms. Pujadas:** That is a very difficult question. But as it stands and I will allude back to the comment that you made earlier, the extent in which the IFMIS system has been on this topic of discussion—

**Mr. Chairman:** Yes, without full implementation.

**Ms. Pujadas:** Without full implementation. So to me it needs to be addressed in a very urgent manner because, it has been, and this is my personal view, that this has been a number of years in which this has been on the agenda. And it needs to be—reach past a talk point and it needs to reach the stage where we are actually beginning to implement.

I think we were also looking in terms of revenue. And the way revenue is collected and accounted for. And I allude back to the discussion that, I am sorry I cannot pronounce your—

**Mr. Obika:** Obika.

**Ms. Pujadas:** Mr. Obika has alluded to, in terms of the stringent measures that economic conditions that we are in at present, and where we are not able to assess with any great deal or reliability whether the full amount of revenue is actually being collected. And that speaks to the method of gathering revenue data, the production data being one of them. The method of accounting for taxes, the systems of negotiating objections and appeals. The system of VAT, as whether or not VAT is really being collected, and all persons who are required to pay VAT whether they are doing it in a timely manner. All of these sorts of things speak to revenue control and the monitoring of the revenue system.

We recognize that we have been deficient in that over the years, that we have focused predominantly on the expenditure side. But we recognize that at this point the revenue has become a critical issue, and that we are seeking to move ourselves to where we are just strictly focusing on the recurrent expenditure and DP expenditure. And look at improving our own methodologies, in terms of getting a better sense of what are the gaps as it relates to revenue collection.

So, I think that those two key areas are—we also spoke to the issue of the internal audit, and the strengthening of the internal audit because as a department and as an accounting entity, one would like to rely on the work of the internal audit to reduce our audit scope and not to duplicate efforts in the same area. In order to place reliance, you would need to be assured that the quality of their work is at the standard that the persons undertaking the work are qualified to do so. We have spoken at length previously, and at the other committee forums that the internal audit function is—it is bogged down with doing operational-type activities, and not necessarily looking at operations and improvement in the operations.

For example, we spoke today, this morning, of the pension and leave record. A pension and leave record cannot leave a department until the internal auditor or auditors have reviewed the pension and leave record. And in order to review that, of course, they have to go back to the old source documentations and that sort of thing. So the internal audit function is bogged down themselves in doing operational-type activities, and therefore it prevents them in a sense from doing a real review of the control framework that exists in their particular Ministry or Department.

So we are thinking that the question of reforming of the internal audit and looking at it holistically, as to what value and benefit it can have not only for the Ministries and Departments but also value that could be added to our work as well. So, I think those are the key areas.

**Ms. Maharaj:** I would like to add also that the whole management of information systems across Ministries and Departments needs to be looked at. You need to have collaboration between all the Ministries. You need to have a central body that ensures that IT systems are done in the most procured and implemented in the most efficient and effective manner that covers the needs of Government as a whole.

So simple, you might find that one entity has biodata, but another entity will procure a system to collect the same biodata, when you could have had all of that information in a central repository that has been validated so that any Ministry could use, you know. And another issue that we have come upon is that you have information systems being implemented and then there is a change in management, Government and these projects are stopped and they start looking for a new system.

So we had one instance where we had 62,000 persons enrolled in a biometric smart card system, and then the whole thing was put on hold and now I think they are looking for something else. And another Ministry we have a similar issue. So we need proper IT management and governance to be able to, you know, reduce the wastage that occurs and to be able to have efficient information delivery to all the people that need it.

**Mr. Chairman:** Okay, I wonder if I could follow up on some of the issues that you have raised there. You wanted to raise something? You also? Okay let me proceed with this and then—because it is directly related.

You highlight the internal audit function and the Integrated Financial Management Information System. But there are, and you mentioned the pervasive issue of IT management, and how it would basically make for the elimination of redundancy and duplication and perhaps inconsistencies within the system. But there are two things that I want to flag here which is that—one is that there is an entire chapter that basically addresses the issue of the link between the planning function and the public administration function, I think it might be chapter 3.

**Ms. Maharaj:** Chapter 5.

**Mr. Chairman:** Chapter 5, sorry. And basically that is the thrust of it which it—basically says look if you do not get these things right you are going to have a deficiency in your entire—in the management of your entire governmental apparatus, your public administration system. Given where you know that the system is now, because you can tell from your auditing what are the deficiencies, what needs to be done in relation to that?

**Ms. Maharaj:** We have had discussions with the Ministry of Public Administration and they have started working on collaboration between the various users, the various people that need to be considered, which include the Comptroller of Accounts. And we suggested to them also the Ministry of Planning and Development, the budgeting division and the various entities, and they have actually put things in place to now start the collaboration.

One problem we raised with them is that a number of the people that they have are contracted people. So what happens when the contracts are not renewed? You know, they need to ensure continuity and all of that. So they have actually started working on the recommendations. But the continuity is what we need to make sure that happens.

**Mr. Chairman:** Think of the pieces here. You have the IHRIS system with your HR. You have the Integrated Financial Management Information System that we are trying to bring on board. You have the pension issues that are half integrated and half not integrated or partially anyway. You have the whole system that basically is not aligned to budget and planning and projects and so on.

I mean this is a major, major challenge for governmental administration. I mean and you have other issues that are outstanding, I mean you highlight the procurement issue at the beginning of your report, and that is another issue. I do not know if you are in a position to say where that is and what is the impact. I mean if you do not have that procurement system proclaimed and the procurement regulator and his office in fact in place, what is the status of procurement that is taking place currently for instance, and how is that going to be accounted for ultimately?

I mean those are important issues. I mean I know I have issued a mouthful there and it is a number of issues that are connected but now disconnected. But from an auditing point of view are these things not critical for your—critical assessment for your objective assessment of what is happening in the governmental system?

**Ms. Pujadas:** If I may speak and then I would certainly let Ms. Maharaj speak, what I am hearing you talking about if value for money in a sense which this report obviously is not focused on. Ms. Maharaj, actually is—the ability to speak the way Ms. Maharaj has spoken has to do with the fact that she is in charge of the value for money section. We have always been trying to expand in that section but, of course, because we are continuously continuing to be in this limited human resource cycle that we are in we are not able to take away sufficient amount of our staff that is responsible for this type of audit, and focus it onto the value for money section.

But there is a recognition that there needs to be a greater look. Because if we look at best practice across the board of auditing entities, of public sector auditing across the board, a greater amount of emphasis is placed on allocating resources to value for money to doing value for money style of audits. Because obviously based on the calibre of questions that we have received here they lend themselves more to that type of audit, than looking at the accounts, or looking at a regulatory framework and saying whether or not there is compliance or a lack of compliance thereof.

Both have their value, but I think in these economic times, I think there is a need to look at, as Ms. Maharaj has alluded to, wastage and the economic benefit of entering into an acquiring processes in individual silo-like type behaviour which would increase the cost, and may not necessarily be more effective and therefore negating the benefit that could have been achieved if there was a greater holistic view of looking at things.

You spoke of procurement. The procurement regulator's role is actually a very strong one. And that body would require Ministries and Departments to produce reports on an annual basis. And not only reports, but to strategically identify what are their procurement needs at the onset of a budgetary period.

So therefore, you are already speaking of an interface that needs to be made with the IFMIS system, the budgetary system and the system of procurement and the information that has to be related to the procurement regulator. I am not sure if the various entities that are going after these systems are actually looking at it holistically and seeing that there is an integration that needs to be seamless in order for an effective process to occur.

So that, because there needs to be interface. There needs to be an interface with the procurement and the IFMIS system so that the information from a budgetary point of view that we as a Ministry or Department has to produce would also be able to relate to the procurement regulator, and the Office of the Procurement Regulation so that they will know, okay at the beginning of the year we seek to procure these items of expenditure that has been approved. Because if you are seeking to produce this, but budget has not approved it, then you are giving information to the procurement regulator that is of no use, and have no purpose and they would be spending time looking at something that you are not able to procure because you have not been granted the necessary budget allocations.

So there needs to be an interface of the information with the relevant database that is being required to be produced and as we speak to that as well, is that each Ministry and each Department is going to produce their own database. Is that cost effective? Or is it that there is a need to transcend that to a higher level and a more holistic level, and say this is the database that is going to be utilized and shared amongst Ministries and Departments. We have been unable to assess whether that conversation is taking place.

**Mr. Chairman:** Well, Ms. Maharaj mentioned issues having to do with conversations between administration planning and I forget which other Ministry. But, I mean, that is what is required. I do not think you could do this thing without the planning Ministry; I am being quite frank with you. And I do not think you could do this without Finance. So because that is where all the money comes from, and you have to have those Ministries involved and public administration is really only the executing agency, so to speak, to make sure that what they agree between Finance and Planning actually happens with the government system.

And, you know, Public Administration is just the "do how" of this system. And because the public administration of Government falls under this jurisdiction—and the key in that is IT stability and sustainability, so that you could have a holistic system that integrates all these things that we are talking about. And from an auditor's point of view, I think it is important for you to flag that or else you will end up auditing a dysfunctional system from which you cannot get the information you need. Am I not correct?

**Ms. Pujadas:** Yes, Sir. You are correct.

**Mr. Chairman:** That is exactly what is going to happen.

**Mr. Maharaj:** Yes, so what we have been doing since the last audit report. And now we have been building on it is trying to identify the key players, and get them speaking to each other. So we have been trying to do that, apply value for money concepts to IT governance. The Ministry of Public Administration is responsible for ICT policy for the whole of Government. So we have engaged them, we have engaged the Ministry of Planning and Development to an extent, and also the Comptroller of Accounts and, of course, Budgeting Division is very important to include in that.

So as I said, we got the undertaking from the Ministry of Public Administration to include the key players in this collaboration, and they have assured us that our recommendations are being taken into account when they do the national ICT plan.

**Mr. Chairman:** Okay, before I go on to member Mitchell I just wanted to remind you of the question that Sen. Obika asked, in terms of what we are seeking here, with regard to the preparation of the numbers for Energy. If you could indicate to us, what you feel would be the recommended approach to ensure accuracy of auditing of the—that is to say auditing before it comes to you by the Ministry of Energy and Energy Industries of the production numbers from the individual oil companies.

I bear in mind that based on your reports we interviewed the Ministry of Energy and Energy Industries, this Public Accounts Committee, and they indicated that they were moving to technological—some kind of instrumentation or some kind of technical instrument for the monitoring of this on a continuous basis. And the cost of that was not, as I remember very high; it was under $2 million. So, perhaps that could be part of what you recommend, that they execute that technical aspect of it to make sure that they can monitor the production system in a reasonable way. But you should also indicate how we might monitor that very important side of our energy revenues, you know, and the potential for energy revenues. And bear in mind that all the production that we are getting now is not so much from oil but from gas, and that all new exploration in our waters, once negotiations are completed, are going to be for natural gas on our waters by and large. So it really is the monitoring of the gas that is more important than anything else. Minister Mitchell.

**Mr. Mitchell:** Thank you very much, Mr. Chair. Madam Deputy Auditor General, I am looking at chapter 2; expenditure, and I am noticing in the individual areas of concern, this pervasive issue of the absence of contract agreements to support expenditure.

Just trying to put things into context, is it a problem with the filing systems in these Ministries and Departments? Or is it just a slowness to produce the documents because I find it difficult to believe that, you know, the Ministry, through the accounting officer would enter into a contract with a contractor and the terms and conditions are not known to both parties in a document. So could you just comment on that, please?

**Ms. Pujadas:** I think I will tend to agree with you. I think what happens is because we are manual based and a paper based entity a lot of these contracts and they have been entered into sometime aback, and the way Ministries store their data and able to retrieve their data it maybe actually in a closed file. That closed file may have gone to some sort of storage site somewhere. They may not have kept proper records as to where it went or when it went or how it was sourced. Files have a way of walking and disappearing in the public service and then reappearing. So yes, I think it is an issue of more documentation, and recording, and securing information that is vital for ensuring that control is maintained, I think from my perspective. I do not know what Mr. Caesar and others would wish to add to add to that. Mr. Caesar—

**Mr. Mitchell:** I just want to quickly, quickly ask to piggyback on that. Is it that—or have you noticed, I know that there is a tracking system, a file tracking system, electronic tracking system that some Ministries may have implemented. Do you believe, or is it in your experience you have noticed that those Ministries would have less of these issues present?

**Ms. Pujadas:** I would not want to make a pronouncement on it. Because we have not actually—I recognize and I do know of two particular entities that have actually engaged that process. I believe it is a recent process. So therefore, I would not be able to say how successful it is. But it is something that we can flag, and we can look at that, one of the particular departments, because actually one of those departments is referenced here as not producing contracts. So that we will have to look and see, since they have implemented this tracking system if it is working and if they are now better able to serve to produce the documentation that is required. That is something that we will have to flag and get back to you on that.

**Mr. Mitchell:** Okay. Also, is it the Auditor General's function, the Office of the Auditor General's function to also go back in time, to check to see whether or not these absent matters have been produced? And does the Auditor General's office do an analysis to determine whether these matters of concern are actually getting better?

**Ms. Pujadas:** I will let Mr. Peters speak in terms of the responses, but we do follow-up in terms of our recommendations, and we do track whether or not our recommendations are being adhered to. And in so doing, we seek to enquire what are the challenges being faced by the particular Ministry or Department in actually implementing our recommendations. Mr. Peters—

**Mr. Mitchell:** So, for example, in 2016. Let us look at the absence of the lease agreements, can you say through some analysis that in 2017 the system was improved? That the Ministry of Public Administration through the PPRD department they improved their system of you know taking these matters to Cabinet and getting these leases done on time.

**Ms. Pujadas:** I would say that there is an attempt to improve the system but I would not want to say whether or not it has occurred because we have not actually tested it, or verified to the extent to which the improvements have actually impacted. But speaking as a department which is also awaiting approval for rental, I would say that since 2015, 2016 and 2017, we have been writing the relevant Ministry requesting that the necessary negotiations be undertaken. We have been assured that it is close to being completed in the year 2018. I do not know if that could answer the question to you in terms of improvements. [*Laughter*]

**Ms. Ramkissoon:** Thank you, Mr. Chair. Just a quick question in relation to the statement of public debt. I do not want to say the amount but, I just wanted to ask, if this takes into consideration the state enterprises debt?

**Mr. Peters:** Yes, it would.

**Ms. Ramkissoon:** So, all local loans, external loans and state enterprises?

**Mr. Peters:** Yes.

**Ms. Ramkissoon:** As in companies and—

**Mr. Peters:** Yes, under the statements of public debt you would see a listing of all the loan instruments and also by the entity. So you would see the state enterprises, the statutory authorities and so on, listed there.

**Ms. Pujadas:** I just want to clarify that the statement represents those debts that has been guaranteed by the State; that has been guaranteed by the State. If the individual state enterprise, which is a legal entity in its own right, has entered into negotiations, with regard to their company, and it is not guaranteed by the State, it would not be reflected in the statement of public debt.

**Mr. Chairman:** So, the Petrotrin debt, for instance would not be reflected here?

**Mr. Peters:** No.

**Ms. Pujadas:** No.

**Ms. Ramkissoon:** You were alluding to a list of the entities? You want to share where you have that information?

**Mr. Peters:** That would be part of the Treasury's accounts. But we have some extracts in the back—

**Ms. Ramkissoon:** So that is chapter 6? Right?

**Mr. Peters:** So, we have copies of Treasury statements, from around page 133. So, you would see an example of part of the statements of public debt.

**Ms. Ramkissoon:** Page 133, okay.

**Mr. Obika:** As you are on the issue debt. If we look at page 130, Treasury statement 8, we are seeing the amount authorized to be raised. So, you let me know if I am reading this correctly—and then the present debt. The present debt if $5 billion in excess $5.5 billion in excess for line item (ix), development loans. So, it $35 billion and the amount authorized is $30 billion. Can we get—and as well, I am seeing external loans. There is also, the present debt is also higher than the amount authorized by $2.5 billion. Can we get some information on that as at September 30, 2017?

**12.25 p.m.**

**Mr. Peters:** Okay. I will have to go back to the work files to get the specifics on that.

**Mr. Obika:** What normally obtains when this scenario happens when the debt is higher than the amount authorized to be raised?

**Mr. Peters:** I think it is just a matter of raising the ceiling on the particular Act. It is usually done via Legal Notice, I believe.

**Mr. Obika:** Another point I would like to raise quickly is regarding the Exchequer, the Exchequer being in overdraft it increased from five-plus billion to ten-plus billion. Well, the Exchequer is from Treasury statements two through six, right. Treasury statements two through six cites the Exchequer, but I think on page 149 there is a summary statement. The consolidated statement of assets and liabilities that has also the summary balance as $10.6 billion. We know that is the overdraft position, but what I would want to find out, given that more than six months has elapsed since then, is there any improvement in the position at the Exchequer given the overdraft?

**Mr. Peters:** We have not looked at any updated figures on the Exchequer Account yet.

**Ms. Pujadas:** Would you like us to? Would you like us to provide that information?—because we certainly can.

**Mr. Obika:** Would be very grateful. Thank you.

**Ms. Pujadas:** Yeah.

**Mr. Chairman:** Sen. Ramkissoon, you have other questions? Anyone? Sen. Henry? MP Mitchell? You have questions?

**Mrs. Webster-Roy:** No.

**Mr. Chairman:** All right, a couple of issues, I see the Central Bank overdraft is perhaps at the highest that it has ever been, and you have expressed some concerns about how the overdraft is in fact configured, could you talk a little bit about that?

**Mr. Peters:** Really, it is a cause for presentation so it had actually stand out. It would be easily discernible what the actual overdraft is. I think it is best practice as well to have it shown like that.

**Mr. Chairman:** It is best practice to have it shown as it is?

**Mr. Peters:** Separately. I should say, separately.

**Mr. Chairman:** Okay. All right. So what would you like to say?

**Mr. Peters:** Sorry?

**Mr. Chairman:** What would you like say in terms of presentation?

**Mr. Peters:** It is actually supposed to be shown as a liability separately.

**Mr. Chairman:** Okay. And you feel that that would more accurately reflect the state of the accounts?

**Mr. Peters:** Yes.

**Mr. Chairman:** Okay. Thank you. Is there anybody else who has another question, if not I am going to wrap up at this point? You have any more questions? All right. Thank you very much. I want to thank members of the Auditor General's office for being here, but before I get to the end I want to ask one question which is about the condition of the Auditor General's office itself. Now, we have seen all the problems of the public service and the challenges, the difficulties, the recurrent problems, et cetera, is the Auditor General's office equipped to deal with an effective and ongoing supervision and auditing of the governmental accounts of Trinidad and Tobago at the present time in terms of human resource capability, in terms of the configuration of qualifications, the numbers of people that you need in order to do the work, et cetera? Can you say a little bit about that? What is your situation? Because if you are not equipped to do your work I think we would have a big problem.

**Ms. Pujadas:** I think the Auditor General has spoken, and he had spoken at this forum and at other forums that we suffer with a human resource limitation in terms of our established positions as they stand today. At the technical level, the lowest technical level, which will be the officers who would be equipped to go out and actually do the field surveys and to do the actual work, at that level we have 44 vacancies. Be that as it may, the Service Commission has indicated to us that they are in the process of conducting interviews because the positions were advertised and they were inundated with a lot of applicants.

So, in that regard, they undertook an examination from which they have screened those applicants and have put them on some sort of merit list, and that interviews should be soon, within this financial year taking place. However, even though the interviews may take place we do have a limitation in terms of funding, because at present if the persons—a list is provided to us, we would not be able to bring them on board because our allocation is—

**Mr. Chairman:** You do not have the money.

**Ms. Pujadas:** We do not have the money. Yeah. So we are sort of in a chicken and an egg type of situation.

**Mr. Chairman:** But you are proceeding with the interviews?

**Ms. Pujadas:** But we are proceeding with the interviews, and we are proceeding at the interviews at two levels. The other level is the qualification level. To that extent we have an establishment of 10. Our entry-level qualification is an establishment of 10 in which you are required to be an ACCA graduate, or someone of another professional qualification that is accepted by ICATT.

However, the Service Commission did in fact advertise for that particular position but they have not proceeded thus far to indicate to us when interviews would be scheduled or whether they are in a position at this point to schedule those interviews.

Now, the position of the qualified officer position is very much a necessary one, because we are moving into the realm of looking at, as you saw today, a more complex type of transaction being—taking place. I mean, if we really want to focus on the accounts we need to focus on the Treasury, and therefore we need to focus on the complexity of the transactions that are taking place in the Treasury, and on that basis you will need a level of officers whose competencies and qualifications are certainly a little bit higher than just a technical one.

The other issue that we are looking at is also the training and moving forward in terms of these new advances. Just for example, given one of our clients is in the mutual fund business, and therefore because they are in the mutual fund business they come under a particular piece of legislation from the Exchequer and they come under the Anti-Money Laundering Act. Therefore, we need to have those competencies and skills as well, so therefore we need to retool our officers because we are required and mandated to produce and audit those particular things. So we need to have training in that level. Environment has a big issue within the auditing world, our public sector auditors across the board, environmental auditing. Environmental auditing has a significant cost, and we are seeing that actually right now in terms of our own waters, in terms of our own—the levels of pollution that we are seeing in terms of the plastic. We do not have the competencies for that.

So as the world becomes more complex we need to be on top of it. Our methodologies cannot stay stagnant. While we have retooled, the methodologies continue to move on and to advance, so we always need to have an extensive research unit. Our research unit at present is consistent of one officer, that certainly cannot be adequate in terms of the complexities of things, of transactions and operations that are taking place in the environment that we work in right now.

I mean, if you look at the Ministries each of them is unique and complex in their own right. Health is complex, Education is complex, Energy is complex, and each of them would require our officers to have an intimate knowledge of that entity in itself of what that entity is supposed to do, and what are the gaps and weaknesses. We do not have the manpower to focus on that type, but that is the nature in which our work needs to move forward to bring value to you and to bring value to the public sector at large.

So our training definitely needs to be beefed up, but we come back to the proverbial problem that there is insufficient funding to finance all of these things. So we have to strategize differently in terms to try and make ourselves be better at what we are mandated to do. And I will just close with that particular statement at this point in time.

**Mr. Chairman:** Member Mitchell, you had a question.

**Mr. Mitchell:** Yeah, just one last question. I am at chapter 6, Deputy, page 103, so you would have signalled here that there are several non-performing loans and these non-performing loans deal with, among others, are other Governments: Grenada, Dominica, Antigua and Barbuda, St. Vincent and The Grenadines. And under "other Governments" the total is approximately $277 million. Can you indicate how long these loans are non-performing and how long before would they be written off or identified by you as bad debt?

**Ms. Pujadas:** These are policy decisions that have to be taken at the policy level. If one was to speak at a strictly accounting position, yes, I would say in some instances the loans are over a 20-year period, definitely, but this is a policy decision. From an accounting position if we were dealing with this in the real world, and we were dealing with this as a financial statement, this would have had to be written off quite some time ago. So, but it is a policy decision and we would not want to embark down on that road to dictate what the policy should and should not be.

**Mr. Chairman:** Thank you so much. I want to thank the members of the Auditor General's Department led by acting Auditor General Pujadas this morning, and all the members who came and answered so forthrightly with the issues. We really appreciate our collaboration with the Auditor General's Department, because it is a collaboration. We try to understand what you do and we try to see how we can help to make you better at what you do, even if it is only by recommendations and some push on some of the Ministries to cooperate more reasonably with you, and by trying to see that you are perhaps better resourced.

We want to thank the media also for being here and we hope that they will report to the public, some of the things here, so that the public will be aware of how the Government operates, what the Auditor General's office does and how the Public Accounts Committee helps in the process of accountability of the entire governmental system. And I want to give you the assurance that some of the issues that came up here today, for instance the human resource issues of the Auditor General's office where you do not have the money although you are doing the interviews—I am sure my colleagues will agree that we can make a recommendation which says, you know, let us strengthen the Auditor General's office and do not put them in a situation where they do not have the resources.

We will also try to look at some of the issues that you have raised, certainly the internal audit issues, the integrated public management issues; we will flag again the issues related to procurement, the ICT issues, and the global or more comprehensive view of public administration that it can assist in strengthening the governmental apparatus and ensuring accountability. And we want to remind you that you have something to tell us on the energy monitoring issue, and how basically—if you can tell us anything about how we might strengthen that integrated approach. Ms. Maharaj, you might want to think about that a little bit with the ICT, where you have gotten and where we need to go—where the Government has gotten and where we need to go to strengthen the system; I think that would be valuable. And any other questions we have we will ask of you, and I know that you will respond quickly.

Well, what can I say, thank you very, very much, and we will look carefully at the verbatim notes and see out of that what recommendations we can give. I want to let you know that right now what we are looking at, and we are going to have a few minutes specially spent on that next time, is that we are going to look at all the recommendations that we have made based on the 2015 auditor's report on 2016. We are doing 2017 now, and on the basis of the responses from the Ministries, in a collective endeavour, we will see how we can respond to some of the issues to make sure that some of the recommendations are in fact executed.

And, of course, we will do the same again for 2017 once we are finished with the report and we can strengthen some of the recommendations, because we do not want the recommendations to just become reports in Parliament not acted upon. Some of the recommendations are acted upon, some of them—there are challenges with difficulties like the one I mentioned with the Auditor General and the—I cannot remember what it was now—

**Ms. Pujadas:** The Board of Inland Revenue.

**Mr. Chairman:** **—**the Board of Inland Revenue issue, and I think that there was another one where the Ministry of Finance said that it was really their charge to try and deal with the issue.

So, we have to find a way of making the system work and we certainly want to work with you to make that possible, so that the system becomes more transparent, more accountable, and the country gets more value for money in the entire process.

In the meantime I will tell you, from the point of view of discernment here just listening to you, I think, besides all the big issues that you talk about, the environment and that kind of accounting, and so on, I think that there are three basic issues you now have to deal with as the Auditor General. One is the revenue question, which has become a dominant concern. The second issue is the expenditure situation which has been your forte, you look at how the money is spent. And the third one is the value for money proposition which really requires an integrated look at how the system operates and how the money from the entire system is managed. So that is not just an expenditure function, it is really an issue involving procurement, it involves expenditure, it involves how the system operates, it involves duplication; all of those things that you have to look at.

So I think the Auditor General's office, besides the hard futuristic questions about the environment, and so on, which we need to do, but these key ones, revenue, expenditure and the value for money question, I think that will strengthen the way the Government operates and the way the Auditor General sees how the Government operates, okay. So, thank you very, very much.

**Ms. Pujadas:** Thank you.

**12.43 p.m.:** *Meeting adjourned.*