Government of the Republic of Trinidad and Tobago

MINISTRY OF FINANCE

OFFICE OF THE PERMANENT SECRETARY

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April 25, 2019

Ms. Keiba Jacob
Secretary
Public Administration and
Appropriations Committee
Parliament of the Republic of Trinidad and Tobago
Levels G-8, Tower D
International Waterfront Centre
Wrightson Road
Port of Spain

Dear Ms. Jacob,

Submission of Ministerial Comments on the Twentieth Report of the Public Accounts Committee (PAC) on the Examination of the Report of the Auditor General

Reference is made to the Twentieth Report of the Public Accounts Committee (PAC) 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.

In the Report, the PAC outlined several recommendations and action items which the Ministry of Finance was required to address.

Accordingly, I have attached for your information the Ministry of Finance's responses to the PAC's observations and recommendations.

Yours respectfully,

Permanent Secretary
Ministry of Finance

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Comments by the PAC on its Examination of the Report of the Auditor General specific to the Ministry of Finance:

1. The Ministry of Finance should take note of the underlying issue of insufficient funding available to the Auditor General Department 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;
2. Training should be provided for the Customs and Excise Division by the Public Service Academy (PSA) further to a Revenue Control issue identified by the Auditor General Department. This training should be provided at the earliest convenience to ensure that the country's revenue is properly maintained and accurately accounted for;
3. The Investments Division should provide the PAC with an outline of the oversight process used to ensure accountability of subventions by State Enterprises;
4. The Investments Division should enforce the penalties in place for Accountable Officers who fail to account for the annual subventions they receive;
5. Provide the PAC with a timeline of how the concerns with the internal audit function would be addressed in the Public Financial Management (PFM) System;
6. Submit an update to the PAC on the estimated timeline for the full implementation of the IFMIS;
7. Provide a status update to the PAC on 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;
8. Collaborate with the Auditor General Department (AGD) to devise penalties for the Accounting Officers of Ministries and Departments (MDAs) which fail to respond to the Auditor General's Circular Memoranda deadlines, as not having all the requested submissions lessens the effectiveness of the AGD's audit scrutiny.
9. The recent decision by the Minister of Finance to pay a monthly stipend of $3,800.00 to public officers immediately on retirement to provide relief but a permanent solution must be pursued.
10. 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.

11. 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 Ministry of Finance's Responses to the PAC

1. The Ministry of Finance has taken note of the underlying issue of insufficient funding available to the Auditor General Department. The Ministry of Finance has recognized that the issue stymies the Department's ability to hire new auditing staff and conduct training which affects its capacity to conduct value for money audits of the public service.

2. The Customs and Excise Division acknowledges the urgent need to provide training for officials of the Customs and Excise Division through the Public Service Academy (PSA) in an attempt to rectify the Revenue Control issue identified by the Auditor General Department. As such, the Division has commenced training of Customs and Excise officials in this regard.

3. The Annual Budget operationalises the activities and objectives set out in the Strategic Plan of State Enterprises and should include details of:

- Operating Budget – items of revenue and expenditure
- Capital Budget – identification of capital projects
- Financing Arrangements – sources/methods of finance
- Cash flows – timing of receipts and payments
- Liability obligations – capital and interest payments
- Returns to the shareholder

Companies that require subventions from GORTT are required to submit their annual Budgets to the Investments Division and respective Line Ministry for assessment at least six (6) months prior to the commencement of the Fiscal Year. The Investments Division and the Line Ministry will review the Budget and respond within one (1) month prior to the start of the Fiscal Year.

The Cabinet under the principle of collective responsibilities approves Shareholder rights and responsibilities of the Line Ministries with respect to State Enterprises. It is accountable through Parliament to the public with regard to the management of the investments of the State.

In executing its corporate functions in safeguarding state assets Corporation Sole is supported by the Investments Division of the Ministry of Finance (MoF) which, acting on the behalf of

Corporation Sole, is mandated to provide oversight, monitoring and where necessary, the rationalization of the investments portfolio of the Shareholder.

Given its mandate to monitor and manage GORTT existing investment portfolio, the Division employs various mechanisms which includes but are not limited to:

- Appraising and evaluation investments plans of State Enterprises to ensure the profitability of investments projects;
- Analyzing of the operations of individual Enterprises to ensure consistency with GORTT macroeconomic and sectoral objectives;
- Preparing economic and financial appraisals of Enterprises;
- Preparing quarterly and annual forecasts and reviews of domestic investment activities.

The Investment Division, in the process of monitoring State Enterprises is supported by guidelines as contained in the State Enterprises Performance Monitoring Manual (SEPMM), which requires that Enterprises submit various Reports. The Division will utilize various analyses to assess the performance of the Company so as to determine the efficiency and effectiveness in the utilization of subventions to companies. ***Details of Reports to be submitted are detailed at Appendix 1***

State Enterprises are allocated funds to carry out its operations for the fiscal period through the budgetary process. This process is facilitated through its Line Ministry and considered by the MoF to be included in the annual budget. Consequently, an Enterprise whose Line Ministry is the MoF, applies the following process:

➢ **For operational companies:**

- the requesting Enterprise submits a formal request to the MoF. This would entail:
    - the quantum of funds required for the stated period;
    - details of the request of funds;
    - forecast of requirements over the fiscal year;
    - the Enterprise's Bank/Cash Balance;
    - committed funds to date;
    - estimated funds required per month;
    - staff employed; and
    - any other information that maybe relevant in its justification for the request being made.

- the Investment Division is required to verify all information provided by the Enterprise and to request additional information if required;

- the Division also verifies the budgetary allocations of the Enterprise as contained in the Draft Estimates, in addition to its most recent draw-down of funds; and

- the findings of this process is collated by the Investments Division, to be taken into consideration in determining the reasonableness of the request, for final approval for disbursement by the Permanent Secretary, MoF.

➢ **For Companies in Pre-Liquidation**

  - the Board of Directors (Ministry of Finance officials) on assuming office request the following from the company:
    - the bank balance on the date of assumption of office;
    - details of current and non-current liabilities
    - details of contingent liabilities e.g. litigation
    - estimated liquidator fees / legal fees
    - sundry expenses

  - Based on the information for Pre-Liquidating companies, if there are sufficient funds in the company's bank accounts no request is made for funds, if not, either a Cabinet Note is prepared requesting funds to further the liquidation process or the amount is included in the budgetary process for an allocation under the Ministry of Finance.

4. Regarding the imposition of penalties on Accounting Officers, the Investment Division has indicated that that power is not resident within the Division.

5. At present Internal Audit Reform is part of the reform efforts under the IFMIS Project. The oversight project office for the IFMIS Project is the Public Financial Management Modernisation Unit (PFMMU) in the Ministry of Finance.
With respect to Internal Audit Reform, the PFMMU procured a Long-term Consultant to develop and define the Internal Audit Function for Government Ministries, develop an overall strategy for Internal Audit Reform, develop internal audit processes and manuals and train staff in the internal audit function.

The Consultant commenced work in the first week of March 2019 upon his arrival to Trinidad. The Consultancy is expected to cover a two-year period, and includes training of staff and the provision of operating manuals.

In the long term a pertinent issue to be addressed is continuity with respect to matters such as training, leadership and continuous policy development among other things. Part of the consultant activities would be the preparation of a proposal of an oversight office to carry out these functions. This is expected in the latter part of the consultancy.

6. The Contract with the IFMIS Vendor was signed in September 2018.

- The Project Charter document was completed and the Project Plan is being finalized.
- Hardware for the IFMIS Project was received in January 2019 and will be configured at the vendor's local office, before being brought into the Ministry's network. Estimated timeframe May 2019.
- To work on building out the required interfaces, the expected reporting structure/framework and the dash boards, and prepare data for migration into test system.
- Work is continuing on the "as is" business process reviews of the budgeting, treasury and planning frameworks.
- Configuration and the beginning of user acceptance testing is expected by late May or early June 2019.

The complete roll out of the IFMIS is estimated to take between 44-48 months. The key stages are as follows:

- First twelve months, analysis and design including design of system architecture, final configuration and build out of the system, then integration and testing.

- In the 6-8-month period between month twelve and month 20, user acceptance testing will be carried out within the context of four pilot Ministries, including the two core Ministries, Ministry of Finance and Ministry of Planning and Development. At the end of the period it will be determined if the system is ready to "go-live", that is if all core functionalities are in place, tested and certified as operational.

- For a period of 18 to 24 months after go live, the system will be rolled out to all Government Ministries.

7. A concern at the Pension Management Branch is the occurrence of misplaced/lost files due to the tremendous volume of files. The Branch currently houses approximately 110,000 files and creates approximately 1,500 new files every month. Further, it is required that files are retained long after the demise of a pensioner. Due to the volume of records maintained and inadequate storage space, a considerable number of man hours is spent in search of lost or misplaced files which can result in delays in the payment of benefits to affected clients.

Cabinet by Minute No. 1299 dated July 27, 2017 accepted the recommendation of the Minister of Finance to procure and implement an RFID solution. The Treasury Division has since sourced and implemented an RFID solution to assist in reducing the time spent in locating a file. The vendor was contracted in September 2018 and the project was completed in February 2019. A total of 30,000 active files were tagged in the first instance by the company and the ongoing tagging process is being done by the Registry staff.

8. Section 121 of the Constitution of the Republic of Trinidad and Tobago empowers the Public Service Commission to exercise disciplinary control over public officers holding the position of Permanent Secretary or Head of a Department of Government. It is therefore the responsibility of the Commission to hold Accounting Officers liable or impose sanctions on Accounting Officers related to a contravention of Regulations.

i. There currently exists mechanisms within the existing legislative framework to hold public officers, including Accounting Officers, responsible for contravening the Civil Service Regulations. Pursuant to Regulation 149 of the Civil Service Regulations, an officer who without reasonable excuse does an act which contravenes any of the Regulations commits an act of misconduct. Where an act of misconduct is alleged disciplinary action in accordance with the disciplinary procedures set out in Chapter VIII of the Public Service Commission Regulations may be initiated.

Regulation 149 states:

"149. (1) An officer who without reasonable excuse does an act which -

(a) amounts to failure to perform any required lawful duty in a proper manner,

(b) contravenes any of the Regulations;

(c) contravenes any law relating to the performance of the duties of his office; or

(d) is otherwise prejudicial to the efficient conduct of the Service or tends to bring the Service into disrepute,

commits an act of misconduct."

ii. In order to initiate disciplinary proceeding in circumstances related to a breach of Regulation 149 of the Civil Service Regulations, an allegation would have to be reported to the Public Service Commission. Since the Permanent Secretary is the most senior officer in his Ministry, the Head of the Public Service should be the person responsible for reporting the matter to the Commission. Once the Commission becomes aware of the allegation of indiscipline or misconduct of an officer being a Permanent Secretary or Head of Department, pursuant to Regulation 84B of the Public Service Regulations, the Commission will appoint an officer to investigate such allegation.

iii. The officer appointed by the Commission will conduct the investigation in accordance with Regulation 90 and submit a report to the Commission detailing his or her findings. Once in receipt of the report, the Commission must decide whether the officer should be charged with an offence. If the officer is charged and does not admit the charge, a Disciplinary Tribunal hearing would be held to hear and find the facts. At such a hearing the officer charged will have the opportunity to call witnesses on his behalf and present evidence before the Tribunal. Since the allegation would have arisen from the Auditor General, his Department would be required to prosecute the officer and will also be expected to call witnesses and present evidence before the Tribunal. Once the hearing is completed, the Tribunal will prepare and submit a report to the Commission on its findings.

The Commission will then determine whether the charge is proven or not. If the charge is not proven, the officer will be exonerated. If it is proven, the Commission must inform the officer of the guilty verdict and which of the penalties listed in Regulation 110 of the Public Service Commission Regulations it intends to impose. The officer may then appeal to the Public Service Appeal Board.

9. As at **March 31, 2019** a total of **190** persons fulfilled the criteria and were paid the interim minimum pension of **$3,500.00.** These 190 retired public officers received the minimum pension payable from the date of their retirement up to the month in which the interim pension was paid d bringing much needed financial relief to them.

This initiative has been welcomed by the retirees who have been awaiting their retirement benefits.

Further, as at **April 17**, 2019 there were **46** new persons who fulfilled the requirements and were coded onto the IGP/IhRIS system to receive the interim minimum pension at the end of April, bringing the total to **236.**

Short and long term measures have been implemented which collectively have shown improvements in the processing of pensions. In 2018, 71% of persons who retired in that year were paid their pensions and gratuities.

The following measures have been implemented:

i. A comprehensive Circular regarding the timely submission of accurate records of service and Pension and Leave Records was issued to Ministries and Departments with given timelines to be complied with. If the instructions given in this Circular are complied with, problems can be identified and resolved early well before the retirement date of an officer;

ii. A template to capture and monitor the P&L status of officers was circulated to Ministries and Departments. This form is to be completed by the HR Unit and submitted to Permanent Secretaries for reporting purposes. In this way they can enforce the timely preparation and submission of these Records to the Treasury Division;

iii. Meetings were held with Permanent Secretaries and the HR Officers at the respective Forums to promote accountability and responsibility in respect of the preparation and submission of Pension and Leave Records and other relevant documents;

iv. In conjunction with the Chief Personnel Officer, Treasury Officers have been serving as resource personnel at training conducted by the Ministry of Public Administration for Ministries and Departments on the preparation of Pension and Leave Records;

v. Liaison Officers from Ministries and Departments were established to work in conjunction with the Treasury to fast track issues that may arise while processing an officer's retirement benefit;

vi. Full automation of the process to pay an officer's retirement benefits. However HR transformation must take place before deciding to invest in an automated system. It was recognized that the benefit of full automation from input of data to the generation of a cheque is largely dependent on the HR aspect. That is, the input of relevant, timely and accurate information of an officer's service by the HR Units. These records are instrumental in the calculation of the retirement benefits.
In this regard the Ministry of Public Administration has embarked on a project to streamline the Human Resource processes aimed at increasing the efficiency of the pensions payment process.

10.&11. The Treasury Division conducts annual training for Accounting Officers. Another such training is being scheduled for this year.

The training details their roles and responsibilities as set out in the Financial Regulations to the Exchequer and Audit Act Chap.69:01 and gives an overview of the Financial Management and Accounting System of Government.