RESPONSE OF THE MINISTRY OF EDUCATION
THE TWENTIETH REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE PUBLIC ACCOUNTS OF THE REPUBLIC OF TRINIDAD AND TOBAGO FOR THE FINANCIAL YEAR 2017

PUBLIC ACCOUNTS COMMITTEE OF PARLIAMENT

APRIL 15, 2019

MINISTRY OF EDUCATION

The Government of the Republic of Trinidad and Tobago

MINISTRY OF EDUCATION

Written Submission to the Twentieth Report of the Public Accounts Committee on the Examination of the Report of the Auditor General on the Public Accounts of the Republic of Trinidad And Tobago for the Financial Year 2017

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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)*[1] 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	• ***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 regarding the internal audit function would be addressed in the Public Financial Management (PFM) System.***	The MOE will comply with instructions from the Ministry of Finance.

[1] 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

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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.*		
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	• ***The Ministry of Finance should submit an update on the estimated timeline for the full implementation of the IFMIS by April 25, 2019.***	The MOE awaits the full implementation of the Integrated Financial Management Information System (IFMIS).

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inefficiencies in the accounting, reporting and auditing functions and surmised that they could be resolved by the introduction of IFMIS. The implementation of the 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		

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US$14,790,496.20.		
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[2] 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*	• ***The Ministry of the Attorney General and Legal Affairs (AGLA) should submit an updated timeline on the way forward regarding 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.***	The MOE is in agreement that confidentiality and personal privacy must be addressed while allowing for transparency and accountability in the conduct of affairs by the Board of Inland Revenue.

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

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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."*		
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.	• ***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***	The MOE remains committed to ensuring that State Enterprises/Agencies remain accountable for all subventions received from the Government of Trinidad and Tobago. To this effect, the MOE has taken steps to ensure that state agencies/enterprises under its purview comply with requirements of providing the Ministry with their financial statements.

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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.	***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.	• ***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***	The MOE is committed to ensuring that records are forwarded to the Treasury Division early to facilitate the timely receipt of pensions to public officers.

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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*	***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.***	

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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.*		
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	• ***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 as not having all the requested submissions lessens the effectiveness of the AGD's audit scrutiny.***	The MOE remains steadfast in carrying out all its obligations with respect to the Auditor General's Department.

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Circular Memoranda by the deadlines for submission.		
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.	• 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 being pursued to improve the lease renewal process as well as initiatives used to reduce the number of Ministries and Departments that lease properties.	The MOE is in agreement with this initiative.

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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.	• ***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. Alternatively the Ministries themselves could provide training in the areas of responsibility, accountability and department strengthening.***	The MOE is in agreement that continuous training is necessary for the efficient and effective functioning of the Ministry.

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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.	• ***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.***	The MOE is supportive of the push for proper ICT management, governance and service delivery. In fact, the ICT Division of the MOE has adopted the ITIL framework for service delivery and ICT governance best practices in support of holistic programmes intended to raise the service delivery aspect of the MOE. This is being done by digitizing manual processes that have been flagged as historical issues by external stakeholders. The ICT Division of the MOE would welcome any measures taken across the public sector via the MPA and iGovTT to standardize the integration of ICT to facilitate efficient service delivery.

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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.	• ***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.***	The MOE continues to place emphasis on value for money in all its disbursements of public funds.

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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.	• ***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 in turn affects its capacity to conduct value for money audits of the public service.***	The MOE's Internal Audit Unit is similarly plagued with staff vacancies. Requests for the filling of these vacancies were made to the Director of Personnel Administration, Service Commissions Department in January 2019.

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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.</td><td>• MoE should ensure that all educational institutes under its purview maintain Contract Registers that document all the contractually agreed terms and conditions.</td><td>The following eight of the MOE's eleven agencies/educational institutes maintain a Contracts Register:
i. College of Science, Technology and Applied Arts of Trinidad and Tobago (COSTAATT);
ii. Education Facilities Company Limited (EFCL);
iii. National Energy Skills Centre (NESC);
iv. National Schools Dietary Services Limited (NSDSL);
v. National Training Agency (NTA);
vi. University of Trinidad and Tobago (UTT);
vii. University of the West Indies (UW)I; and
viii. Youth Training and Employment Partnership Programme (YTEPP).

The remaining three agencies which do not maintain a Contracts Register are:
i. Accreditation Council of Trinidad and Tobago (ACTT);
ii. MIC Institute of Technology (MIC-IT); and
iii. National Institute of Higher Education, Research,</td></tr>
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		Science and Technology (NIHERST). However, these three agencies have all committed to establishing and maintaining a Contracts Register going forward. In Fiscal Year 2017, the AGD specifically requested contracts for the following construction firms: 1. Junior Sammy Contractors Limited; and 2. KS & P Limited. The Programmes and Project Management Unit was in possession of the Letters of Award to these contractors and had requested these contract documents from the University of Trinidad and Tobago (UTT). The UTT advised the PPMU that the project was in a fast track mode and that there were no signed contract documents with the contractors Junior Sammy Contractors Limited and KS & P Limited. However, the Award Letters, Tender Documents and FIDIC Form of contract, as well as KS & P project proposal were used to administer the project. Thereafter, UTT was advised to ensure that contracts

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		were prepared for all other contractors being engaged under the project. The UTT have since implemented and maintained a Contracts Register.