PAC

PARLIAMENT

REPUBLIC OF TRINIDAD AND TOBAGO

TWENTY - FIFTH REPORT OF THE

PUBLIC ACCOUNTS

C O M M I T T E E

FOURTH SESSION OF THE 11TH PARLIAMENT

Inquiry Examination of the Audited Financial Statements of the National Lotteries Control Board (NLCB) for the years 2008 to 2012 and the NLCB's expenditure and internal controls during this period.

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
Mrs. Paula Gopee-Scoon	Member
Mr. Adrian Leonce	Member
Dr. Lester Henry	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
Ms. Vanna Jankiepersad	Procedural Officer Intern
Mr. Darien Buckmire	Graduate Research Assistant
Mr. Justin Jarrette	Graduate Research Assistant
Ms. Natoya O'Neil	Clerk Typist I
Ms. Anesha James	Administrative Assistant

Publication

An electronic copy of this report can be found on the Parliament website:
http://www.ttparliament.org/committee_business.php?mid=19&id=230&pid=28

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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 Report of the Auditor General and Audited Accounts of Statutory Authorities and Bodies. The Committee presents its Twenty – Fifth Report of the Eleventh Parliament which details its examination of ***the Audited Accounts, Balance Sheets and other Financial Statements of the National Lotteries Control Board (NLCB) for the financial years 2008 to 2012 and the Board's expenditure and internal controls*** and produced this report to highlight its findings and recommendations.

This report sets out the issues, endorsements and recommendations made by the Committee to improve the NLCB's operations.

During this inquiry, the following issues arose:

1. **The average annual income generated compared to the average annual expenses incurred to operate the National Lotteries Control Board (NLCB).**
2. **A breakdown of the annual expenditure of the NLCB.**
3. **The number of active NLCB terminals in Trinidad and Tobago and the profitability of each terminal.**
4. **The market share of the gambling sector held by the NLCB and the strategies being rolled out to increase this share.**
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11. **The status of the Strategic Plan for the NLCB for the years 2018-2020 and the role of the Ministry of Finance in this regard.**
12. **The Accounts Payable and the Accounts Receivable amounts outstanding for the NLCB.**
13. **The status of the NLCB's bank reconciliation.**
14. **The lack of both an approved Fraud Policy and an approved Whistle Blower Policy in the NLCB.**
15. **The relationship between the NLCB and the Auditor General's Department.**
16. **The legal infrastructure of the NLCB and its capacity to handle lawsuits and other legal matters.**
17. **The existing and proposed organizational structure of the NLCB and suggestions for improving its efficiency and effectiveness.**

18. **The human resource constraints being experienced by the NLCB including vacancies and the need to review the salary arrangements currently in place.**
19. **The internal audit challenges faced by the NLCB and the measures in place to strengthen the internal control systems.**
20. **The conducting of ICT audits.**
21. **The lack of proper document control within the NLCB.**
22. **The service fees payable to International Game Technology PLC (IGT) and its existing contract arrangements with the NLCB.**
23. **The need to perform an evaluation of the services provided by IGT and the need to prepare a Request for Proposals (RFP) in the required timeframe to allow for a competitive bid process for the provision of these services.**
24. **The technical issue experienced in December 2018 regarding the Fast Five games which lead to the NLCB being reimbursed by IGT.**
25. **The internal Risk Management policy and related procedures within the NLCB.**
26. **The guidelines regulating the disbursement of sponsorship funds and charity grants by the NLCB.**
27. **The commission received by the NLCB terminal operators.**
28. **The security concerns faced by the NLCB's terminal operators.**
29. **The need to provide staff with training and development.**
30. **The need for the NLCB to increase its level of accountability and transparency in its operations.**

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

- ***The NLCB should provide its outstanding financial statements to the AGD by November 30, 2019;***
- ***The NLCB should submit a report to Parliament containing a summary of the findings of PwC and an explanation of how it will be ensured that the errors committed do not reoccur by November 30, 2019;***
- ***The NLCB should provide the AGD with the requisite documentation as soon as it becomes available in June 2019 and report to Parliament to attest to having provided the documentation by November 30, 2019;***
- ***The NLCB should indicate to the Investments Division of the Ministry of Finance whether the Strategic Plan is fully supported by the Board by November 30, 2019;***
- ***The Ministry of Finance – Investments Division should report to Parliament on the creation a strategic plan review process to reduce the amount of time it takes to approve a plan by November 30, 2019;***
- ***The NLCB should provide a status report on the recruitment of an audit manager by November 30, 2019;***
- ***The NLCB should submit the following by November 30, 2019:***

- *its policy for responding to reports of irregular practices by agents / terminal operators; and*
- *a description of how the Board ensures that agents provide the relevant vendor information.*

- ***The NLCB should provide Parliament with a full report on progress made in collecting debts since the implementation of the credit policy by November 30, 2019;***
- ***The NLCB should submit a status report on the collection of the remaining 20% of outstanding tax monies from agents and describe the measures taken against those who did not pay, by November 30, 2019;***
- ***The NLCB should inform Parliament of the following by November 30, 2019:***
  - ***the name of the debt collection agency retained; and***
  - ***a timeline for the fulfilment of that agency's work.***
- ***The NLCB should provide a timeline for the development, approval and implementation of its Risk Management Policy by November 30, 2019;***
- ***The NLCB should submit a report including the measures implemented to ensure that its games do not facilitate money laundering or the financing of terrorism and indicating whether any such irregularities have ever been detected and how they were dealt with, by November 30, 2019;***
- ***The NLCB should provide a detailed breakdown of the fee structure for payments made to IGT by November 30, 2019;***
- ***The NLCB should indicate the following by November 30, 2019:***
  - ***the timeline for the start and completion of the 2021 RFP process, the likely competitors to IGT and how they could contribute to enhancing the NLCB's work;***
  - ***the rationale for not opening the tendering process to other service providers; and***
  - ***whether an analysis was conducted to determine if the services received from IGT were in line with international industry best standards.***
- ***The NLCB should describe the metrics used to measure the success of its initiatives to curb illegal gambling over the past year and explain how successful its efforts have been according to these metrics by November 30, 2019;***
- ***The NLCB should consider expanding its illegal gambling public information campaign beyond traditional media to include social media, which would increase the reach of the campaign, and report to Parliament by November 30, 2019;***
- ***The NLCB should provide Parliament with a timeline for the start and completion of the necessary feasibility study of the expansion of the functionalities of the NLCB Mobile App to include gaming, by November 30, 2019;***
- ***The NLCB should report to Parliament on the much needed establishment of a centralized unit for enterprise-wide physical and digital records management. This***

should specify the software to be used, its cost as well as the results anticipated, and be submitted by November 30, 2019;

- ***The NLCB should submit the following by November 30, 2019:***
  - ***the reason for authorizing sponsorships and donations applications based on a simple majority;***
  - ***the reason for making 2 large sum donations to one entity in FY 2018;***
  - ***a full copy of its Revised Sponsorships Policy; and***
  - ***an account of whether non-compliance by applicants with sponsorships terms and conditions was ever detected and the steps taken to deal with this issue.***
- ***The NLCB should provide a timeline for the approval and implementation of its Internal Fraud and Whistleblowing policies by November 30, 2019;***
- ***The NLCB should report to Parliament on the implementation of background checks for prospective employees and non-disclosure agreements for staff by November 30, 2019;***
- ***The NLCB should report to Parliament on the establishment of a set of ethical conduct benchmarks to be applied enterprise-wide by November 30, 2019;***
- ***The NLCB should provide a timeline for the preparation of a Conflict of Interest Policy and the estimated cost of this undertaking by November 30, 2019;***
- ***The NLCB should provide a description of how the Board vets applicants for funding to ensure that it is a transparent process based on identified criteria and that applicants have no unethical link with its decision-makers and influencers;***
- ***The NLCB should update Parliament on the outcome of ongoing investigations and legal proceedings once they are concluded; and***
- ***The Ministry of Finance should prioritize assisting the NLCB to recruit more legal staff and a progress report in this regard should be submitted to Parliament by November 30, 2019.***

Introduction

Establishment

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.

Mandate

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.

Ministerial Response

The Standing Orders[3] provide for the Minister responsible for the Ministry or Body under review to submit within sixty (60) days a paper to the House responding to any recommendations or comments contained in the Report which are addressed to it.

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. Mr. Taharqa Obika was elected Vice-Chairman of the Committee on December 13, 2017.

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,

[3] Standing Order 110 (6) in the House of Representatives and 100(6) of the Senate.

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 a work programme for the Fourth Session of the Eleventh Parliament during its twenty-ninth meeting held on Wednesday December 12, 2018. These entities include:

1. Telecommunications Authority of Trinidad and Tobago (TATT);
2. National Agricultural Marketing and Development Corporation (NAMDEVCO);
3. National Carnival Commission (NCC);
4. Port Authority of Trinidad and Tobago (PATT);
5. National Lotteries Control Board (NLCB);
6. National Library and Information System Authority (NALIS);
7. Environmental Management Authority (EMA);
8. Ministry of Public Administration and Ministry of Planning & Development 2017 AGD Report-ICT Findings;

The Committee also agreed to follow up with the following entities:

- i. Water and Sewerage Authority;
- ii. Trinidad and Tobago Electricity Commission;
- iii. Airport Authority of Trinidad and Tobago;
- iv. Chaguaramas Development Authority;
- v. Trinidad and Tobago Bureau of standards; and
- vi. Public Transport Service Corporation.

9. Auditor General's Report 2018;
10. Ministry of Energy & Energy Industries and Ministry of Finance (Revenue Collection);
11. The Heritage and Stabilization Fund;
12. National Insurance Board of Trinidad and Tobago (NIB);
13. The Sports and Cultural Fund; and
14. The College of Science, Technology and Applied Arts of Trinidad and Tobago (COSTAATT).

The Inquiry Process

The Inquiry Process outlines steps taken by the Committee when discussing the findings in the Audited Financial Statements and Management Letters of the NLCB for the financial years 2008 to 2012. The Inquiry Process agreed to by the PAC included the following steps:

I. Identification of issues in the Audited Financial Statements and Management Letters of the NLCB for the financial years 2008 to 2012;

II. Preparation of an Inquiry Proposal for the selected issues. The Inquiry Proposal outlines:
   a. Background;
   b. Objective of Inquiry; and
   c. Proposed Questions.

III. Questions for written responses were forwarded to the NLCB on January 30, 2019 and responses received on February 19, 2019.

IV. A public hearing was conducted and the relevant witnesses (see Appendices I and II) were invited to attend and provide evidence on March 13, 2019.

V. Questions for additional responses were sent to the NLCB on March 21, 2019 and responses were received on April 5, 2019. In light of continuing developments, more questions were sent to the NLCB and other stakeholders on May 27 and July 2, 2019 and responses were received on June 11 and July 17, 2019 respectively.

VI. Report Committee's findings and recommendations to Parliament upon conclusion of the inquiry.

The National Lotteries Control Board (NLCB)'s Profile

Background: The National Lotteries Control Board

The National Lotteries Control Board (NLCB) is a Statutory Authority under section 3(2) of the Statutory Authorities Act (Chapter 24:01) and falls under the purview of the Ministry of Finance. National Lotteries Control Board was established on August 12th, 1968 by an Act of Parliament to promote, organize, and conduct National Lotteries and is the only body authorized to do so.

The National Lotteries Control Board has an agent network of over 1200, a portfolio of eight games and through its network provides commercial services to enhance and decentralize access for citizens. These all contribute to NLCB's revenue surpassing the three-billion-dollar mark and increasing the contribution to the Consolidated and the Sports and Culture Funds. NLCB has also created over 200 millionaires since the introduction of Lotto.

The NLCB has 3 office locations in Port of Spain, San Fernando and Tobago that allows it to satisfy its mandate to the Government of the Republic of Trinidad and Tobago. The NLCB also fulfils its corporate social responsibility mandate by supporting 'good causes' through sponsorship under the pillars of Sport, Culture, Youth, Education and Community Development.

Mission

To create, promote and conduct games of chance that generate revenue for the Government of the Republic of Trinidad & Tobago and to provide quality service to all its customers.

Members of the Board of Directors

- Mr. Eustace Nancis (Chairman)
- Mr. Dwight Andrews
- Ms. Cindy Manson
- Ms. Sunita Harrikissoon
- Mr. Selby Browne

Senior Management

- Mr. Michael Jogee – Director
- Mr. Ricardo Borde – Deputy Director
- Ms. Rosalie John – Secretary to the Board
- Ms. Candy West –Instant Money Games Supervisor
- Ms. Lisandra Thompson – Marketing & Public Relations Officer
- Ms. Wendy Dwarika – Financial Comptroller

- Mr. Rolph Clarke – Manager, Online Games
- Ms. Karen Williams-Hall – AML/CFT Compliance Officer
- Ms. Tricia Chin – Legal Advisor
- Mr. Marlon Sealey – I.T. Coordinator
- Ms. Sharlene Lewis – Auditor II
- Ms. Yana Mollino – Human Resource Assistant (H.R. Manager Ag.)

Minister of Finance: the Honourable Colm Imbert, MP
Minister in the Ministry of Finance: Senator the Honourable Allyson West
Permanent Secretary: Mr. Vishnu Dhanpaul
Permanent Secretary: Ms. Suzette Taylor-Lee Chee
Permanent Secretary (Ag.): Mrs. Michelle Durham Kissoon

Background: Auditor General

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

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.

Auditor General - Ms. Lorelly Pujadas

Issues and Recommendations

During the examination of the Audited Financial Statements of the NLCB for the financial years 2008 to 2012, the following issues were identified and recommendations proposed:

1. **Outstanding Audited Financial Statements**

There is a six year backlog in the NLCB's submission of audited financial statements. The Committee noted that the NLCB committed to bringing its audited financial statements for the years 2012 to 2016 up to date within nine (9) months when appearing before the Joint Select Committee on Local Authorities, Service Commissions and Statutory Authorities (including the THA) (JSCLASCSA) on November 22, 2017[4]. The Committee further noted that the auditing of the financial statements was still not up to date in 2019, as the audited statements for the years 2013 to 2018 remained outstanding. According to the National Lotteries Act Chap. 21:04, section 22(3), 'after the end of each financial year of the Board, the Board shall, as soon as the accounts of the Board have been audited, cause a copy of the statement of accounts to be transmitted to the Minister of Finance, together with a copy of any report made by the Auditor General on that statement or on the accounts of the Board'.

The NLCB explained that the financial statements that had been audited up to 2012, came with a disclaimer of opinion from the Auditor General's Department (AGD). This was due to the NLCB's failure to respond to the issues raised in the Management Letters as well as to the unavailability of necessary documents. The AGD was assured by the NLCB that all relevant documents would be available from June 2019.

The NLCB hired an accounting firm PricewaterhouseCoopers (PwC) for a six (6) month period to bring the audited financial statements up to date and to respond to the 2010-2012 Management Letters from the Auditor General's Department at a cost of $1.3 million. A recommendation to this effect had been made by the JSCLASCSA in its tenth (10th) Report in September 2018.

[4] Joint Select Committee on Local Authorities, Service Commissions and Statutory Authorities, *Summary of Proceedings – Public Hearing*, accessed on May 06, 2019: http://www.ttparliament.org/documents/news/mrCDC045.pdf

The NLCB also listed high turnover of Financial Comptrollers, the procurement process to engage PwC and difficulties in providing accurate and reliable brought forward balances for the statements of financial position over several years as a contributing factor to the non-submission of financial statements to the AGD.

Recommendations:

i. ***The NLCB should provide its outstanding financial statements to the AGD by November 30, 2019;***
ii. ***The NLCB should submit a report to Parliament containing a summary of the findings of PwC and an explanation of how it will be ensured that the errors committed do not reoccur by November 30, 2019; and***
iii. ***The NLCB should provide the AGD with the requisite documentation as soon as it becomes available in June 2019 and report to Parliament to attest to having provided the documentation by November 30, 2019.***

2. **Strategic Plan**

The delay in the approval of the Strategic Plan 2018-2020 is preventing progress on key issues. The NLCB explained that at the public hearing, it was able to carry out some preparatory work in anticipation of the Plan's approval. However, the Plan must be approved before its major provisions can be implemented. These include the updating of the NLCB's organizational structure and relevant recruitments to reflect the new strengthened structure, notably in the area of finance, as well as a salary review process to better enable the NLCB to offer competitive remuneration to attract the best talent to fill vacant posts. The improvement of the NLCB's remuneration packages was among the recommendations for short-term implementation made to the Board in the JSCLASCSA's 10th Report[5].

The NLCB's Strategic Plan for the period was submitted to the Ministry of Finance but has not yet been approved. In the interim, the NLCB followed the Financial Institutions Act Chap. 79:09 and the Exchequer and Audit Act Chap. 69:01.

The Plan was initially submitted in August 2017. Five (5) months later, a new NLCB Board was appointed. The Ministry of Finance indicated that its approval of the NLCB's Strategic Plan was delayed because the Ministry was waiting for the new Chairman of the NLCB to confirm whether the Plan as submitted was fully endorsed by the new Board. When this confirmation is received,

[5] JSC on Local Authorities, Service Commissions and Statutory Authorities, *10th Report on an Inquiry into Internal Controls Systems and Corporate Social Responsibility Policies of the National Lotteries Control Board (NLCB)*, p 10.

the Investments Division will respond within six (6) weeks in accordance with Section 3.2.1 of the State Enterprises Performance Monitoring Manual (SEPMM). On March 26, 2019 the Ministry of Finance wrote to the NLCB seeking further information on the Plan.

Recommendations:

i. ***The NLCB should indicate to the Investments Division of the Ministry of Finance whether the Strategic Plan is fully supported by the Board by November 30, 2019; and***
ii. ***The Ministry of Finance – Investments Division should report to Parliament on the creation a strategic plan review process to reduce the amount of time it takes to approve a plan by November 30, 2019.***

3. Internal Audit

The NLCB needs to strengthen its Internal Audit capacity. From 2010 to 2012, 51 audit reports were prepared. However, several Internal Audit weaknesses were observed within the entity. Overall, the NLCB lacks the necessary skills and competences for a fully effective Internal Audit function. For example, no internal IT audits were ever conducted, as none of the NLCB's audit staff is qualified in this area. The NLCB stated that it was in the process of strengthening its internal audit capabilities through the hiring of an audit manager and additional relevant officers. However, these recruitments were difficult because the remuneration offered is not competitive.

Further, this lack of skills and competences increased the risk that the NLCB would be non-compliant Standard 2030 – Resource Management of the IIA Performance Standards 2000.

Standard 2030[6] states that

> 'The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.
> Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimizes the achievement of the approved plan'.

[6] The Institute of Internal Auditors (North America), International Standards for the Professional Practice of Internal Auditing (Standards) accessed on May 03, 2019: https://na.theiia.org/standards-guidance/Public%20Documents/IPPF-Standards-2017.pdf

The Internal Audit Charter for 2019 was not submitted to the Board. The NLCB indicated that this would be done shortly. An Audit Committee was established in June 2018. However, it is not meant to carry out audits of the organization.

Recommendation:

i. ***The NLCB should provide a status report on the recruitment of an audit manager by November 30, 2019.***

4. Agent Relations

Agents and vendors must be compliant, transparent and accountable. There were approximately one thousand (1,000) NLCB terminals in operation, involving agents and vendors.

The National Lotteries Act Chap. 21:04 defined 'agent' as follows:
For on-line games –

> 'Agent means a person who has entered into an agreement with the Board to conduct on-line lottery sales and operations during the period of the agreement'.

For other games –

> 'Agent means a person appointed by the Board and who has entered into an agreement with the Board to purchase for sale a stipulated number of tickets for each lottery during the period of the agreement'.

The Act defined 'vendor' as follows:

> 'Vendor means a person registered to sell lottery tickets with an agent'.

Various irregular practices and events were noted. There were reportedly cases of vendors avoiding making payouts to winners and sending them to other terminals, which was not standard procedure. According to the Act, agents are obliged to keep a record of the names and addresses of the vendors registered with them and make this information available to the Board upon request. If duly adhered to, this should facilitate identifying and dealing with the vendors involved.

There were also reports of terminals being robbed. The NLCB was, however, sceptical about the genuineness of some of these reports. The NLCB assigned Agent Customer Relations Officers (ACRO) to monitor online game system activities and ensure Agents respected their contractual agreements.

Recommendation:

i. ***The NLCB should submit the following by November 30, 2019:***
   a. ***its policy for responding to reports of irregular practices by agents / terminal operators; and***
   b. ***a description of how the Board ensures that agents provide the relevant vendor information.***

5. **Accounts Receivable**

Debt recovery must be made a priority even if receivables do not appear to be a crucial issue. The NLCB's bad debtors consist of agents. The NLCB indicated that bad debts represented less than 1% of its total revenue. The NLCB's audited financial statements showed that for the period under review, Accounts Receivable increased in 2010 but decreased in all the other years.

According to the Act, 'the Board shall appoint agents to sell lottery tickets'. Due to the number of applications received, the NLCB had to be selective in its review of applications. According to the Credit Policy approved by the Board in January 2019, applicants were evaluated on the basis of their potential commercial capacity, the viability of their proposed locations and their business acumen.

A weekly sales target of $25,000 was set for each terminal. Agents received a commission of 8% on sales. The NLCB estimated that around 97% of the terminals were profitable, while the remaining 3% just broke even.

Another issue was the previously identified non-payment of the 10% tax to the NLCB by some agents. The NLCB explained that this was due in part to an error in calculating the weekly sums due to be paid by the agents. The adjusted amounts were indicated to the agents, who were then given a month to pay the outstanding amounts owed, which was $2 million all together. 80% of the outstanding taxes have been collected so far.

The goal of the Credit Policy is to secure 100% collection of online debts. The Policy set credit limits for each agent calculated according to their average weekly sales over the previous year. This limit was the maximum amount that an Agent could owe to the NLCB. Ageing reports were reviewed monthly. Where the On-Line Department did not collect an Agent's debt after 21 days, the account went to the Finance Department's Debtors Unit, to a debt collection agency after 1 year and ultimately to litigation if the debt remained unpaid after 2 years. Indebted Agents' accounts were suppressed (suspended) and eventually reactivated if their debt was settled, or terminated if it was not. They also had to pay interest on their debts, surcharges on unpaid taxes and penalties for re-activation. The NLCB has initiated 32 legal actions so far.

The Credit Policy also provides for bonds to be paid by new and existing agents[7].
This bond was already provided for by the National Lotteries Act Chap. 21:04, according to which:

> 'An agent shall give a bond, fee, guarantee, or other security instrument in the amount and in such form as the Board may from time to time determine'.

The NLCB noted that, before the implementation of the Credit Policy, it managed to secure payment of 35% of its bad debts due for over 2 years and was confident that the Policy would help to improve the collection rate.

Recommendations:

i. ***The NLCB should provide Parliament with a full report on progress made in collecting debts since the implementation of the credit policy by November 30, 2019;***
ii. ***The NLCB should submit a status report on the collection of the remaining 20% of outstanding tax monies from agents and describe the measures taken against those who did not pay, by November 30, 2019; and***
iii. ***The NLCB should inform Parliament of the following by November 30, 2019:***
    a. ***the name of the debt collection agency retained; and***
    b. ***a timeline for the fulfilment of that agency's work.***

6. Risk Management

The NLCB has no Risk Management policy. The Board only began to consider developing this important policy in 2016. A sample policy document was submitted to the NLCB's Board on March 28, 2019 for its consideration towards the development of an official Policy. Some senior management staff were given enterprise risk management training. In the absence of a Policy, heads of department assessed risks faced and entered them in a risk register.

The Financial Intelligence Unit (FIU) is a public authority whose mission is to deter money laundering and the financing of terrorism.

<u>Money Laundering Risk</u>
Money laundering was defined as follows by the FIU:

[7] $25,000 for new Agents and equivalent to the credit limit for existing Agents.

> 'The offence of money laundering is the process by which funds derived from criminal activity ('dirty money') are given the appearance of having been legitimately obtained through a series of transactions in which the funds are 'cleaned'. Money Laundering allows criminals to maintain control over those proceeds and, ultimately, provide a legitimate cover for the source of their income'[8].

Financing of Terrorism Risk

The FIU also defined the financing of terrorism:

> 'Financing of Terrorism is the process by which funds are provided to an individual or group to fund terrorist activities. Unlike Money Laundering, funds can come from both legitimate sources as well as from criminal activity for the financing of terrorism. Similar to money launderers, terrorism financiers also move funds to disguise their source, destination and purpose for which the funds are to be used'[9].

A great deal of the FIU's work focuses on financial institutions. However, the FIU explains that even though the entities comprising the gambling sector – including the NLCB – are non-financial institutions, they are exposed to the risk of money laundering since they do conduct certain financial activities. The FIU concluded that 'it is the variety, frequency and volume of transactions that makes the gambling sector particularly vulnerable to money laundering'[10]. This being the case, the NLCB had to make compliance with Anti-Money Laundering / Counter Financing of Terrorism (AML/CFT) laws a priority of its risk management activities.

The NLCB had two positions dedicated to AML/CFT issues, those being the Legal Advisor and the Compliance Officer. However, the Board explained that AML/CFT training was part of annual training requirements from the FIU[11] and that, since 2018, the entire organization including directors, management, staff and – importantly – agents, has been sensitized to the NLCB's AML/CFT legal obligations and the penalties for non-compliance.

Recommendations:

I. ***The NLCB should provide a timeline for the development, approval and implementation of its Risk Management Policy by November 30, 2019; and***
II. ***The NLCB should submit a report including the measures implemented to ensure that its games do not facilitate money laundering or the financing of terrorism and indicating***

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[8] FIU, AML/CFT Guidance for the Gambling Sector, p 11, accessed on April 22, 2019: https://www.fiu.gov.tt/wp-content/uploads/Guidance-note-for-the-Gambling-Sector-August-2017.pdf
[9] Ibid, p 10.
[10] Ibid, p 11.
[11] NLCB responses to questions for additional information, p 39.

whether any such irregularities have ever been detected and how they were dealt with, by November 30, 2019.

7. **The NLCB's Relationship with International Gaming Technology (IGT)**

IGT has been allowed to become a de facto gaming technology monopoly in Trinidad and Tobago. International Game Technology PLC (IGT) – the largest gaming technology services company in the world, formerly known as GTECH – has been the provider of gaming technology and marketing promotion services to the NLCB since 1993. IGT is paid service provider fees by the NLCB calculated as a percentage of sales. Since 1993, IGT has had 5 contract renewals; the current contract is due to expire in 2021. There is, however, the option to automatically extend this contract for three years until 2024 in the event that the three month period for negotiation expires. No Requests for Proposals (RFP) have been conducted since the original one in 1993 and no efforts have been made by the NLCB to determine whether any other company could provide service more economically than IGT. As such, IGT' operates unchallenged.

An RFP was meant to be conducted in 2012, but this was never done. Several contract extensions have been granted to GTECH / IGT since September 2011. The NLCB indicated that during the RFP process, business would have to be frozen to allow system conversion, leading to significant losses.

Recommendations:

i. ***The NLCB should provide a detailed breakdown of the fee structure for payments made to IGT by November 30, 2019; and***
ii. ***The NLCB should indicate the following by November 30, 2019:***
    a. ***the timeline for the start and completion of the 2021 RFP process, the likely competitors to IGT and how they could contribute to enhancing the NLCB's work;***
    b. ***the rationale for not opening the tendering process to other service providers; and***
    c. ***whether an analysis was conducted to determine if the services received from IGT were in line with international industry best standards.***

8. Illegal Gambling and the NLCB's Market Share

Removal of illegal competition will help increase the NLCB's market share. According to the Gaming Taskforce of the Ministry of Finance (MoF), in 2018, the gambling market in Trinidad and Tobago was worth $25.6 billion. The NLCB did not have a monopoly on gambling; it had a market share of 12% or about $3 billion annually. This meant that over $22 billion in gambling revenue is generated outside of the games offered by the entity. The regular gambling market is also made up of legal gambling houses offering games different from those run by the NLCB. There are also the illegal 'Whe Whe' operators and casinos who compete with NLCB games. While the legal gambling houses pay a contribution to the MoF, their illegal counterparts do not. Illegal 'Whe Whe' offers players higher tax free payouts than Play Whe.

The value of the illegal 'Whe Whe' market grew by approximately 21% from the year 2017 when compared to the year 2018 according to an October 2018 IGT report. This sector has the potential to continue taking market share away from the NLCB.

As early as 2012, the NLCB sought police assistance to deal with its illegal competitors which deprived it of around 10% of its revenue yearly[12]. The NLCB explained at the hearing that it continued working with law enforcement on this issue. The Play Whe Combative Campaign[13] has been running since 2017, spreading information about the negative impact of illegal 'Whe Whe' and the link between illegal gambling, money laundering and organized crime[14] through traditional media channels. This was in line with the recommendation previously made by the JSCLASCSA that the NLCB 'sustain its marketing campaign which aims to encourage the public to patronize official NLCB Operators/agents' in order 'to highlight the negative consequences of engaging the services of illegal operations'[15]. The Trinidad and Tobago Police Service (TTPS) confirmed that it partners with the NLCB on an ongoing basis in the gathering and sharing of relevant intelligence[16].

At the same time, to take market share away from illicit operators, the NLCB also worked to continually develop new games, increase the number of terminals, carry out strategic marketing and maintain strong and visible brands.

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[12] Trinidad and Tobago Guardian, *Despite global economic crisis NLCB continues to fatten Treasury*, accessed on June 4, 2019: http://www.guardian.co.tt/article-6.2.427988.fa7fafa016

[13] NLCB Responses to Questions for Supplementary Information, p 1.

[14] NLCB Responses to Questions for Further Information, p 1.

[15] JSC on Local Authorities, Service Commissions and Statutory Authorities, *10th Report on an Inquiry into Internal Controls Systems and Corporate Social Responsibility Policies of the National Lotteries Control Board (NLCB)*, p 10.

[16] TTPS Response to Request for Supplementary Information.

Recommendations:

i. ***The NLCB should describe the metrics used to measure the success of its initiatives to curb illegal gambling over the past year and explain how successful its efforts have been according to these metrics by November 30, 2019; and***

ii. ***The NLCB should consider expanding its illegal gambling public information campaign beyond traditional media to include social media, which would increase the reach of the campaign, and report to Parliament by November 30, 2019.***

9. Mobile Gaming

The NLCB could increase sales through mobile gaming. At the public hearing, the NLCB acknowledged that the global gaming environment was dynamic and that is constantly aimed to develop new and interesting games to broaden its customer base. This could potentially be done through the use of mobile apps.

The NLCB Mobile app[17] was downloaded over one hundred thousand (100,000) times. The app provided results of NLCB games. However, it did not allow users to actually play the games.

This can be contrasted with the example of the FDJ ® Official app[18] run by FDJ Gaming Solutions, which is the one of the world's largest gaming technology companies and provides technical and promotional services to national lotteries in many countries, similar to IGT.

In addition to accessing game results, users can also play all of the FDJ's games via the FDJ ® Official app or create flash codes with the app, enabling them to play at gaming terminals without needing to line up. The FDJ has also created exclusive games with attractive gains that can only be played via the app, as a means to make it even more attractive.

Given that the NLCB Act Chap. 21:04 defined 'lottery' as 'any game, method or device prescribed by this Act whereby money or money's worth is distributed or allotted in any manner depending upon or to be determined by chance or lot', and 'ticket' as 'any document or token or other article whatsoever evidencing the claim of a person to participate in the chances of the lottery', there appear to be existing legislative conditions conducive to the development and operationalization of game playing functionalities on the NLCB Mobile App.

[17] NLCB, *Download the NLCB App*, accessed on May 02, 2019: http://nlcb.co.tt/mobile-links/

[18] App Store, *FDJ ® Official*, accessed on May 03, 2019: https://itunes.apple.com/fr/app/fdj-officiel/id1222993561?mt=8

Recognizing the potential of the 'NLCB Mobile' App, the JSCLASCSA recommended in its 10th Report[19] that the Board 'produce a feasibility study on the expansion of its game portfolio to include mobile gaming. […]'. While the Ministerial Response indicated that the NLCB had already begun preliminary discussions with mobile gaming companies, the NLCB informed the PAC that the feasibility study has not been done yet.

Recommendation:

i. ***The NLCB should provide Parliament with a timeline for the start and completion of the necessary feasibility study of the expansion of the functionalities of the NLCB Mobile App to include gaming, by November 30, 2019.***

10. Document Management

The lack of proper document control at the NLCB is a significant institutional risk. The unavailability of necessary documentation contributed to a considerable delay in the auditing of the NLCB's financial statements. The period during which the audit of financial statements was not completed corresponded to approximately $11 billion of revenue generated by the NLCB. The AGD was unable to carry out its mandate of examining the NLCB and reporting to Parliament for this period. This means that the NLCB's accountability, adherence to laws and regulations as well as its efficiency, effectiveness and economical functioning have remained unverified.

The NLCB did not have a dedicated records management department; each department of the NLCB was responsible for its own document control. The Company explained that despite its record keeping system which entailed both electronic and physical filing systems as well as two remote warehouses, insufficient storage facilities from 2010 to 2012 led to documents being misplaced. Decisive steps were taken to increase physical security of documents. However, this was only done in the fourth quarter of 2017, over 5 years after the period during which the document control weaknesses were highlighted.

The JSCLASCSA recommended that consideration be given to 'reassessing the NLCB's 'bookkeeping' systems and procedures to ensure that accounting and records management systems are supported by up-to-date ICT programs / software'. The NLCB explained that – as planned – it is now able to back up data through the built-in features of the Microsoft Dynamics 365 program which it uses for its Customer Relationship Management (CRM) process.

[19] JSC on Local Authorities, Service Commissions and Statutory Authorities, *10th Report on an Inquiry into Internal Controls Systems and Corporate Social Responsibility Policies of the National Lotteries Control Board (NLCB)*, p 26.

Recommendation:

i. ***The NLCB should report to Parliament on the much needed establishment of a centralized unit for enterprise-wide physical and digital records management. This should specify the software to be used, its cost as well as the results anticipated, and be submitted by November 30, 2019.***

11. Sponsorships and Donations

The NLCB's allocation to sponsorships and donations was authorized be worth up to 1% of the value of its gross sales[20]. Since 2008, the NLCB has disbursed $315 million in donations and sponsorships to 19,000 entities[21]. The average payment was $16,500. The annual value of the NLCB's donations and sponsorships grew continually, tripling from $14.66 million in FY 2008 to $47.25 million in FY 2015, but were reduced by half from FY 2015 to FY 2018. Recipients of funding included NGOs, religious organizations, sports teams / clubs, steelbands, schools, private companies, state enterprises, statutory authorities and other public bodies.

When the NLCB appeared before the JSCLASCSA, that Committee highlighted 'the lack of a fixed limit on the amount that can be disbursed by the NLCB in sponsorship'[22]. The highest amount that can be approved by the Board was then set at $150,000 per applicant per financial year[23]. However, 'large sums' – defined as over $150,000[24] – could be approved by the Ministry of Finance. This approval system has, however, only been in place since 2018[25].

The data submitted by the Board showed that large sums were approved 188 times between financial years 2008 and 2018[26]. This included 35 payments of $1 million and over (see Appendix III), totalling over $50 million, to 5 applicants including event management companies Caribbean Prestige Foundation and Southex, which produce the International Soca Monarch and Chutney Soca Monarch competitions respectively. The National Carnival Commission (NCC) appeared before the Public Accounts Committee (PAC) at a public hearing held on April 10, 2019. The NCC explained[27] that, despite their cultural significance, the Soca Monarch and Chutney Soca

[20] NLCB responses to questions for supplementary information, p 6.
[21] Ibid, p 2.
[22] Joint Select Committee on Local Authorities, Service Commissions and Statutory Authorities, *Summary of Proceedings – Public Hearing*, accessed on May 06, 2019: http://www.ttparliament.org/documents/news/mrCDC045.pdf
[23] NLCB responses to questions for additional information, p 43.
[24] NLCB responses to questions for supplementary information, p 4.
[25] Ibid, p 5.
[26] Ibid, Appendix 3.
[27] Verbatim Notes, 35th Meeting of the Public Account Committee, p 19.

Monarch competitions were struggling because of a lack of private sector sponsorship. This created a greater need for public funding.

According to the Board, applicants for sponsorship needed to be registered companies and submit an application letter with a budget. Applications were reviewed by the Sponsorship Coordinator then by the 8-member Sponsorship Committee for relevance to the 6 pillars of sponsorship (education, youth and youth development, community development, culture, sports and corporate social focus). Applications only needed to be supported by a simple majority of 5 of the 8 Sponsorship Committee members in order to be approved.

The NLCB entered into contracts[28] with the recipients of funding whereby accountability in the spending of the moneys would be ensured: recipients were obliged to conduct the precise event or activity for which the funding was sought according to the established budget, ensure that the NLCB was prominently promoted in connection with the event / activity and refrain from seeking sponsorship funding from any competitor to the NLCB. The Board's staff could also conduct site visits at events and recipients of funds could be asked to submit reports, invoices and photographs to attest to the authenticity of the event.

The NLCB was in the process of preparing a Revised Sponsorship Policy incorporating the JSCLASCSA's recommendation of more robust requirements for applicants.

Recommendation:

- ***The NLCB should submit the following by November 30, 2019:***
    - ***a. the reason for authorizing sponsorships and donations applications based on a simple majority;***
    - ***b. the reason for making 2 large sum donations to one entity in FY 2018;***
    - ***c. a full copy of its Revised Sponsorships Policy; and***
    - ***d. an account of whether non-compliance by applicants with sponsorships terms and conditions was ever detected and the steps taken to deal with this issue.***

12. Fraud and Whistleblowing Policies

In the absence of official policies, the NLCB faced the constant risk of impropriety by its officers.

<u>Fraud Policy</u>

The Draft Internal Fraud Policy was submitted to the Board for approval in March 2019. The reason given for the NLCB's lack of such Policy until now was that the Board had been guided all

[28] Ibid, Appendix 2.

along by the Exchequer and Audit Act Chap. 69:01. The Act provides for the responsibilities of accounting officers to take steps to prevent fraud and to investigate and report to the police when there is suspicion of fraud. It also addresses the liabilities of the State with respect to fraudulent or negligent conduct of a Department or public official and the treatment of losses occurring as a result of such conduct.

The Act defines 'accounting officer' as follows:

> 'Any person appointed by the Treasury and charged with the duty of accounting for any service in respect of which moneys have been appropriated by the Constitution or by Parliament, or any person to whom issues are made from the Exchequer Account'.

According to the Financial Regulations in the Act, the accounting officer must ensure 'that public funds entrusted to his care are properly safe-guarded and are applied only to the purposes intended by Parliament'.

The NLCB notified the police about the fraudulent use of unissued gift cards with a value of $16,500 meant for its employees in December 2018. The police investigation is ongoing. The employees suspected of being involved are still on staff at the NLCB.

Whistle blowing Policy

The NLCB also does not have a Whistleblowing Policy. In January 2019, a Draft Policy was submitted to the Board. Approval was pending at the time of the inquiry.

Despite the absence of a Policy, staff were encouraged to make anonymous reports to the Legal Unit. Thanks to this, the NLCB became aware of inconsistencies in the process for the payment of prizes stemming from insufficiently robust internal controls. The NLCB explained that the relevant processes were redesigned and the implicated employees were re-assigned elsewhere in the organization.

Recommendations:

i. ***The NLCB should provide a timeline for the approval and implementation of its Internal Fraud and Whistleblowing policies by November 30, 2019;***
ii. ***The NLCB should report to Parliament on the implementation of background checks for prospective employees and non-disclosure agreements for staff by November 30, 2019; and***
iii. ***The NLCB should report to Parliament on the establishment of a set of ethical conduct benchmarks to be applied enterprise-wide by November 30, 2019.***

13. Conflicts of Interest

The absence of an entity-wide Conflict of Interest Policy has facilitated inappropriate arrangements by NLCB staff. From November 2013 to May 2016, a total of $697,000 in NLCB sponsorships was made to a private company which was in fact run by an NLCB Director. This led to the dismissal of that Director from the NLCB by the Statutory Authorities Service Commission. The Committee was informed that this as well as other matters involving other NLCB personnel were before the Statutory Authorities Appeal Board.

Recommendations:

- ***The NLCB should provide a timeline for the preparation of a Conflict of Interest Policy and the estimated cost of this undertaking by November 30, 2019;***
- ***The NLCB should provide a description of how the Board vets applicants for funding to ensure that it is a transparent process based on identified criteria and that applicants have no unethical link with its decision-makers and influencers; and***
- ***The NLCB should update Parliament on the outcome of ongoing investigations and legal proceedings once they are concluded.***

14. Legal Staff

The NLCB needs to strengthen its in-house legal function. Until 2018 the NLCB had no legal officers on staff which meant that the Company hired external lawyers as the need arose. A manpower audit was conducted in 2013. However, its recommendations were never implemented for lack of feedback from the Public Management Consulting Division (PMCD) and the Ministry of Finance. To date, only one legal officer has been hired, and some work is still contracted out externally.

Recommendation:

i. The Ministry of Finance should prioritize assisting the NLCB to recruit more legal staff and a progress report in this regard should be submitted to Parliament by November 30, 2019.

Concluding Remarks

The NLCB has stewardship over very large sums of money. In general the Board needs to reinforce practices entity-wide to promote ethical conduct over impropriety and to stop financial leakages. An institution in charge of so much money, and involved in an industry such as gambling, must meet the highest standards of accountability.

Regarding donations and sponsorships, the requirement of a simple majority for approval of sponsorship is not very stringent. Although sums allocated to this area only represented a small portion of the value of the NLCB's sales, these were considerable amounts of money nonetheless in absolute terms. The Board must set out clear criteria for sponsorship and must outline a transparent process.

While the Committee notes the work being done with law enforcement against illegal gambling, and notes that relevant public education material can be seen on display at terminals, better coordination with TTPS should be pursued. The responses submitted appeared to show a lack of full awareness on both sides of what the other was doing or what information it held. The issue of illegal gambling can get out of hand. Gambling must conform to laws and be regulated. The NLCB must do what is required to identify the sources of illegal gambling.

The NLCB recognized that 'more attention to the risk culture is critical' and that 'wrongdoing must have consequences'[29]. The Committee noted that the numerous staff members implicated in suspected of improper conduct are mostly still on staff, and have simply been re-assigned elsewhere in the organization. While it is clear that the implicated individuals are entitled to due process, it is still unsettling that their reported wrongdoing took so long to be detected and that even more time is necessary to complete necessary investigations. This speaks to the need to do more to promote a risk culture by educating staff about spotting and reporting impropriety.

Finally, the Committee notes that the apparent lack of follow through on some of the issues and commitments made further to the NLCB's appearance before another Parliamentary Committee almost 2 years ago is worrying and that it calls into question the Board's willingness to make comprehensive necessary changes.

[29] NLCB responses to questions for additional information, p 1.

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 March 13, 2019, the witnesses attending on behalf of the National Lotteries Control Board, the Ministry of Finance and the Auditor General's Department, respectively were:

The National Lotteries Control Board

- Mr. Eustace Nancis - Chairman
- Mr. Michael Jogee - Director
- Mr. Ricardo Borde - Deputy Director
- Mr. Rolph Clarke - Manager, Online Games
- Ms. Wendy Dwarika - Financial Comptroller
- Ms. Sharlene Lewis - Auditor II
- Ms. Tricia Chin - Legal Officer
- Ms. Candy West - Instant Money Games Supervisor
- Ms. Lisandra Thompson - Marketing and Public Relations Officer
- Ms. Yana Mollino - Human Resource Assistant
- Mr. Carl Phillp - Accounting Service Provider

Ministry of Finance- Investments Division

- Mrs. Michelle Durham Kissoon - Permanent Secretary (Ag.)
- Mrs. Chintamani Sookoo - Director (Ag.)
- Ms. Seeta Beedasie - Business Analyst (Ag.)
- Mr. Khemraj Kissun - Senior Audit Analyst

The Auditor General's Department

- Mr. Shiva Sinanan - Assistant Auditor General
- Ms. Anneshah Baksh - Assistant Audit Director

APPENDIX II

Minutes of Meeting

THE PUBLIC ACCOUNTS COMMITTEE –
FOURTH SESSION, ELEVENTH PARLIAMENT
MINUTES OF THE THIRTY-THIRD MEETING HELD ON WEDNESDAY, MARCH 13, 2019 AT 10:11 A.M.
IN THE ARNOLD THOMASOS (EAST) MEETING ROOM, LEVEL 6, AND IN THE J. HAMILTON MAURICE MEETING 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
Dr. Lester Henry	-	Member
Ms. Charrise Seepersad	-	Member
Mrs. Ayanna Webster-Roy	-	Member
Mr. Adrian Leonce	-	Member
Ms. Keiba Jacob	-	Secretary
Ms. Kenika Espinosa	-	Graduate Research Assistant
Mr. Justin Jarrette	-	Graduate Research Assistant

Excused were:

Mrs. Paula Gopee-Scoon	-	Member
Mr. Randall Mitchell	-	Member

COMMENCEMENT

1.1 At 10:11 a.m. the Chairman called the meeting to order and welcomed those present. Mrs. Paula Gopee-Scoon and Mr. Randall Mitchell were excused from the Meeting.

THE EXAMINATION OF THE MINUTES OF THE THIRTY-SECOND MEETING

2.1 The Committee examined the Minutes of the Thirty-Second (32nd) Meeting held on Wednesday February 13, 2019.

2.2 There being no omissions or corrections, the Minutes were confirmed on a motion moved by Mrs. Ayanna Webster-Roy and seconded by Mr. Taharqa Obika.

MATTERS ARISING FROM THE MINUTES OF THE THIRTY-SECOND MEETING

3.1 As per item 3.1- the Chairman informed the Members that the Draft Twenty-Third Report of the Committee on the examination of the National Agricultural Marketing and Development Corporation (NAMDEVCO) for the years 2008 to 2011 was circulated for the Committee's consideration on February 19, 2019 and the deadline for comments was on February 28, 2019. The Chairman noted that comments had been received from Members and incorporated into the Report.

3.2 With reference to item 3.2- the Chairman informed the Members that the Twentieth Report of the 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 was laid in the House of Representatives on February 15, 2019 and in the Senate on February 12, 2019.

3.3 With reference to item 5.5- the Chairman informed the Members that questions for additional information were sent to the Port Authority of Trinidad and Tobago (PATT) on February 15, 2019. The requested additional information was submitted to the Secretariat on March 7, 2019 and was used to draft the Twenty-Fourth Report of the Committee.

The Committee agreed to the following:

- That the Twenty-Third Report of the Public Accounts Committee into the examination of NAMDEVCO for the years 2008-2011 be adopted for presentation to both Houses; and
- That Dr Bhoendradatt Tewarie and Mr. Taharqa Obika will present the Report in the House of Representatives and the Senate, respectively.

PRE-HEARING DISCUSSION RE: THE NATIONAL LOTTERIES CONTROL BOARD (NLCB)

4.1 The Committee agreed that the focus of the meeting would be the concerns raised regarding the Audited Financial Statements of the National Lotteries Control Board (NLCB) for the years 2008 to 2012 and the Board's expenditure and internal controls for the years 2008 to 2018.

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

4.3 The Vice-Chairman indicated that, regarding public private partnerships, the PATT could look into the possibility of pursuing a port management model for the Port of Port of Spain similar to the successful one in place with PLIPDECO for the Port of Point Lisas. Secretariat staff confirmed that this had already been incorporated into the Draft Twenty-Fourth Report of the Committee on the PATT as one of the recommendations.

4.4 There being no further business for discussion *in camera*, the Chairman suspended the meeting at 10:31 a.m.

EXAMINATION OF THE NATIONAL LOTTERIES CONTROL BOARD (NLCB)

5.1 The Chairman called the public meeting to order at 10:42 a.m.

5.2 The Chairman welcomed officials from the NLCB, the Ministry of Finance, the Auditor General's Department, members of the media and the public to the Thirty-Third (33rd) Meeting with the PAC and introductions were exchanged.

The following officials joined the meeting:

The National Lotteries Control Board

- Mr. Eustace Nancis - Chairman
- Mr. Michael Jogee - Director
- Mr. Ricardo Borde - Deputy Director
- Mr. Rolph Clarke - Manager, Online Games
- Ms. Wendy Dwarika - Financial Comptroller
- Ms. Sharlene Lewis - Auditor II
- Ms. Tricia Chin - Legal Officer
- Ms. Candy West - Instant Money Games Supervisor
- Ms. Lisandra Thompson - Marketing and Public Relations Officer
- Ms. Yana Mollino - Human Resource Assistant
- Mr. Carl Phillp - Accounting Service Provider

Ministry of Finance- Investments Division

- Mrs. Michelle Durham Kissoon - Permanent Secretary (Ag.)
- Mrs. Chintamani Sookoo - Director (Ag.)
- Ms. Seeta Beedasie - Business Analyst (Ag.)
- Mr. Khemraj Kissun - Senior Audit Analyst

The Auditor General's Department

- Mr. Shiva Sinanan - Assistant Auditor General

- Ms. Anneshah Baksh - Assistant Audit Director

5.3 Key Topics Discussed:

1. The average annual income generated compared to the average annual expenses incurred to operate the National Lotteries Control Board (NLCB).
2. A breakdown of the annual expenditure of the NLCB.
3. The number of active NLCB terminals in Trinidad and Tobago and the profitability of each terminal.
4. The market share of the gambling sector held by the NLCB and the strategies being rolled out to increase this share.
5. The overall size of the gambling market in Trinidad and Tobago.
6. The competition faced by the NLCB from the illegal 'Whe Whe' operators and casinos.
7. The non-payment of taxation by some terminal operators to the NLCB.
8. The need to strengthen monitoring systems concerning the agents in the NLCB's 1,000 + outlets.
9. The non-submission of audited financial statements for the years 2013-2018.
10. The retainment of the accounting firm PriceWaterhouseCoopers to prepare the outstanding financial statements for the years 2013-2017 and to respond to the 2010-2012 Management Letters from the Auditor General's Department.
11. The status of the Strategic Plan for the NLCB for the years 2018-2020 and the role of the Ministry of Finance in this regard.
12. The Accounts Payable and the Accounts Receivable amounts outstanding for the NLCB.
13. The status of the NLCB's bank reconciliation.
14. The lack of both an approved Fraud Policy and an approved WhistleBlower Policy in the NLCB.
15. The relationship between the NLCB and the Auditor General's Department.
16. The legal infrastructure of the NLCB and its capacity to handle lawsuits and other legal matters.
17. The existing and proposed organizational structure of the NLCB and suggestions for improving its efficiency and effectiveness.
18. The human resource constraints being experienced by the NLCB including vacancies and the need to review the salary arrangements currently in place.
19. The internal audit challenges faced by the NLCB and the measures in place to strengthen the internal control systems.
20. The conducting of ICT audits.
21. The lack of proper document control within the NLCB.
22. The service fees payable to International Game Technology PLC (IGT) and its existing contract arrangements with the NLCB.
23. The need to perform an evaluation of the services provided by IGT and the need to prepare a Request for Proposals (RFP) in the required timeframe to allow for a competitive bid process for the provision of these services.
24. The technical issue experienced in December 2018 regarding the Fast Five games which lead to the NLCB being reimbursed by IGT.

25 The internal Risk Management policy and related procedures within the NLCB.
26 The guidelines regulating the disbursement of sponsorship funds and charity grants by the NLCB.
27 The commission received by the NLCB terminal operators.
28 The security concerns faced by the NLCB's terminal operators.
29 The need to provide staff with training and development.
30 The need for the NLCB to increase its level of accountability and transparency in its operations.

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

5.4 The Committee agreed to send additional questions to NLCB, the Ministry of Finance and the Auditor General's Department for written submission.
[**Please see Appendix 1**]

5.5 The Chairman thanked the representatives from NLCB, the Ministry of Finance and the Auditor General's Department, members of the media, the public and the Members of the Committee for their attendance.

ADJOURNMENT

6.1 There being no other business, the Chairman thanked the Members and Witnesses for their attendance and the meeting was adjourned.

6.2 The adjournment was taken at 12:35 p.m.

We certify that these Minutes are true and correct.

CHAIRMAN

SECRETARY

March 13, 2019

MINUTES – APPENDIX 1

ADDITIONAL INFORMATION REQUESTED

Additional Questions arising from Meeting of the Public Accounts Committee

National Lotteries Control Board (NLCB)

General Questions

Organisational Structure and Remuneration

1. Provide an explanation for the remuneration packages not corresponding to the level of seniority in the Organisational Structure? For e.g. why is the Director being paid less than a Compliance Officer?
2. How are salaries and terms and conditions determined for all category of workers?
3. What are the reasons for the discrepancies in the names of the positions listed as comprising the NLCB's Executive Management team and the approved Organisational Structure? For e.g. there is no 'Manager, Online Games', 'Legal Advisor', 'AML/CFT Compliance Officer', 'I.T. Coordinator' or 'Auditor II' in the approved Org. Structure.

Response to Management Letters

1. Why was an accounting firm engaged to respond to the Management Letters when this is a task usually performed by the Executive Management Team?
2. What is the reason for the Executive Management Team not responding to the Management Letters?
3. What is the name of the accounting firm and what is the cost of engaging said firm?
4. What is the scope of the work the accounting firm is expected to complete? Provide a timeframe for the completion of each task.
5. What was the procurement process followed to secure the services of this firm?
6. What is the cost incurred for this service?

Record Keeping

1. Is there any backup for the scanned documents in the Customer Relationship Management (CRM) system?
2. What is the plan should any technical difficulties cause the loss of data on the CRM system?
3. Have there been any instances of documents being removed from the Finance Department's filing rooms without being signed for?
4. What is the location of the remote warehouse?
5. What is the monthly cost to lease that warehouse?

6. How secure are these files from hazards such as flooding or fires? Is there a plan in place should such a hazard occur?

Other General Questions:

1. What was the reason for not issuing the planned Request for Proposal (RFP) in 2012 for the procurement of game platform technology services?
2. What was the justification for continuing to engage the services of International Game Technology PLC without allowing fair competition for the provision of these services?
3. What is the reason for the delay in implementing the recommendations given in the management letters from the Auditor General's Department?

Outstanding Financial Statements

1. What was the process used by the NLCB to procure the services of the accounting firm to prepare the outstanding financial statements?
2. What is the reason for the six year delay in the preparation of audited financial statements?
3. Why is there a lack of adequate quality control arrangements for the period 2008-2012?
4. Why will control arrangements be put in place once the statements have been updated?
5. When will the internal controls including policies and procedures be approved?
6. The reason for the non-provision of source documents and explanations for the audit process was lack of storage facilities, however it was previously stated that a secure record keeping process was in place. This record keeping system included a vault, filing rooms, department filing cabinets and a remote warehouse. Provide an explanation for the conflicting response that there is insufficient storage?
7. How can the NLCB ensure that filing systems are kept up to date and that there is continuity of institutional knowledge even if there is a high staff turnover? Does a policy exist to mitigate this risk?
8. Section 25 (2) states that the Board shall be audited by the Auditor General; Why was advice not sought from the Auditor General's Department prior to engaging an accounting firm?
9. Given that the Finance Department maintains most of the documents examined by the auditors, which department or individual has responsibility for the maintenance of the other documents?
10. Is an approved centralized division for document control? If yes, provide a description. If no, why not.

Strategic Plan

1. When was the Strategic Plan for the period 2018 to 2020 submitted to the Line Ministry for approval?
2. What is the status of this Strategic Plan?
3. What is the name of the consulting firm contracted to produce the Strategic Plan and what was the procurement process used to acquire their services?
4. Given the fact that it is 2019 and the 2018-2020 Strategic Plan has not yet been approved, how vigorously is the NLCB following up with the Min. of Finance to get approval?
5. Over $400,000 was spent in the development of this plan, how will the NLCB ensure value for money should the Plan not be implemented before 2020?
6. In the absence of a current Strategic Plan, how does the NLCB ensure that it is operating in accordance with its mandate?

Strengths, Weaknesses, Opportunities, Threats

1. What steps are being taken to update the National Lotteries Act Chap. 21:04 since inadequacies have been identified?
2. How does the NLCB propose to expand its range of products and services? What plan will be put in place to monitor and evaluate performance of the new products and services?
3. Provide an example of each strength, weakness, opportunity and threat identified.
4. How does the NLCB intend to:
   i) Address the weaknesses identified in the SWOT analysis
   ii) Exploit opportunities; and
   iii) Overcome challenges?

Procurement Policy

1. How does the NLCB ensure that its Purchasing Policy (approved in 2006) is followed in each circumstance of procurement of goods and services?
2. Does any evaluation take place after the fact to highlight any discrepancies between the process followed and the established guidelines?
3. Based on the 2018 review of the Purchasing Policy, what issues were identified and what is being done to address said issues?
4. What was the reason for not upgrading the procurement process to meet globally accepted standards as recommended by the Internal Audit Report dated May 04, 2016?
5. What was the process to engage a Procurement Specialist given that this position is not part of the Organisational Structure?
6. What were the minimum qualifications required for the Procurement Specialist and has this position been filled to date?
7. What are the legal qualifications of the Corporate Secretary to review contracts?
8. Is there a policy in place to guide the review of contracts?

    a. If yes, what does it entail?
    b. If not, what is the framework for the review of contracts?
9. What are the reasons for the Policy not currently containing best value consideration?

Project Management

1. What challenges have been experienced in projects being managed by an external project management body? How were these challenges addressed?
2. How were the issues raised in the monthly Heads of Department meetings followed up on? Is there a matrix which tracks the issue from identification to resolution?
3. What are the projects the NLCB has undertaken from 2008 to 2012 which have exceeded $150,000? Details should include name of the project, project management firm contracted, initial budget, ending budget, project status and completion date/estimated completion date.

Internal Auditing

1. How many audits were conducted during the years 2008 to 2012?
2. Have there been any instances of the Internal Audit Department performing audits using processes which do not conform to the IIA Performance Standards, 2000?
3. Provide an example of how these Standards address issues of inadequacy in internal audits.
4. How does the NLCB track the processes used in internal audits against the performance standards? Is there an evaluation which takes place after each audit?
5. Are there any repercussions for non-response or delay of response to the verbal and written inquiries made by the Internal Audit team to staff members?
6. How have the inadequacies in internal controls and financial improprieties identified by the Internal Auditors been addressed?
7. The NLCB informed that a manpower audit was conducted in 2013 and was still pending approval from the relevant Ministries six years later. Has the NLCB been following up with these Ministries? Has the NLCB considered ways to reduce the length of time for getting audit approvals?
8. Have Heads of Departments been mandated to communicate procedure changes to the Audit Unit, and update data in the Risk and Audit Management System?
9. Why has the Internal Audit Charter for 2019 not yet been submitted for approval to the Board (at the time of submission- Feb. 19th)?
    a. What is the status of the 2019 Internal Audit Charter?
    b. How can the NLCB ensure that the Audit Charter for a particular year is approved prior to the start of that year?

10. What was the reason for the Internal Auditor to refer management and other staff members to policies and regulations regarding Human Resources and other financial procedural matters? Provide examples of the matters referred to.
11. When was the Internal Audit Committee established by the Board?
12. What have been the challenges encountered by the Committee in conducting audits?
13. How often are internal IT audits been conducted?
14. How many of the NLCB's internal audit staff are qualified to conduct IT audits?
15. Briefly describe what the IT audits have revealed.
16. What is the status of measures for the strengthening of the NLCB's internal audit systems?

Risk Management

1. What is the reason for the NLCB not having a formal Risk Management Policy?
2. What is the status of the development of a Risk Management policy?
3. How often does each department assess risk level?
4. What is the process for assessing and monitoring risk?
5. What measures were implemented to address the risk culture of the organisation? Have staff members received training to mitigate risks and combat AML/CFT threats?
6. Based on the analysis performed in 2016 on the internal controls of the company, what were some of the issues identified and recommendations proposed to resolve these issues?
7. How does Management define the organisation's risk management goals and objectives?
8. What risks have been mitigated by the NLCB's existing internal controls?
9. Is there appropriate communication to the Board on the effectiveness of the ongoing reviewing of risk and internal control, including reporting on any significant failings or weaknesses on a timely basis?
10. Have any internal control findings or weaknesses indicated a need for more extensive monitoring of the internal control system?
11. Other than the risk register in the RAMS, what were the measures implemented to mitigate the risks of Anti-money laundering and the financing of Terrorism as stated in the Internal Audit Report dated September 30, 2017?
12. How does the NLCB review and assess its internal controls?

Internal Audit Reports

Missing Audit Reports

1. Who is presently responsible for storing audit reports?
2. What processes are in place to prevent the loss of data from re-occurring?

Fraudulent activities re: Christmas Gift Cards

In December 2018 Massy gift cards were distributed to employees of the NLCB as a Christmas initiative; eleven cards were then discovered to have been unissued with ten being used at Massy locations around the country. The total value of these cards was $16,500. It was determined by the Internal Auditor that these activities constituted fraud and was an indication of inadequate internal controls. One individual was named as having had a key role to play in this having ordered, collected and distributed the gift cards.

1. Was the police service notified of these fraudulent activities?
2. What are the guidelines regarding the notification of the TTPS following the findings of an Internal Audit?
3. Were any criminal proceedings followed in this instance?
4. Is the responsible officer still employed by the NLCB?
5. In the absence of an approved fraud policy or guidelines, how can the NLCB institute more stringent internal controls to prevent such an event from reoccurring?

Outsourcing of auditing responsibilities

The audit of service deliverables was completed by consultant Mr. Brian Wood for the period November 2017-February 2018.

1. What is the policy for outsourcing auditing responsibilities to a consultant?
2. What was the cost of contracting Mr. Wood's services?
3. What were the main findings and recommendations in Mr. Wood's report on service deliverables?

Accountable Advances

1. What measures were approved and implemented to establish and maintain an effective governance system to ensure accountability, effective systems of internal control and the management of risk?
2. What is the criteria to select one of the two accounts (1040-0000 IMG and 1042-0000 Online) to issue Accountable Advances?
3. Why is there a lack of records of Accountable Advance Returns Forms from May 2016-June 2017?
4. Why was there no corresponding Credit entry for account number 1040-0000 in the General Journal resulting in $141,600 in unsupported advances issued?
5. Explain why Caboodle Gifts Ltd was contracted to supply toys at the cost of $23,040 while money was advanced for the same purpose. Did this represent a double payment?

Accounting errors

1. What is being done to strengthen the internal controls in the Accounting Department to ensure that these mistakes are minimized and the relevant accounting standards are adhered to?

Bank Accounts

1. Are bank reconciliations performed on a regular basis by the Chief Accountant or the Financial Comptroller?
2. What is the procedure in place to ensure that the balance in the General Ledger matches the balance in the bank accounts?
3. How will the NLCB ensure that cheques are signed by the appropriate persons before being cleared and payments released by the banks?

General

1. Why were the audits on paid and unpaid cheques, FCB Bank Reconciliation and the Reconciliation of Cash on Hand Account initiated and then placed on hold? What is the status of these audits?
2. How is responsibility (including timelines) assigned for the implementation of recommendations within these audit reports?
3. What follow up (if any) takes place by the Internal Audit team following these reports being presented to Management in regard to the recommendations being instituted?

Administration Expenses

SASC Emoluments-Arrears

1. Why was 2018 the only year that SASC Emoluments- Arrears were recorded? What constitutes these arrears to the tune of $252,138?

Hosting of Functions

The price tag attached to the hosting of functions varied from a low of **$146,839** in 2008 to a high of **$1,108,385** in 2018.

1. What is the process for approving the budgets for these functions?

Sports and Family Day

In 2010 the cost of this event was $68,489, **in 2013 it was $761,090**, and in 2014 it was $1,767, 2017- $178,279 while in 2018 it decreased to a figure of $7,896.

1. What was the reason for the exorbitant cost of the Sports and Family Day in $761,090 in 2013?

Other Social Events

The largest figure for the cost of these events was **$1,032,321** in 2013 while the lowest was $3,000 in 2009.

1. What constitutes these 'other social events'?
2. Who approves the selection of these events?
3. What are the benefits or tangible outcomes of these social events?

Overseas Travel

1. What was the rationale for the 'Travelling Overseas' figure reaching as high as 1.2 million in fiscal year 2015?
2. Could the NLCB explain the series of events which lead to the following:
    - Advance payments being made to the NLCB staff to participate in events in Rome, Italy subsequently having to be reimbursed to the organisation as the trip was cancelled due to necessary approvals not being received;
    - Staff members paying out of their own pockets for registration and visa application fees for external events they attended as representatives of the NLCB and subsequently having to be reimbursed?

Travel to Tobago

The cost of Travel to Tobago varied from **$374,452** in 2014 to **$12,484** in 2018.

1. How often does the NLCB staff travel to Tobago on business?
2. Can cost saving mechanisms be implemented?
3. Are travel reports produced after each trip? If so, what are the outcomes of these reports?

Staff Award and Appreciation Functions

The cost of these award functions have varied significantly over the years under consideration: a low of **$228,042** in 2013 to a high of **$804,444** in 2017.

1. How often were staff award and appreciation functions held in each calendar year?
2. What was the process for the approval of the budgets for these events?
3. Was there any cap to the budget for these functions?
4. Did the state of the economy factor at all into planning and budgeting for these events?

Children's Christmas Party

In 2010, the cost of this event was **$35,601**; by 2016 this cost had increased to **$582,078**.

1. What are the reasons behind the increase for the cost of the Children's Christmas Party over the years?
2. How many children were catered for in each event?
3. What was the process for the approval of the budgets for these events?

4. Was there any cap to the budget for these functions?

Property, Plant and Equipment

1. How often is the Asset Register updated?
2. How often is the physical count verification and valuation exercise conducted?
3. Have there been any instances where payment vouchers could not be located when requested?
4. Has the policy governing the disposal of assets been updated given the partial proclamation of the Public Procurement and Disposal of Public Property Act, No 1 of 2015?
5. When does the Board intend to conduct an impairment review on assets to ensure that correct balances were reported in the financial statements?
6. Why is the Accounting firm updating the asset register? What plans are in place to ensure that the asset register is updated regularly and in a timely fashion?

Deferred expenses

1. Was a risk analysis performed prior to the roll out of the high value game ‘Classic Black’?
2. What were the lessons learnt from the introduction of the game?

Inventory

1. Provide further details on the relationship between the increase in inventory and the introduction of new games.
2. What internal controls are/will be put in place to prevent such discrepancies in record keeping in the future?
3. How can the NLCB ensure that stock status and physical quantities are reconciled?

Accounts Receivable

1. What steps is the NLCB taking to ensure the recovery of debt before they becomes statute barred?
2. If a debt has become statute barred, what is the policy in place for the Debtor’s Unit in the NLCB’s Finance Department to address this issue?
3. Given that the Board’s bad debtors are primarily agents, what penalties can the NLCB impose to recover debt?
4. How effective have the measures implemented by Management been to strengthen its debt collection methods?
5. How many legal actions were initiated to recover debt? What was the cost of these actions and the outcomes?
6. What are the lessons learnt from this situation?

7. What is the status of the NLCB's efforts to engage a collection agency to secure payment of bad debts?
8. What is the status of the NLCB's efforts to recover monies owed to it due to the non-payment of tax by some terminal operators?
9. Provide details of the functioning of the NLCB's Debtors Unit and Credit Committee.
10. How can the NLCB improve the effectiveness of both the Debtor's Unit and the Credit Committee?

Cash and cash equivalents

1. What is the procedure for accessing funds held in the NLCB's six bank accounts?
2. How secure is this process?
3. Has the NLCB ever had any incidents of unauthorized access to its bank accounts?

Sport and Culture Fund (deficit)

1. What was the cause of overpayments made to the Sport and Culture Fund in prior years?
2. Explain the statement 'The "Sport and Culture Fund" account represents funds due to the Sports and Culture Fund not yet paid'.
3. Have there been any years in which the surplus arising from the Instant Lottery was not remitted to the Sport and Culture Fund?
4. Provide an update on the reconciliation of the unexplained difference of $360,603 between the Sport and Culture Fund Reconciliation of Instant Surplus/ (Deficit).

Deferred Capital Grant

Based on the 2012 Management Letter from the Auditor General, there was an unexplained difference of $278, 253.00 between the monetary grants carried forward (also Balance Sheet figure) and the total of deferred capital grants, the NLCB's response was that the accounting firm would investigate and rectify this issue.

Question:

1. What is the status of this investigation?

Accounts Payable and Accruals

1. Why is an aged payables report not prepared by the NLCB as part of its process to track its accounts payable?
2. The NLCB stated that its Accounts Payable are usually settled in the following month; how then does it reconcile the significant outstanding balance?

Staff Costs

The number of persons required for the posts in the approved organisational structure is thirty-six (36) while the number of persons currently employed by the NLCB number eighty-four (84). The Budget allocation for training of members of staff is $650,000 for 2018/2019.

Questions:

1. What is the process to hire new contract employees?
2. How are these positions approved?
3. What was the allocation for training of staff in fiscal year 2017/2018 and what were the tangible outcomes of the training sessions held?
4. What were the topics of the training sessions held in 2017/2018?
5. Provide details of the training and development resources made available to staff.
6. What measures are being implemented to ensure that the remuneration offered to the NLCB's staff is more attractive and competitive?

Profitability/Operating Efficiency

1. What measures are being implemented to increase the NLCB's market share from its current 12%?
2. Has any risk assessment taken place concerning the new initiatives being proposed by the NLCB to increase profitability?
3. How have the meetings with IGT and the consultations with stakeholders changed the Board's policies and procedures in term of increasing profitability and operating efficiency?

Investment and other income

1. Briefly explain how the commissions earned from the VIA product contribute to the diversification of the company's revenue base.
2. What is the status of the process to monitor the revenue streams from the VIA product and identify associated costs and risks to determine value for money?
3. What risks have been identified related to the VIA product?

Internal Fraud Policy and Whistleblowing Policy

The NLCB does not have an Internal Fraud Policy. NLCB stated that fraudulent activities are referred to the Internal Audit Unit. It should be noted that while the NLCB has recently created a draft Whistleblowing policy (January 2019), this policy is yet to be approved by the Board. The NLCB has also informed that a draft Fraud policy was being prepared. As at the time of written submission, an approved documented process for recording, tracking or responding to allegations or suspicions of fraud was non-existent in the NLCB.

Questions:

1. What are the reasons for the NLCB having neither an Internal Fraud Policy nor an approved Whistleblowing Policy?
2. What is the status of the NLCB's Draft Whistleblowing Policy and what is the timeline for its approval and implementation?
3. What is the status of the matters arising from whistleblowing?
4. What is the status of the NLCB's Draft Fraud Policy and what is the timeline for its completion and implementation?
5. In the absence of both an approved Whistleblowing and Fraud Policy, what is the procedure being followed to address matters in these respects?
6. What fraudulent activities have been detected recently via the Internal Audit processes?
7. What fraudulent activities were recently brought to the NLCB's attention from a whistle-blower?
8. Are there provisions in place for anonymous reporting of suspicious activities?
9. What actions were taken against the individuals involved in those fraudulent activities?
10. Have there been any incidents where the police was involved?
11. What actions were taken to prevent specific fraudulent activities from recurring?

Donations and Sponsorship

1. What are the criteria to be fulfilled by applicants for funding under the NLCB's donation / sponsorship programme?
2. How many organizations have received funding through the NLCB's donation / sponsorship initiatives?
3. What percentage of donation / sponsorship requests are granted?
4. Describe the process through which these donation/sponsorship requests are evaluated and approved or rejected.
5. What is the follow up process utilised to assess the expenditure of the funds given through donations or sponsorship?
6. What is the average amount granted to successful applicants?
7. Is there a limit to the amount of funds a successful applicant can receive? If so, what is this limit?
8. Concerning donations and sponsorships, what systems are in place to ensure transparency regarding the following:
    a. NLCB officers' conflicts of interest; and
    b. The legitimacy of organizations applying for funding and their respective causes.

<u>Questions for Ministry of Finance – Investments Division</u>

1. What is the procedure for the approval of the NLCB's Strategic Plan?
2. What is the reason for the delay in the approval of the Strategic Plan?
3. What is the timeline for the approval of the Strategic Plan?

Questions for Further Additional Information

<u>National Lotteries Control Board (NLCB)</u>

ISSUE: ILLEGAL WHE WHE

1. Was IGT's October 2018 confidential report[30] produced at the request of the NLCB?
    a. How is the data contained in the report being used to combat illegal gambling?

2. The value of the illegal 'Whe Whe' market grew by approximately 21% from the year 2017 when compared to the year 2018 according to the report, and is forecasted to continue taking market share from the NLCB's Play Whe.
    a. What measures are being pursued along with law enforcement to curb the growth of illegal 'Whe Whe'?

3. Illegal 'Whe Whe' attracts players by offering higher pay-outs than its legal counterpart.
    a. To what extent are inducements offered by the NLCB such as the Mega Ball sufficient to retain players and dissuade them from playing illegal 'Whe Whe'?

    b. Given the sustained growth of the illegal 'Whe Whe' market, what incentive and other measures could be implemented to treat this issue?

ISSUE: LOTTERY TAX[31]

1. What is the status of the legal amendments necessary to operationalize the collection of lottery taxes?

2. Was a software malfunction involved in the non-collection of the tax?
    a. If yes, what has been done to remedy this technical issue? What measures are in place to address this issue?
    b. If no, what were the reasons for the non-collection of the tax?

3. Is the tax to be deducted on all winnings from all the NLCB games?
    a. If not, to which winnings / games does the tax apply?

4. When will the automatic collection of the tax resume?

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[30] Trinidad Express Newspapers, *Whe Whe Billions*, March 11, 2019.
[31] Trinidad Express Newspaper, *NLCB admits snag in lottery tax collection*, January 4, 2019.

ISSUE: CONFLICT OF INTEREST POLICY[32]

1. The Committee's request for written submission to the NLCB on January 30, 2019 included a section on 'Conflict of Interest Policy'. In its written responses, NLCB neglected to address the impending dismissal of its Director by the Statutory Authorities Service Commission (SASC) over a sponsorship conflict of interest with a private company of which she is a director. This was also not revealed to the Committee at the public hearing held on March 13, 2019 or in the NLCB's response dated April 5, 2019 to the Committee's request for additional information, by which time the dismissal had already taken place.
    a. What was the reason for this omission?
    b. What was the total sum of funding given to the private company? What period did this take place?
    c. What steps are being taken to recover the funds?

2. Have there been other similar type of incidents involving other NLCB's officials?
    a. If yes, what processes are in place to deal with these incidents?
    b. What was the sum of funds paid?
    c. What steps have been taken to recover the funds?

3. Are there any other employees/Directors who are under investigation by the NLCB?
    a. If yes, what is the status of these investigations?

4. Are the organisations who receive donations and sponsorship grants required to provide a report with evidence of how the funds were spent?
    a. If not, how does the NLCB account for the donations and sponsorships it grants?

ISSUE: ROBBERIES OF NLCB AGENTS[33]

1. What is the status of the implementation of the policy to monitor lottery agents?
2. With regard to agents being liable to the NLCB in case of robbery while terminal operators are not, what steps are being taken to close this loophole?

[32] Trinidad Express Newspaper, *NLCB director dismissed*, March 18, 2019.
[33] Trinidad Express Newspaper, *'We are not robbing ourselves', say outraged Lotto agents*, March 14, 2019.

Questions for Supplementary Information

National Lotteries Control Board (NLCB)

Illegal Gambling

At the public hearing on March 13, 2019 the NLCB indicated that it had worked with the police to curb illegal 'Whe Whe' and that there had been arrests. The Board went on to mention 'aggressive informational advertising campaigns'[34] but gave no specific details in this regard.

In the 10th Report of the Eleventh Parliament, the Joint Select Committee on Local Authorities, Service Commissions and Statutory Authorities (including the THA) (JSCLASCSA) recommended that 'the NLCB should sustain its marketing campaign which aims to encourage the public to patronize official NLCB Operators/agents. The campaign should also aim to highlight the negative consequences of engaging the services of illegal operations'. This recommendation was classified as short-term implementation (3 to 6 months).

In its Ministerial Response, the Ministry of Finance (MoF) stated that the NLCB had 'embarked on discussions with the Municipal Police and TTPS in this regard'.

Questions:

1. What is the status of the implementation of this JSCLASCSA recommendation?
2. What have been the results of discussions with police?

The JSCLASCSA also made the following medium-term implementation (7 to 12 months) recommendation:

- 'The NLCB should create a proposal outlining the draft amendments to the National Lotteries Act which would assist with deterring illegal operators'.

The MoF in its Ministerial Response indicated that the NLCB was considering proposing nine (9) amendments to the Act and that the Board wanted to form a committee to draft these amendments.

Question:

1. Has the relevant committee been formed?
    a. If yes, when did its drafting work begin and when is it due to be completed?
    b. If no, what has been the reason for the delay and when will it be formed?

Donations and Sponsorship

[34] NLCB, *Responses to Further Additional Questions*, p 1.

Question:

1. What is the status of the implementation of the following recommendation by the JSCLASCSA?
    - 'The MoF must mandate the Board of Directors of the NLCB to review the current Policy on Sponsorship with a view to enhancing the accountability and oversight mechanisms contained therein'.

The Sponsorship Committee 'comprising a Board member, management and selected staff'[35] deliberates on applications to determine their approval.

Questions:

1. How many members does the Sponsorship Committee comprise?
2. Does an application need to be accepted unanimously by Committee members in order to be approved?
    a. If not, how many members must be in favour for approval to be granted?

On pages 42 and 43 of its Response to Questions for Additional Information, the NLCB indicated that 70% of donation / sponsorship requests are successful and that 5,810 entities have received NLCB sponsorship / donations since 2014. Each entity received an average of $20,000.

Questions:

1. What is the total value of sponsorships / donations made by the NLCB since 2008?
2. What is the total number of entities that received funds since 2008?
    a. What was the total amount received by each entity in each year since 2008?
3. What has been the success rate of applicants since 2008?

Applications are reviewed with reference to their relevance to the NLCB's 6 pillars of sponsorship, which were listed[36] as **education, youth and youth development, community development, culture, sports and corporate social focus**.

One of the JSCLASCSA's short term implementation recommendations was that 'the NLCB should highlight the impact of their contributions in the areas of **youth, sport, culture, education, environmental and community development** on the social development of communities in order to build its brand and properly justify its decision to support these initiatives'.

Question:

1. What are some examples of societal benefits generated thanks to sponsored initiatives under each of the 6 pillars?
    a. How has the NLCB been able to ensure value for money from these initiatives?

[35] NLCB, *Responses to Questions for Additional Information*, p 42.
[36] NLCB, *Responses to Questions for Additional Information*, p 43.

2. The list of 6 pillars quoted by the JSCLASCSA and the one provided to the PAC are slightly different. Which of the two versions is the one currently used by the NLCB to evaluate applications for sponsorship?
3. Was there a change in the composition of the 6 pillars?
    a. If yes, when and for what reason was this change made?

The Board explained that contracts are entered into when 'large sums' are being spent on sponsorships / donations.

Questions:

1. What is the NLCB's definition of a 'large sum'?
2. What are the general terms and conditions of these contracts?

The Board also explained that although there is a sponsorship / donation limit of $150,000 per applicant for each financial year, larger amounts may be still approved by the MoF[37].

Questions:

1. How many times have amounts beyond $150,000 been approved since 2008?
2. Provide a list of the recipients of these exceptionally large donations / sponsorships.
3. What was the rationale for making these exceptions?

The JSCLASCSA recommended that the MoF provide Parliament with a copy of the sponsorship rules/guidelines which will guide the NLCB's sponsorship practices.

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

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

This was a short-term implementation recommendation.
In response, the MoF indicated that it would submit a copy of the rules / guidelines to Parliament once the relevant document had been finalized by the NLCB itself.

Questions:

1. What is the status of the development of sponsorship rules / guidelines as per this recommendation?
2. With reference to all of the practices described above, do they form part of the new rules / guidelines?

[37] NLCB, *Responses to Questions for Additional Information*, p 43.

   a. If not, how will these practices be affected by the implementation of the new rules / guidelines?

The JSCLASCSA made the following medium-term implementation recommendation on the issue of donations and sponsorships:

- ‘The Committee recommends that an Actuarial Firm be consulted in order to assist in preparing an appropriate formula to calculate accurate annual sponsorship allocations’.

According to the MoF in its Ministerial Response, such a calculation could be done even without resorting to an actuarial firm but such assistance could still be useful.

Question:

1. How has the NLCB calculated its annual allocations to sponsorship / donations?
2. Has the Board ever consulted an actuarial firm for this purpose?
   a. If yes, what was the cost of this initiative?

Mobile Gaming

The JSCLASCSA made the following medium-term implementation recommendation:

- ‘The Committee recommends that the NLCB produce a feasibility study on the expansion of its game portfolio to include mobile gaming. It was noted that at present the NLCB operates a Mobile App called ‘NLCB Mobile’ that allows the public to view results’.

In its Ministerial Response the MoF indicated that the NLCB had already begun discussing the potential to develop mobile gaming capabilities with mobile gaming companies.

Questions:

1. What were the results of the feasibility study?
2. What was the cost of conducting the feasibility study?
3. What measures have been implemented thus far to develop mobile gaming based on these results?
4. What is the estimated cost of developing mobile app gaming?
5. If the feasibility study has not been completed, when will this be done?

Agent Relations

<u>Monitoring of Agents</u>

The NLCB explained at the public hearing on March 13, 2019 that it was in the process of developing an improved agent monitoring system. It was estimated that this would be completed within two months.

Question:

1. Has the NLCB completed the development of the improved agent monitoring system?
   a. If yes, provide a copy.
   b. If no, what was the reason and when will it be finished?

The NLCB indicated that it had started to assign Agent Customer Relations Officers (ACRO) to monitor agents.

Question:

1. What are the roles and responsibilities of the ACROs?

<u>Question for the Trinidad and Tobago Police Service (TTPS)</u>

1. Provide examples of collaboration undertaken between the NLCB and the TTPS against illegal gambling operators. Include the dates / time periods and the results of the initiatives.

APPENDIX III

NLCB Donations and Sponsorships of $1 million and over[38]

Name of Entity	Date of Payment	Amount ($)
	2018-2019[39]	
Caribbean Prestige Foundation (CPF)[40]	February 2019	1,347,000
Trinidad and Tobago Football Federation (TTFF)	May 2019	1,000,000
	2017-2018	
CPF	January 10, 2018	1,667,000
Southex[41]	January 10, 2018	1,000,000
	2016-2017[42]	
TTFF	November 15, 2016	1,000,000
CPF	January 3, 2017	1,125,000
Southex	January 6, 2017	1,500,000
CPF	February 9, 2017	1,125,000
TTFF	April 5, 2017	1,000,000
	2015-2016	
Southex	January 8, 2016	1,200,000
CPF	January 8, 2016	2,500,000
	2014-2015	
CPF	November 20, 2014	1,875,000
Southex	January 20, 2015	1,075,000
CPF	January 20, 2015	1,875,000
Southex	January 30, 2015	1,075,000
	2013-2014	
Southex	November 20, 2013	1,375,000
CPF	November 28, 2013	1,875,000
Southex	February 12, 2014	1,375,000
CPF	February 12, 2014	1,875,000

[38] Source: NLCB Responses to Questions for Supplementary Information, Appendices 1 and Appendix 3.
[39] There was also a $900,000 donation to South in January, 2019.
[40] The event management company the produces the International Soca Monarch competition.
[41] The event management company that produces Chutney Soca Monarch competition.
[42] There was also a $950,000 donation to Firepower Company Limited on September 6, 2012.

2012-2013		
Southex	December 6, 2012	1,375,000
CPF	December 6, 2012	1,875,000
CPF	January 16, 2013	1,875,000
Southex	January 16, 2013	1,375,000
Caribbean Premier League	July 31, 2013	1,292,700
2011-2012		
CPF	January 16, 2012	1,875,000
Southex	January 16, 2012	1,375,000
Southex	January 19, 2012	1,000,000
CPF	January 19, 2012	1,500,000
CPF	February 2, 2012	2,000,000
Southex	February 2, 2012	1,000,000
2010-2011		
CPF	February 15, 2011	1,250,000
2009-2010		
TTFF	October 2, 2009	1,000,000
CPF	January 29, 2010	1,000,000
2008-2009		
TTFF	October 2, 2008	1,000,000
CPF	January 28, 2009	1,000,000
2007-2008		
TTFF	October 9, 2007	1,000,000
Queen's Park Cricket Club	November 19, 2007	1,000,000
TOTAL		**50,656,700**[43]

[43] Out of an overall total of $315,093,247.

APPENDIX IV

Verbatim Notes of Meeting

VERBATIM NOTES OF THE THIRTY-THIRD MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD (IN PUBLIC) IN THE J. HAMILTON MAURICE MEETING ROOM, TOWER D, THE PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON ROAD, PORT OF SPAIN, ON WEDNESDAY, MARCH 13, 2019 AT 10.41 A.M.

PRESENT

Dr. Bhoendradatt Tewarie	Chairman
Mr. Taharqa Obika	Vice-Chairman
Mrs. Ayanna Webster-Roy	Member
Dr. Lester Henry	Member
Ms. Charrise Seepersad	Member
Mr. Adrian Leonce	Member
Ms. Keiba Jacob	Secretary
Ms. Hema Bhagaloo	Assistant Secretary
Ms. Vanna Jankiepersad	Procedural Officer Intern
Mr. Justin Garette	Parliamentary Intern

ABSENT

Mrs. Paula Gopee-Scoon	Member [*Excused*]
Mr. Randall Mitchell	Member [*Excused*]

NATIONAL LOTTERIES CONTROL BOARD (NLCB)

Mr. Eustace Nancis	Chairman
Mr. Michael Jogee	Director
Mr. Ricardo Borde	Deputy Director
Ms. Yana Mollino	Human Resource Assistant
Ms. Sharlene Lewis	Auditor II

Ms. Tricia Chin	Legal Advisor
Ms. Wendy Dwarika	Financial Comptroller
Ms. Candy West	Instant Money Games Supervisor
Ms. Lisandra Thompson	Marketing and Public Relations Officer
Mr. Rolph Clarke	Online Manager
Mr. Carl Phillip	Accounting Service Provider

MINISTRY OF FINANCE—INVESTMENTS DIVISION

Mrs. Michelle Durham-Kissoon	Permanent Secretary in the Ministry of Finance
Mrs. Chintamani Sookoo	Director (Ag.)
Ms. Seeta Beedasie	Business Analyst (Ag.)
Mr. Khemkaran Kissun	Senior Audit Analyst

AUDITOR GENERAL'S DEPARTMENT

Mr. Shiva Sinanan	Assistant Auditor General
Ms. Anneshah Baksh	Assistant Audit Director

Mr. Chairman: Good morning everybody. I take this opportunity to welcome officials from the Ministry of Finance, from the Auditor General's Department, from the National Lotteries Control Board (NLCB) and members of the media who are present and members of the public. My name is Bhoendradatt Tewarie, I am the Member for Caroni Central and Chairman of the Public Accounts Committee. In a minute or two, I will ask the members of this Public Accounts Committee to introduce themselves to you.

The purpose of this meeting of the Public Accounts Committee is to examine the audited financial statements of the National Lotteries Control Board (NLCB), for the years 2009 to 2012. We will not limit ourselves to that although that is the main area of focus. The Committee is desirous of hearing the challenges being faced by the key stakeholders of the National Lotteries Control Board, in an attempt to determine some of the possible solutions to these challenges. The role of the Committee is to help the NLCB improve its delivery of services in an efficient, effective and economic manner.

This meeting is being held in public and is being broadcast live on the Parliament's Channel 11 and Radio 105.5 FM, and the Parliament's YouTube Channel, *ParlView*. Viewers and listeners can send their comments related to today's topic via email at parl101@ttparliament.org or via facebook.com/ttparliament or through Twitter @ttparliament.

Now, what I will do is that I will ask members around the table and the Auditor General's representatives to introduce themselves, and I will then go to the officials of the Minister of Finance and the other members who are here from the NLCB, et cetera. So I will start on my right with Sen. Henry.

[*Introductions made*]

Mr. Chairman: Okay. Would the people in the back please identify themselves? You have access to a mike there?

Officials: Yes.

Mr. Chairman: Okay.

[*Introductions made*]

Mr. Chairman: Okay. And now I will ask representatives of the Ministry of Finance and the members of the board and other representatives of NLCB if they will introduce themselves, please.

[*Introductions made*]

Mr. Chairman: Okay. I wonder would the Permanent Secretary care to make an opening statement.

Mrs. Durham-Kissoon: Chair, I would leave the floor for the Chairman. However, the Ministry of Finance, as you know, is the line Ministry and we are here to facilitate the board in its policy guidance, and I think I will just leave it here for the Chairman.

Mr. Chairman: For now? Okay. Chairman of NLCB, could you make your opening statement, please?

Mr. Nancis: All right. Good morning again Chairman and members of the Committee. The NLCB is pleased to be here today and express gratitude to the Committee for allowing us the opportunity to participate in this morning's session. The National Lotteries Control Board is a statutory body established by the National Lotteries Act of 21:04 for the promotion and conduct of national lotteries in the Republic of Trinidad and Tobago. It is the only body authorized to do so in the Republic of Trinidad and Tobago. The NLCB currently operates a variety of games such as: Lotto Plus, Play Whe, Cash Pot, Pick 2, Pick 4 and Scratch.

The NLCB falls under the responsibility of the Ministry of Finance. As a board, we recognize the importance of having proper accounts which resulted in the retention of PwC to assist in bringing the NLCB accounts up-to-date. We also strive to strengthen the weaknesses identified from the previous Auditor General's report. The board has embarked upon the process to review the internal operation of NLCB with a view to enhancing the contribution made to the Government, and by extension the public of Trinidad and Tobago.

We look forward to the discussion and the outcome of this discussion so that we can guide, going forward, to improve the operation of the NLCB. Members of the Committee, thank you.

Mr. Chairman: All right. Thank you very much for your opening statement and Permanent Secretary, thank you very much for your own preceding comments. I will start by asking some general questions that I think might be of interest and value to the public who generally engages these meetings. Some of them watch on television and they pay attention to what is happening, and it is important for them to be part of the engagement that we have with NLCB this morning and, in that sense, I want to ask some general questions, at first, so that the public will know what is the entity that we are dealing with; what they do, and what kind of money we are talking about in this particular instance. For the guidance of the general public, can you indicate Chairman, what is the approximate annual income of the NLCB?

Mr. Nancis: The general income was about $3 billion last year.

Mr. Chairman: Okay.

Mr. Nancis: Revenue.

Mr. Chairman: What has been the lowest ever receipts of income in your recent memory, let us say, within the last decade?

Mr. Nancis: I will ask the Financial Comptroller.

Ms. Dwarika: The lowest revenue that we would have received?

Mr. Chairman: Yes.

Ms. Dwarika: Over the last few years?

Mr. Chairman: Yes.

Ms. Dwarika: Well, in 2008 it was $1.4 billion.

Mr. Chairman: Okay. And what is the highest you have ever had?

Ms. Dwarika: Three billion dollars.

Mr. Chairman: All right. So you say, generally, on average, about $2 billion you bring in every year and you are now at the level where you are bringing in about $3 billion a year. Is that okay? Is that correct?

Ms. Dwarika: Yes.

Mr. Chairman: And what is your expenditure like?

Ms. Dwarika: Our expenditure is about 90 per cent of our revenue.

Mr. Chairman: Okay. So that you have a return of about 10 per cent?

Ms. Dwarika: Correct.

Mr. Chairman: Now, how much of that goes to the Minister of Finance?

Ms. Dwarika: All of the surplus goes to the Comptroller of Accounts and also—I should say also to the Sport and Culture Fund. So around 7 per cent goes to the Sport and Culture Fund and the balance, 93 per cent, goes to the Comptroller of Accounts. So all of our surplus is supposed to be remitted to the Government.

Mr. Chairman: Okay. And that is calculated after income over expenditure?

Ms. Dwarika: Correct. Yes.

Mr. Chairman: Okay. Now, how many terminals do you have in Trinidad and Tobago? And after you have answered that, for the sake of the member here for Tobago, if you can indicate how many terminals in Tobago separately.

Mr. Jogee: Chairman, I will ask Mr. Rolph Clarke, the Online Manger, to give us those details.

Mr. Chairman: Numbers?

Mr. Jogee: Thank you.

Mr. Clarke: The number of active terminals over the last—well up to 2018, December 2018, would have been in the vicinity of 1,000. Tobago, quite distinctly, would be approximately 40 terminals.

Mr. Chairman: Okay. So, in the entire country, the jurisdiction, you have about 1,000?

Mr. Clarke: Yes.

Mr. Chairman: Okay. Do you make money on every terminal?

Mr. Clarke: There are performance expectations and, generally, yes, there are some areas with some terminals where we may have situations of people, which we consider community terminals, where they may not be actually producing, not being very productive, and not generating large sums of returns to us.

Mr. Chairman: How many would that be, let us say, in the thousands?

Mr. Clarke: I would say less than 3 per cent of them.

Mr. Chairman: Okay. Now, does that mean that they are losing money or they are not generating any significant income for you?

Mr. Clarke: I would say they may not be generating significant income to us, but losing money, they may be barely covering their minimum expenses in terms of rentals and that sort of thing.

Mr. Chairman: Okay. So is it true to say that you do not lose money on any terminal of the 1,000 that you have although some may be more profitable than others?

Mr. Clarke: I would say that would be so.

Mr. Chairman: So everything then makes money and there is no terminal that does make money, and you are in this business in a monopoly situation. Right?

Mr. Clarke: Yes, we are.

Mr. Chairman: So your only competition is, what?

Mr. Jogee: Chairman, I will answer that question.

Mr. Chairman: Yes.

Mr. Jogee: Our competition presently would be the illegal 'Whe Whe' operators that we have who do not contribute to the 10 per cent tax that we are charged on our terminals.

Mr. Chairman: Okay. And what is the relationship between the gambling houses and yourself? How do they fit in the structure of the management of gambling in the country?

Mr. Jogee: Gambling houses, Chairman, in this case, will be the regulated—the illegal gambling also or the legal?

Mr. Chairman: Yes, the legal gambling also.

Mr. Jogee: Well, as far as I know, and as far as I am aware, the illegal gambling houses will be paying a contribution to the Ministry of Finance for the machines that they would have, the roulette machines and stuff.

Mr. Chairman: So they do not operate through you. Is that what you are saying?

Mr. Jogee: No, they do not.

Mr. Chairman: Okay. So that is separate and distinct?

Mr. Jogee: That is separate and distinct. Correct.

Mr. Chairman: So you have a monopoly in the games that you play, but you do not have a monopoly on gambling?

Mr. Jogee: Quite correct.

Mr. Chairman: Is that correct?

Mr. Jogee: That is correct.

Mr. Chairman: And your two competitive challenges are from the gaming industry—what they call the gaming industry here—the gambling houses and from 'Whe Whe'?

Mr. Jogee: The illegal operators.

Mr. Chairman: Yes. And is there anything else, either legal or illegal that is competitive for you in any way for the gambling, the pool of gambling dollars that might be available in the country?

Mr. Jogee: Right. So we have like the casinos, the casino tables.

Mr. Chairman: What?

Mr. Jogee: The casinos.

Mr. Chairman: Yes.

Mr. Jogee: Right. According to the market share that they have, it will be about 2 per cent.

Mr. Chairman: Who has 2 per cent?

Mr. Jogee: The casinos. These are 2018 figures.

Mr. Chairman: Right. Casinos have 2 per cent. We have the illegal Play Whe which is the illegal 'Whe Whe', they contribute to 5 per cent; the NLCB contributes 12 per cent; the roulette machines, casino roulette machines contribute 14 per cent, the casino slot machines contribute 29 per cent; horse racing contributes at the moment 0 per cent; the bars with the roulette machines, they also contribute 28 per cent.

Mr. Chairman: These are bars with roulette machines—

Mr. Jogee: Bars with roulette machines.

Mr. Chairman:—as a separate category?

Mr. Jogee: Yes.

Mr. Chairman: Okay. So when you add the roulette machine here, you are talking about—did you say 25 or 28?

Mr. Jogee: 28 per cent.

Mr. Chairman: So this will be roulette machines on the whole will be 28 plus 14? Is that correct?

Mr. Jogee: Correct. Yes, Chairman.

Mr. Chairman: Okay.

Mr. Jogee: The entire market size would be $25.6 billion. That is according to the 2018 figures.

Mr. Chairman: Okay. Now these figures are very, very, helpful in understanding, first of all, the pool of money involved in gambling and, secondly, to understand the structure and the breakdown of the gambling industry, both legal and illegal, and out of that your highest receipt is $3 billion. So that there is—are you telling me—and I want to understand this clearly—that there is approximately $23 billion worth of gambling in Trinidad and Tobago that are outside the control and jurisdiction of the NLCB?

Mr. Jogee: It would seem so, Chairman.

Mr. Chairman: Okay. Now, how did you come up with these figures that you have here, 14 per cent, 3 per cent, et cetera?

Mr. Jogee: These figures would have been from the Ministry of Finance Gaming Taskforce.

Mr. Chairman: The Ministry of Finance?

Mr. Jogee: Gaming Task Force.

Mr. Chairman: Okay. So that would have been done, I suppose, in preparation for the legislation and stuff like that.

Mr. Jogee: Yes.

Mr. Chairman: All right. Thank you very much. I will come back with more questions to you, but I wanted to have this general outline of the industry and the role of the NLCB in it, and I will ask my colleagues if they will continue with the questioning. Who will like to go first? Sen. Henry.

Dr. Henry: Morning everyone. The Chairman asked about your revenue and you mentioned in the response that your cost is 90 per cent of your revenue. I find that to be quite high for an operation such as lotteries. What is the biggest element of your cost? Can you break down?

Ms. Dwarika: Okay. The biggest element of the cost is the prize money and that is about 80 per cent.

Dr. Henry: What is the next? I see under gaming cost, you pay quite a tidy sum to GTech. The 2018 figure is $242 million in the submission that you gave us.

Ms. Dwarika: That is correct.

Dr. Henry: Okay. Can you tell us what does GTech do for the sake of the public? What does GTech do to earn this amount?

Ms. Dwarika: GTech provides the platform, they provide the technology to run the games and the platform on which the games are run, and they also assist in our marketing promotions, et cetera.

Dr. Henry: So the platform they run, you mean the computer software and stuff like that.

Ms. Dwarika: Correct. Yes.

Dr. Henry: Okay. Is there a contract with GTech or is it a permanent arrangement or what?

Ms. Dwarika: We do have a contract with GTech.

Dr. Henry: How long is that contract?

Mr. Jogee: I will ask Ms. Chin, the Legal Officer to answer that question, please.

Ms. Chin: Chair, the current contract with GTech runs until 2021.

Dr. Henry: Okay. And when did it start?

Ms. Chin: The contract started in 1993.

Dr. Henry: 1993? Okay. That is quite a long time. On a different line, the audited reports that we have from your submission, we noticed that none of them was signed by the management nor the auditor. Is there an explanation you could provide for that?

Ms. Dwarika: The audited reports were not signed?

Dr. Henry: Yes.

Ms. Dwarika: I believe they were signed by the Chairman and the Director at the time.

Dr. Henry: The internal audit report submitted to the Parliament.

Ms. Dwarika: Oh, I see.

Dr. Henry: Some of them were not signed by the auditor, sorry.

Mr. Jogee: I shall ask Ms. Sharlene Lewis to respond to that question.

Dr. Henry: Okay.

Ms. West: That would have been an oversight in preparing the documents and it would have been an oversight. I apologize for that.

Mr. Obika: Thanks Chair. Good morning again. There is the first issue I want to deal with is the lack of financials, and the last financials that we have in front of us, the income would have been $1.8 billion. So if the income increased to about $3 billion, and without figures you could average about two to two and a half billion dollars per year. That means there is about $12 billion to $15 billion that is not accounted for in an entity that should be generating profits.

The NLCB, under a different board, came in front of a Committee of the Parliament, the Local Authorities, Service Commissions and Statutory Authorities Committee in 2017, November—so about a year and five months ago—and promised to rectify the situation saying that the accounts should be brought up-to-date and blaming a salary issue for the whole issue. But what is the problem now because we are a year and some months since and there are no financials in front of us? Can we get an answer on that?

Mr. Jogee: We currently have an accounting company bringing the financials up-to-date for us.

Mr. Obika: What company is this?

Mr. Jogee: This is PricewaterhouseCoopers.

Mr. Obika: And how much are they being paid for this service?

Mr. Jogee: I shall ask the Financial Comptroller to give us the figure.

Ms. Dwarika: $1.3 million.

Mr. Obika: TT $1.3 million. For what period?

Ms. Dwarika: They are to bring the financial statements up-to-date from 2013 to 2017 and also respond to the management letter points for 2010 to 2012.

Mr. Obika: Okay. So this will be an external audit. The issue then would be when would this be done?

Ms. Dwarika: We have contracted them for six months, a period of six months, and they started the exercise in January and we are hoping that it ends in July.

Mr. Obika: All right. Chair, I wish to defer for the time being.

Mr. Chairman: Are you okay?

Mr. Obika: For the time being, yeah.

Mrs. Webster-Roy: Thank you, Chair. I wanted to follow up on some questions that member Henry asked. I noted that you all mentioned that GTech—that is it?

Mr. Jogee: The other is IGT, International Gaming Technology.

Mrs. Webster-Roy: You first engaged them in 1993, right?

Mr. Jogee: We did.

Mrs. Webster-Roy: How did you engage the company, through a competitive process?

Mr. Jogee: I shall ask Ms. Chin, the Legal Officer, to give us some information on that.

Ms. Chin: From our information, IGT was engaged through an RFP and they were the successful bidder for that RFP process which was conducted in 1993.

Mrs. Webster-Roy: And how long was the contract for initially?

Ms. Chin: The contract ran, that initial contract, until 1999 and then it was amended in 1999, and then there were further extensions. So, in all, there are five amendments to that original contract.

Mrs. Webster-Roy: So, I would like to find out if NLCB would have assessed the market to see if there are any providers offering better technology and more competitive packages.

Ms. Chin: I cannot say as to whether the NLCB has assessed the market at present. However, I do believe that there was an intention to do an RFP in 2012.

Mrs. Webster-Roy: Why was the RFP not done?

Ms. Chin: I am not certain as to why the RFP was not done.

Mrs. Webster-Roy: Is there any particular reason why this company is continuously engaged?

Ms. Chin: I cannot speak as to why the company is continuously engaged. However, I believe it may be because they are providing value in their services.

Mrs. Webster-Roy: But if you have not assessed the market to see if there is a better technology and a more competitive package available, then I am not sure how you would have made that assessment. Would it be possible for you to do the investigation and submit the information in writing please?

Ms. Chin: Yes. We will do so.

Mrs. Webster-Roy: Thank you.

Ms. Seepersad: Morning. I am concerned about two things: your strategic plan, I noticed that it has not been implemented and I am wondering when you will have your plan implemented because it seems you paid for it, and according to the notes we have, it was not implemented. Can you speak to that please?

Mr. Jogee: The strategic plan, 2018 to 2020, it was sent to the Ministry of Finance for approval. We have not received anything to date as yet.

11.10 a.m.

Ms. Seepersad: Do you have any idea when you will get approval because we are in 2019? So your plan is running but you are really not—I mean, I assume you are not implementing the recommendations.

Mr. Jogee: Well, we are still awaiting the plan to be approved from the Ministry of Finance. In the interim, and that may be your concern, in the interim, we are following the Financial Regulations, the directives of the board. We are doing business in accordance with the Audit and Exchequer Act, 1959, and we are running a very tight ship, as we say.

Ms. Seepersad: Thank you. I have two other questions to deal with your accounts receivable and accounts payable. I note that they are extremely high, and I am wondering what you are doing—well, let me talk about accounts receivable, what efforts are being made to collect your accounts receivable and if they are statute barred, what are you doing to deal with that?

Mr. Jogee: I shall ask Ms. Dwarika to answer that question.

Ms. Dwarika: Our accounts receivable, or what we call our bad debt, it is really less than 1 per cent of our revenue, and right now we have a small debtors unit that is trying to collect on the debt. We are also going to be engaging a debt collection agency, which we have identified already, and we have recently implemented a credit policy. The credit policy speaks to a credit committee that will have oversight over the accounts receivable. It speaks to a bond for new applicants, new agents, as well as defaulting agents, and, of course, we have a procedure for persons who have defaulted on their debt. We have a first notice, second notice, a final notice; it goes to the Legal Department after that. So we have been rolling that out over the last—recently.

Ms. Seepersad: What about your accounts payable because that is another huge balance? Is it that you are not paying your—

Ms. Dwarika: No. That generally reflects accruals for IGT. So basically that is our biggest creditor, IGT. So it would reflect your total service fees and marketing fees that are due to them at the end of the month that is not yet due. It is normally paid immediately after the end of the month. So that is not normally an issue.

Ms. Seepersad: That is not normally?

Ms. Dwarika: No.

Ms. Seepersad: Just one last question, your bank account, we note that there were some large variances between the general ledger and the bank balances or bank statements, can you tell me what you all are doing to deal with those issue?—because it means—you should have regular reconciliations done and that kind of thing, so this problem should not arise.

Ms. Dwarika: Correct. The bank reconciliations were reconciled and they are now up to date. We did hire an accounts service provider, which is Mr. Carl Phillip. He is just to the back of me, and he has brought the accounts up to date, so we are now up to date with those, and we have reconciled the differences and adjusted it.

Ms. Seepersad: So I could assume that your accounting function, everything is up to date as we speak?

Ms. Dwarika: No, not everything is up to date, and bank reconciliation was critical and therefore it needed to be dealt with first. We have reconciliations that have not been done for a couple of years and this is the reason why PricewaterhouseCoopers is on board to help us do the reconciliations and bring the accounts up to date.

Ms. Seepersad: Thank you.

Mr. Leonce: Thank you. Just to follow-up on the question asked, in terms of the bank reconciliation there were instances where there were differences of up to $88 million, and there were also instances where they said improper approvals were done, is it that those reconciliations would have explained those discrepancies? And if there were any instances where there was a breach in policy, how was that dealt with?

Ms. Dwarika: Can I ask Mr. Carl Phillip to explain some of the differences?

Mr. Phillip: Okay. Let us look first at the Scotia account. We had a problem with the Scotia account. In 2010, 2011 and 2012 we had variances of, in some cases, up to $50 million. The $50 million was caused basically by an accounting glitch where the posting was done in the wrong module, so that led to us having, you know, the $50 million difference there. Additionally, we had problems that emanated prior to 2010 that we had to go back and adjust to bring the accounts more in line, and we have brought it down to approximately, say $28,000 as a difference that we have been unable to reconcile in the Scotia account. And a determination would have to be made as to how to treat with that difference because it is a question of a cost benefit, how far back do you go to see if you can resolve it, because we went back as far as 2006 to deal with issues in the Scotia account.

In the case of the FCB account, we had a difference that amounted, at one time, to as much as $110 million, and that was basically also to problems with posting in the wrong modules. And we were able to work on the account, thrash out whatever differences, make the relevant adjustments, which we have presented to PricewaterhouseCoopers for them to review and give a final, let us say, a final position on it, and we were able to bring down that difference to $95,000, approximately. What we can say is that between 2015 to now, we have not had any other problems in the reconciliations up to January 2019. So we have not had any new issues between that time and now.

Mr. Leonce: Okay. Thank you. My question was basically in line with those large amounts, were there any breaches in policy or process that would have accounted for that?—and based on what you are saying, it is basically a glitch, so I am fine with that. But, also, you all have an internal fraud policy, and you stated that any fraudulent activity goes to the internal audit unit, are there any instances that, for the benefit of the viewing public, that you see any fraudulent activities being raised, and if so what are they and how were they dealt with?

Mr. Jogee: I shall ask Ms. Sharlene Lewis to answer that question, please.

Ms. Lewis: The fraud, we do not—I am not really certain about the—what we have is, recently we had a whistleblower policy, but a fraud policy, we do not as yet. I do not know if it is in the drafting stage, but we have had instances of whistleblowers indicating to internal audit certain things that were happening, and, yes, there were investigations and reports on these matters.

Mr. Leonce: Are those matters closed?

Ms. Lewis: No, they are not. Presently, we have one case that is actually before the court and two other matters are—one matter is before the Fraud Squad, and the other matter, it is still in limbo, so to speak.

Mr. Leonce: So arising from that information then, does the NLCB propose to have an internal fraud policy, and if so, is that part of the draft?

Mr. Jogee: I shall answer that question. Presently a draft is being done. A draft policy is being done at the NLCB and we intend to implement that very soon.

Mr. Leonce: Could you just indicate a timeline, please?

Mr. Jogee: I will ask Ms. Chin to give us a timeline, the Legal Officer.

Ms. Chin: I think in our responses we would have indicated March, so I think by the end of March we should have a draft policy in place.

Mr. Leonce: All right. Thank you very much.

Mr. Chairman: All right, thanks. I want to ask a few questions, and I would ask the Deputy Auditor General if he would take into account some of these questions and maybe respond afterwards?

Mr. Sinanan: Okay.

Mr. Chairman: The first question I want to ask, is the expenditure breakdown—Sen. Henry raised that issue of the expenditure, and I am sure he might want to pursue it again, but I really want to pursue this idea of how the—give me a structure of the expenditure breakdown as you did for the pool of—basically revenue sources in the gambling industry, if you can. I would be interested in that because we are talking in this particular instance of $2.7 billion, if you take away the 10 per cent that you send to the Minister of Finance. So, if out of $3 billion you only give $300 million to the Minister of Finance, you are talking about an equivalent of expenditure, or you can correct me, of $2.7 billion. So break that down for me, let me understand.

Mr. Jogee: I shall ask Ms. Dwarika, Financial Comptroller, to take that question.

Ms. Dwarika: Our largest expenditure is our gaming operating cost which represents about 98 per cent of our total expenditure. How that is broken down, we have our prize money, which is about 80 per cent; we have agents commission, commission that we pay to all our agents, that represents about 9 per cent of the total; and our service provider fees, which would be the payments to IGT, that is about 8 per cent.

Mr. Chairman: Okay. Before you go on, could you explain to me, what is the link, or what is the relationship between GTECH and IGT?

Ms. Dwarika: It is the same company.

Mr. Chairman: It is the same company?

Ms. Dwarika: Yes.

Mr. Chairman: So we are just talking about one company?

Ms. Dwarika: Yes.

Mr. Chairman: And that company has a monopoly since 1993?

Ms. Dwarika: Correct.

Mr. Chairman: Right. Okay. You want to say anything else on the breakdown of expenditure?

Ms. Dwarika: So I just said that the gaming costs are 98 per cent of our total expenditure, and the other 2 per cent is our administration cost, which would be salaries—

Mr. Chairman: So only 2 per cent goes into administration?

Ms. Dwarika: Correct. Yes.

Mr. Chairman: Okay, fine. I want to follow this up by asking about the internal audit situation. We have a situation where we only have audited accounts up to 2012 and we—the internal audit situation seems to be weak because you have now basically gone to PricewaterhouseCoopers in order to address the audit issues up to 2018. Is that correct?

Ms. Dwarika: Up to 2017.

Mr. Chairman: Up to 2017. So what is being done with internal audit in a company that basically—I mean, your company is really a company that spins money, eh, so what is being done for internal audit in terms of the NLCB?

Mr. Jogee: Chairman, we are on the path of beefing up the audit department at this point in time. We are looking to recruit an audit manager and additional members of staff, as well as we are looking to have the audit involved in auditing other aspects of the entity, as well as IGT accounts as well, so we could reconcile both. So we have some plans underway to deal with this problem.

Mr. Chairman: Okay. But how do you explain, you know, that you are still in this position after what Sen. Obika raised with regard to your statement before another JSC in 2017?

Mr. Jogee: Well, we had some challenges recruiting a company to bring the financials up to date because remember the financials were not up to date, and even the financials that were audited up to 2012 by the Auditor General, there was a disclaimer of opinion.

Mr. Chairman: Yes.

Mr. Jogee: So we had some challenges there. Even the PWC, PricewaterhouseCoopers, indicated to us that they have to find a line to start to move forward, because the Auditor General also indicated that a disclaimer of opinion that would have caused a little problem and a challenge for PwC in performing the audit. So even the external auditors had a challenge.

Mr. Chairman: Yeah, but their disclaimer, the Auditor General's disclaimer really had to do with the fact that you did not answer any of the issues related to the management letter, is that not correct?

Mr. Jogee: Well, from the information that I received as well, in addition to what you just said, there were some challenges with actually accessing the documents, the physical documents, the documentation, they could not find at all for those years. That would have caused another challenge as well.

Mr. Chairman: But how are you going to address these things without capable and adequate accounting capacity, first of all, and, secondly, the equivalent in auditing capacity internally? Because, for an external auditor to come from outside and try to put all of this information together, without the requisite help from insiders who would be able to provide that information, does that not present a problem for the accounting firm? And does it not put them in a, perhaps not as difficult a position as the Auditor General, but the Auditor General basically found themselves in a position where they could not, as you say, verify the number or numbers, or authenticate the numbers, and they had no answers really on the management letters coming from within the NLCB.

Mr. Jogee: What I could inform you of is a decision was taken by the present board of directors to actually restructure that financial department, inclusive of the Audit Department, and we are working towards that in the shortest possible time.

Mr. Chairman: All right. So you are restructuring finance, you are hiring accountants, can I assume that that is part of it?

Mr. Jogee: It is ACCA qualified personnel.

Mr. Chairman: Okay. You are then strengthening and establishing, or establishing and strengthening an internal audit capacity?

Mr. Jogee: Yes.

Mr. Chairman: You are pursuing this matter of PwC dealing with bringing your accounts up to date, and how are you reconciling your relationship with the Auditor General?

Mr. Jogee: Well, recently our Financial Comptroller held talks with the Auditor General, together with PwC in dealing with these financial accounts.

Mr. Chairman: Okay. Can I ask you a question on a related matter, which is the legal infrastructure that you have? Do you have legal infrastructure inside the NLCB?—because when I think of it, it could be a nightmare of lawsuits, and so on, given that you have a thousand agents or entities with whom you deal; you have creditors, you have debtors, you have outstanding accounts both ways. What is your legal department like?

Mr. Jogee: The Chairman will answer that question.

Mr. Nancis: Thank you, Chairman. Under the new board that was put in one year ago, we realized that some of the structures inside of NLCB accounting needed to be beefed up. And therefore, when we were put in there, there was not even a legal officer, and the first decision that the board took was to employ a full-time legal officer because most of the legal briefs used to go to lawyers on the outside. So what we are doing now is beefing up the company by strengthening the company where the weakness is, and the areas of legal officer, accounting officers—we instituted also an audit committee, which was not there before this board came in. So what we are looking at is the strength of the organization based on the financial regulation, the financial things that we are dealing with and we are focusing on that. So at this point in time, we put a legal officer in place, we have approved a total accounting system that will shortly be in place, and therefore we can work clearly or closely on developing the proper accounts.

Mr. Chairman: Okay. So is the legal officer supported by a legal firm in the way that you have PwC supporting the financial element?

Mr. Nancis: No, it is hired internally.

Mr. Chairman: Okay. So you have a fully obligated legal officer, one person?

Mr. Nancis: Yeah.

Mr. Chairman: And other legal matters are handled by whom?

Mr. Nancis: External.

Mr. Chairman: Okay. And you have a range of people or you have one company?

Mr. Nancis: No, we have a range of people where we select now and then to go to.

Mr. Chairman: All right. Okay. I would ask the Auditor General's representatives here now if they could comment, having heard the answers to some of those, and maybe if you would like to ask questions of your own.

Mr. Sinanan: Thank you, Mr. Chairman. As you know, the last financial statements submitted to the Auditor General were the 2012 statements, and the audit report was a disclaimer of opinion, and this was due to the fact that the majority of the items in the balance sheet could not have been substantiated. And we work with all our clients to use different mechanisms to verify figures, but we just could not do it in this case and we just had to put a disclaimer. This audit report was issued in 2015, October. We have since met with the accounting personnel of the NLCB and the consultants who were preparing the financial statements and the responses to the management letters from 2010, '11 and '12. This meeting was held on the 25th of January, 2019, and the department was assured that these documents would be available from June this year. These would have been 2013 accounts, statements onwards. The Auditor General has a few concerns because to be on the conservative basis—and we heard about $3 billion just now, but that is conservative for what we have verified. The revenue generated in 2012 was $1.8 billion, so this gives as estimated, conservatively, $11 billion during the period not being audited, and it is a large amount for a state enterprise.

Mr. Chairman: Yes. Sen. Taharqa raised that.

Mr. Sinanan: Right. And it was raised before and we acknowledged it as well, and even the AG is concerned about the verification of these figures, because they go straight to the Consolidated Fund the Sport and Culture Fund. The Consolidated Fund is very crucial to the survival of Trinidad and Tobago, where everything is put there and we disburse from it.

We were just also concerned about the delay in having the accounts corrected after three years. In 2015 we gave the audit report, because during the audit we would have brought up issues and discussions, and at the end of the audit we will have an exit meeting where we will list all the issues. We give you the management letter; before the audit report is sent we actually discuss the audit report before the AG signs it and puts his crest on it. So there were enough instances to adjust if they could have been adjusted, but it is a three-year gap between our last meeting. We are kind of concerned, why did it take so long? Under the heading, Status of Outstanding Financial Statements, on pages 4 and 5, we note there is a Financial Comptroller, a Chief Accountant, an Internal Auditor, a consultant; I believe there should be a cadre of junior accounts as well—I am trying to put together these accounts, but especially question 3, the response, the last line:

> The Chief Accountant is directly responsible for the preparation of the monthly financial statements.

So if monthly statements had been prepared—

Mr. Chairman: We should be able to get annual.

Mr. Sinanan:—in some format, unless there is a present situation not covering before, but it seems to be in the present tense, something should have been available. Again, we are not sure what has transpired. And we would also like to know if the accountants—it was said that they would be on a six-month contract, but would they form part of the permanent financial reporting mechanism of the NLCB or would they be an institutional strengthening for the NLCB to move forward without them to take their accounts to that level that we want it to be as a nation. And the strategic plan, question 4, identified the weaknesses of the organization, and one major weakness was the governance structure, and as alluded before, you know, the internal audit support, the legal support, we just want to make sure what has been done to get that structure in place, because from that structure we can produce what we should produce as a statutory board. Thank you.

Mr. Chairman: All right. Thank you very much, Auditor General. I have a good few questions based on your comments, but I will leave it and let my colleagues go around the table and let them ask some questions, because I am sure that what just transpired here over the last 10 minutes or so would have stimulated questions in their own minds and thoughts. So I would start with Sen. Taharqa.

Mr. Obika: Thank you, Chair. So I want to revisit the issue of the accounting department, because when you look at the response submitted to the preliminary enquiry from NLCB, you are seeing, I think it is 24 persons under the Financial Comptroller, unless of course there are vacancies on the establishment, and there are financial institutions in Trinidad and Tobago, whether they be non-banking or banking, where the salaries are not that grand but persons do their job, because they accept the position. So to me it is totally unacceptable, a year and almost a half there afterwards saying that the salaries are not good, and that kind of thing. That to me is not acceptable. The issue is why, if the majority of the staff in the organization are under the Financial Comptroller, we do not have accounts? I think we have to get an answer for that question. It does not make any sense to anyone who understands finance that that situation should be as it is and that should be the excuse. So I think if we can get a better answer for that question, it would make some more sense.

Ms. Dwarika: We do provide monthly financial statements and we provide it to the board. The income statement, I would say, would be a little more accurate. The statement of financial position which is what we call the balance sheet, those are brought forward figures. Those represent balances at the end of a certain period. If the balances for 2012, 2010, 2011, are not correct, then I cannot place a whole lot of reliance on our current balances, and therefore I needed to have those financial statements brought up to date, properly reconciled, so that I could present a financial position that is fairly reliable and accurate. So even though we are generating financial statements on a monthly basis, I cannot say that I am 100 per cent confident at all on the information that we have, and that is the reason that we have not presented any financial statements to the Auditor General for auditing.

Mr. Obika: I just want to say that I hear you and I respect that, that that is the position being advanced by NLCB, but I reject it out of hand because there is a reason why there is an Auditor General's Department, and if the Auditor General's Department comes in and they can work with you, and they can determine, well, maybe, upon scrutinizing the accounts as prepared, there is need after for the services of an external consultant because maybe you are not well-resourced in terms of your staffing because of your salary restrictions, which are not that great anyway, then maybe that can come in, after the fact, but not before the fact, you know. I mean, I do not accept that position, but we have to move on.

The question I have has to do with something that happened in December 2018 regarding the 'fast five' draw, the 'fast five' game—forgive me because I do not play that game, so I have to kinda just refer to what was reported. There was an incident where there was as glitch and the NLCB had to be reimbursed to almost $1 million. I think it was over three-quarters of $1 million by the supplier, I think it is GTECH, during the Christmas period. So NLCB was reimbursed by GTECH, but did NLCB reimburse the players of the game who would have lost because of this glitch which would have produced winnings of numbers 1, 2, 3, 4, 5; that was the issue. The Super Five draw, there were nine draws, roughly, December 2018, and the winning numbers were drawn 1, 2, 3, 4, 5; NLCB was reimbursed by the supplier. This is information that is in the public domain. Can we give any information as to whether, one, this is accurate information, and, two, whether, if it is accurate, whether the players were reimbursed by NLCB?

11.40 a.m.

Mr. Jogee: Member, I shall ask Mr. Clarke, the Online Manager, to take that question.

Mr. Clarke: To the best of my recall there were no refunds nor reimbursements to customers or players arising out of that incident. There was in fact a glitch on the system as before every game is brought up on a daily basis, we need to do a test run to ensure that the system is functioning properly. Unfortunately that ran over time, and during that period of time some persons were online and happened to benefit from that particular glitch, as the test numbers came up on the live system, the test numbers which are tendered on a daily basis came up on the live system when they went live. No refunds were made as far as I am aware to any customers who might have been on the losing end of that exercise.

Mr. Obika: Whilst that might be an ethical question, so I cannot make a judgment on an ethical question because that is subject to opinion as to whether they should have been reimbursed or not, the question is: Were they informed? Was the public informed sufficiently when NLCB recognized such a glitch? So therefore they would have recognized that they would have lost, but they would have lost due to a glitch, as opposed to just walking away thinking that they lost fair and square. Was the public informed?

Mr. Clarke: The public was not informed specifically that they were to return to the NLCB if there was any fallout from that situation. But certainly the public was informed that there was a glitch on the system, because it became very common news, public news.

Mr. Chairman: A quick follow-up question on that before I go around to my colleagues. Was any money paid out on the glitch number that repeated itself?

Mr. Clarke: Yes.

Mr. Chairman: So the people who had the glitch number on five occasions would have benefited, but there were no remedial payments, is what you are saying?

Mr. Clarke: Yes, that is what I am saying.

Mr. Chairman: Follow-up Sen. Henry.

Dr. Henry: I am trying to get a grip of what this GTECH company really does and what value they really add. Under your submission in terms of gaming operating costs, they get four different income streams from the operation: service provider cost, GTECH IMG marketing fees, 2018 that was $1.5 million, GTECH IMG service fees, $10 million, quoting the 2018. Then you go down to GTECH online marketing fees, $32 million and GTECH online service fees, 210. Now the 210 is the largest of course by far in terms of the fees that they get, which—most of the other fees have remained somewhat reasonable, somewhat constant, from 2008, which is the date that we have here. But online service fees went from $110 million to $242 million in 2018. What is the formula? How do you arrive at that? Somebody familiar with the operation, what is the formula, how does it work?

Ms. Dwarika: IGT service fees is a percentage of the sales, so there is a matrix. So up to $1 billion, is 6 per cent of sales. The next $500 million, 6.25; the next $500 million, 6.5, and anything over $2 billion, it is 6.75 per cent of sales.

Dr. Henry: Okay, thanks for the information. But I want to just drill down a little bit more. When you say 'online marketing fees of $32 million', as opposed to online service fees, what really is the difference? Could anybody explain what the difference is?

Mr. Borde: IGT is responsible for marketing all our online games in terms of: Play Whe, Pick 2, Pick 4, Cash Pot, Lotto. So the marketing and the promotion of those games would fall under those fees.

Dr. Henry: Okay. When I go to your administration expenses, the document you submitted, there is a category called 'Promotion, Publicity, Printing Advertising Online', and we have from 2015—I could just quote the figures in the interest of time—$47 million, 2016; $33 million, 2017; $31 million, 2018. So what is that? If they are responsible for marketing and so on, what do you spend $47 million in 2015 and $24 million on? What do you spend that on if they are responsible?

Mr. Jogee: That is the sponsorship that we give back to society based on six pillars that we operate with.

Dr. Henry: So could you break it down?

Mr. Jogee: So it is 1 per cent of the revenue, 1 per cent of the sales in this case. So if it is $3 billion, it would be 1 per cent of that which is $30 million.

Dr. Henry: You are not being very clear. So in terms of the charities, what?

Mr. Jogee: Charities like donations, sponsorship, that sort of thing. That is what it is for.

Dr. Henry: Steel band or?

Mr. Jogee: People write to the NLCB for assistance, donation or some event or something. The board would meet on it and decide whether or not and that is where the money would come from to pay towards that.

Mr. Chairman: How much money you give to that sponsorship activity annually, approximately?

Mr. Jogee: One per cent of the revenue generated for the NLCB. So for 2017 it would have been $3 billion, so it would be 1 per cent of that, which is about $30.8 million.

Mr. Chairman: And there are a set of criteria for doing that or a policy, or a framework, or a set of rules?

Mr. Jogee: Yes, there are six pillars that we follow. I will ask Ms. Thompson to list the pillars for the Committee.

Ms. Thompson: So the pillars that we base sponsorship on currently are: youth and youth development, sports, culture, community and education. Those are the six pillars that we base our sponsorship allotment on.

Mr. Jogee: Chair, I want to you to note carefully too, in 2015 the figure was $47 million. In 2016 it was $33 million. In 2017, it was $31 million, and in 2018 it went down to $24 million. Even though we had the authority to spend $30 million, we continue to manage the resources and manage the finance of NLCB by not just giving away all the cash that we have made.

Mr. Chairman: Well, I take the numbers but I do not take the conclusion. [*Laughter*]

Ms. Seepersad: Can I just follow-up? I want to follow up on the Chairman's comment. How do you choose the people to give the funds too? I mean, I understand your pillars. So people write in on sports, whatever, whatever. But what are the criteria used to select the charities or the causes that you fund? Is there a committee?

Mr. Nancis: There is a sponsorship committee who oversees that, a membership of about six or seven. They all deliberate and come up with numbers, and therefore make a decision, and therefore make a decision which is the best figure that they can donate to the public.

Ms. Seepersad: And that committee is made up of what?—the directors or external people.

Mr. Nancis: It is made up of the staff, sponsorship committee staff and one convenor, a director who supervises.

Ms. Seepersad: I just want to touch on risk because of the quantity of funds that pass through your books. I am looking at AML/CFT threats. Do you all have an updated policy, are your staff trained and is the policy implemented?

Mr. Jogee: I shall ask Ms. Chin, the Legal Officer, to take that question.

Ms. Chin: Yes, currently on staff there are two officers who are dedicated persons for the purposes of FIU, and so they are currently in the process of receiving any necessary AML/CFT training for the purposes of this business.

Ms. Seepersad: So this has not been rolled out to your staff, to everybody, including the operators and concessionaires and so on?

Ms. Chin: I am told that yes it has been rolled out to staff, and other persons are aware of the policy as well within the organization as well as retail agents.

Ms. Seepersad: Thank you.

Dr. Henry: In terms of an area we covered slightly before, the audit reports in your submission, you said that 2011 to 2014 internal audit reports could not be found up until that time. Have these internal audit reports been found since your submission? How have you dealt with that, and who is responsible for not doing a—

Mr. Jogee: I will ask Ms. Sharlene Lewis to take that question.

Ms. Lewis: Okay, those periods were periods before I assumed at the National Lotteries. They were in soft copy I believe, but I think there were some problems with the server and some data was lost in that process. I was able to get some documents from 2010, but I did not locate reports for the years indicated there.

Dr. Henry: So they remain essentially still missing?

Ms. Lewis: Yes, basically.

Dr. Henry: Last question in this area. In terms of your risk management strategy, are you in the process of formulating a plan to deal with risk management in the company? Is that part involved in your strategic plan?

Mr. Jogee: I shall ask Ms. Lewis to take that question.

Ms. Lewis: Concerning the risk management policy, it was discussed with the audit committee Chair. There are some plans for the board to be more forthcoming with the matter of risk. We have had discussions on that, yes.

Dr. Henry: Well, because a proper risk management strategy might have helped avoid the problems that occurred in 2011 to 2014, where you would have back-up systems and so on if the server goes down. So I think that is a very important aspect of going forward.

Mr. Chairman: Thank you very much.

Mrs. Webster-Roy: I wanted to follow up on the issue of sponsorship, and then I want to ask some questions specific to Tobago and the terminals. So in terms of the sponsorship, how is the public made aware that the NLCB has this facility that would benefit citizens?

Mr. Jogee: I will ask Ms. Thompson to take that question.

Ms. Thompson: Currently what we do is that for certain events obviously the media would be there to cover it, and we obviously would have like different events that we had done. Branding, obviously with schools et cetera, we are very careful with the type of branding that we use. So depending on the type of event we would make sure that we brand it, and that we would have press conferences depending on the type of event, or we would get it covered in the media based on it.

Mrs. Webster-Roy: So the branding, et cetera, would promote the organization, but how is the public made aware that through the NLCB we have a charitable, I do not know, it is a grant that we give out or whatever, and how would the public know how to access the funds, if there is an application process, do you have to come into the organization in person? How is it rolled out?

Ms. Thompson: So currently what we do is that we only sponsor registered organizations. There is some information on our website, but there has not been anything as far as I have been here—I have been here about six months—so there is nothing that has actually been out in the public domain to let them know that they can come in and receive sponsorship.

Mrs. Webster-Roy: The last two years approximately, how many organizations would have benefited from the programme?

Ms. Thompson: I do not actually have that information on me, but I can get that too with the written figures in it.

Mrs. Webster-Roy: So how many organizations in Tobago would have benefited and the categories of the organizations. So if it is youth, religious, that sort of thing.

Ms. Thompson: No problem, I will have all of that written for you.

Mrs. Webster-Roy: Thank you kindly. My other set of questions would be in terms of the terminals. You said that we have 40 terminals in Tobago. What is the monitoring framework? How do we know that the operators are actually being honest? So I would give you a scenario that was reported to me.

In my constituency I heard that there is a particular booth, you could call it a Play Whe booth, where when you purchase your ticket and you win you cannot go back there to get the money. They would send you to another agent in Scarborough. Yes, man, like you are aware of it?

Mr. Jogee: I shall ask Mr. Clarke to take that question.

Mr. Clarke: Not specifically, but there are locations where people sometimes avoid paying customers and winners for their own reasons, and they would refer you to other places so that you can be paid, which is not something that we really want to encourage, because customers should be paid wherever they present a winning ticket. If that is happening, it is something we would be willing to treat with, very willing to treat with, and who those people maybe.

Mrs. Webster-Roy: In the last year incidents of robbery with particular agents.

Mr. Clarke: There is a question mark about these robberies that may be taking place, not just limited to Tobago, but also here in Trinidad. We have reasons to believe that some robberies are self-managed. People are quite prepared to take a blow over the head after they have lost our funds, either through gaming themselves, or utilizing these funds for their personal use. We have a few situations like that that we are trying to treat with, thus the reason we are trying to improve how we manage our agent network in terms of their accounting to us.

Mrs. Webster-Roy: What measures have you put in place thus far to help to—

Mr. Clarke: As the FC has previously stated, a credit policy is now being rolled out and we are strengthening our monitoring system of the agents and their activity, so that we can flag much earlier the sort of mismanagement that may be taking place at any given point in time. The system is being improved to accommodate that, and hopefully in the next two months or so we would have a much improved system to allow us to accomplish that far more effectively.

Mrs. Webster-Roy: Just one more please; just one more. What is the process for allocating terminals? Because some people come and complain, 'I have been writing to NLCB for years trying to get a terminal, but I am being turned down all the time. However X, Y, Z has one, and they are not really in a location that the public could access easily.' What is the process?

Mr. Clarke: Mr. Jogee, would you permit me?

Mr. Jogee: Mr. Clarke, answer the question please.

Mr. Clarke: An application to the Director or the Chairman is all that is required. On the basis of that we would then do an evaluation of the location if we are have decided that it is one that we would want to pursue. We generally try to acknowledge all applications that are received. We may not evaluate all, but we will try to acknowledge all received. Some selections would have to be made because obviously we cannot assign terminals to everyone who would apply. It may not suit our purpose at any given point in time. So some assessment has to be done, and on completion of that assessment a determination is made by a committee.

Mr. Chairman: I want to just—all right.

Dr. Henry: I want to know: What is the margins on these machines? I mean, you do not have to give the exact details as to how much money people make, but what are the kinds of returns? How lucrative is it?

Mr. Jogee: It is about $25,000 per week on average.

Dr. Henry: I will take that.

Mr. Jogee: That is the margin.

Mr. Chairman: Margin?

Mr. Clarke: No, Sir. If you will permit me again, Sir, just to clarify. We have a minimum criteria of weekly sales of $25,000 which we would want each agent to achieve. But that could vary up to probably $100,000 a week, $150,000 in some instances, depending on the particular trade style location as the case may be.

Mr. Chairman: I thought the question was what would be the margin to an agent.

Mr. Clarke: Eight per cent commission they are paid at this point in time.

Mr. Chairman: Eight per cent?

Mr. Clarke: On sales.

Mr. Chairman: I have a couple of questions that are troubling me, and I want to raise them now. The first issue is the issue of the glitch. On each of those five occasions when the glitch occurred, what was the pay out on each one of the five instances?

Ms. Dwarika: The total pay-out for the nine draws I believe was $700,000.

Mr. Chairman: $700,000 for the five?

Ms. Dwarika: The five draws, yes.

Mr. Chairman: $700,000 cumulatively for the five together?

Ms. Dwarika: Together.

Mr. Chairman: I am just trying to understand it clear. And you say that matter was settled between GTECH and NLCB. Is that correct?

Ms. Dwarika: Yes, that matter was settled

Mr. Chairman: The second question I have is, when you had the breakdown of expenditure and you talk about the fact that 98 per cent is operational expenditure, 80 per cent for prize money, agents, 9 per cent, service, 8 per cent, et cetera, and then we got a few further breakdowns on that. You said 2 per cent for administration, but we just heard the issue of sponsorship which would—I suspect that you might have had under administration. But then there is the issue of entertainment, the issue of special events, and the issue of—

Another issue I want to raise related to that is the issue of moneys not collected by prize winners, which came up here in one of the reports. So can you tell me a little bit about those three things? We heard about the sponsorships. Could you tell us a little bit about entertainment, special events and the moneys not collected by winners?

Ms. Dwarika: Entertainment and special events is also forming part of the administration costs. I am not sure which line you are looking at.

Mr. Chairman: I am not looking at a line, I am really extricating it out of your breakdown of expenditure. So if you had 2 per cent for administration, how much would that be, about .5 per cent or something?

Ms. Dwarika: Much less.

Mr. Chairman: Much less?

Ms. Dwarika: Yes. So of the 2 per cent, I would say in 2018 it was about $51 million, total expenditure—

Mr. Chairman: Okay, so you have a hard figure.

Ms. Dwarika:—with total admin costs. Of that, 48 per cent would be relating to sponsorship.

Mr. Chairman: The final question that I want to ask, and then I would pass over to my colleagues who have some more questions, is this issue which came up after the Deputy Auditor General spoke. It had to do with the fact that there was an ongoing conversation between the Auditor General and NLCB, in which the issue of the organization and the structure of the organization would lead, if properly engaged, to the resolution of some of these issues having to do with financial system and audit system dysfunction.

I want to ask a little bit about that because in looking at the chart, he itemized some of the people in Finance that you are supposed to have on board. We heard from—I cannot remember if it was from the Chairman or from the Director—that steps were being taken to hire people in the financial sector to deal in the matter of finance, that is to say a finance department. We also heard that internal audit systems were being put in place. Can you tell me a little bit about what is happening to the organizational structure and what is happening to your hiring strategy in the context of a strategic plan to bring all these audits up-to-date and have a fully functioning, effective responsive organization called 'NLCB'?

Mr. Jogee: Chairman, the NLCB based on the proposed strategic plan has an organization structure that would be more or less an improved structure to take into consideration the different types of businesses, the dynamic business that we are involved in now. So hopefully when that strategic plan is approved then we could implement what was approved, or aspects of it.

Mr. Chairman: Let me just ask a question here. The plan has not been approved yet and it is from '18 to '20? We are now in 2019 and we are moving along month by month. So you have to wait on the approval of that before you can act, is that it?

Mr. Jogee: Well, in the absence of that we use the manpower that was done before, and we have the Board who approves personnel to come on board short-term as service providers, more or less. So that is the only avenue we have in this case to fall back on.

Mr. Chairman: But I will come back to you. May I ask the Permanent Secretary something here: What is the relationship between the NLCB Board and its mandate to govern the NLCB organization, and the Ministry of Finance, to which it reports? Because if the organization thinks that a strategic plan is necessary in order to bring some order, system structure and to basically make decisions in order to people the organization, in order to do certain things, and the Ministry of Finance has approval power, but does not approve, and that then limits the capacity of the organization to proceed, I mean, it seems to me there is—I think we put them in a kind of catch-22 situation. Can you explain a little bit about the relationship and why the strategic plan is held like that?

12.10 p.m.

Mrs. Durham-Kissoon: Okay. So I understand the dilemma. The strategic plan is being considered, some of the work has already been done; unfortunately, feedback has not been conveyed to the organization as yet.

That said, the NLCB can bring forward its recommendation on what it proposes for an organizational structure to the Ministry, and it will be given due consideration and analysis; we would consider it and bring it forward to the human resources advisory committee. So we would encourage NLCB to bring forward that as well; we can look at both documents simultaneously. Admittedly, the strategic plan has been held up in the Ministry for a while; so in this case the organization can bring it forward, so we can move forward because we are in a dynamic environment, and we understand that the organization needs to change with the times.

Mr. Chairman: What I would advise, Permanent Secretary, I mean, basically on behalf of this Committee, is that they have a problem of the finance department and I think they have to fix it or else they are not going anywhere.

The second thing is, that they have a problem of internal audit and they have to fix it or else they are not going anywhere. And I think that they have to have an organizational structure that makes for efficiency with these various electronic relationships they have with the monopoly player that really provides a service, and the 1,000 outlets that actually bring in their income. And if they do not fix that, I think, you are not going to have the level of efficiency and effectiveness that you need to. And since this is not an institution that is a liability on the State and is actually making a contribution to the Consolidated Fund, which contribution is crucial to the functioning of the government system, I think we should try and expedite this thing so that we can get the best out of an operation that could do a lot better, but whatever its problems and limitations it is certainly not a burden on the State.

So having said that, let us fix the thing so that we bring them into the realm of fiduciary responsibility and accountability, and let us do the things that will give them the opportunity to function better, and let us not hold them back on those things because what the State wants and what the Ministry of Finance would want is for them to make money and to give the Consolidated Fund more money. All right? So you can hold them to account to managing their expenditures better and all of those things, but you need to give them the tools, you know, in order to do that, so I would simply mention that to you.

Mrs. Durham-Kissoon: Yes, Chair, I agree that the organization can bring forward its plans.

Mr. Nancis: Chair, permit me. NLCB did a manpower audit in 2014 showing the whole structure of how NLCB should be run. That manpower audit has been done and has been sent for approval which shows you, to run the NLCB what it takes of having all of its departments, its legal departments, its management departments, the staffing departments, and I think that manpower audit can put NLCB on a footing to run the organization in the best of Trinidad and Tobago.

Mr. Chairman: All right. Thank you very much.

Dr. Henry: This is my final set of questions. In terms of the issue I raised before in terms of risks, I understand that a detailed risk assessment was done roughly about two years ago. Is that correct? Can anyone verify that?

Mr. Jogee: Yes, it was done. Yes.

Dr. Henry: So has there been any improvements or follow-ups based on this risk assessment?

Mr. Jogee: Yes. Within the past six months we would have introduced a risk-assessment app that we follow right now at the NLCB.

Dr. Henry: Okay. And final question is, in light of the—we are in 2019 now and we heard that GTECH licence is up until 2021. Are you starting to put anything in place to send out an RFP or to get a more competitive system instead of just having this company because they view you as a monopoly because you would have to start doing that now?

Mr. Jogee: I should ask the Chairman to take that question, please.

Mr. Nancis: Yes. Presently, we are engaging our provider to do an RFP, and although GTECH contracts end in 2021, there is a provision for it to go over to 2024. And I can ask the legal officer to—further on that, please.

Ms. Chin: Yes. There is a window within which discussions are to be held, and if the window expires, then there is an automatic renewal for a further three years.

Dr. Henry: So when is that window opened so we can make sure we do not miss the boat?

Ms. Chin: Approximately March of 2021 and it is a three-month window.

Mr. Chairman: But could I ask a question here? I mean, this provider has been in a monopoly position since 1993. Do you or do you not want to open up tenders in order to create a more competitive situation for yourselves, or are you so satisfied with the existing provider that you are prepared to go along? I mean, this is an important thing.

Mr. Jogee: I will ask the Chairman to take that question.

Mr. Nancis: We are sending out an RFP, and starting to look at other service providers to make the market a little more competitive and to make sure that we get value for money.

Mr. Chairman: Okay. I understand.

Mr. Leonce: Yes. Thank you. There was made mention earlier of a 10 per cent tax that some of the agents were late in paying or they did not pay. Can you explain that a bit more on that for me, please? I was not clear on it.

Mr. Jogee: I should ask Ms. Dwarika to take that question.

Ms. Dwarika: Okay. In December, I think, we identified that there was an error on the system in that the liability reports that the agent would normally receive on a weekly basis were not accurate in that the tax was not included in the figure that they were supposed to remit to us on a weekly basis. So that had to be recalculated, and it has been corrected, and it turned out that there was an outstanding balance that was due from the agents representing this 10 per cent tax.

The agents have been advised of this, of the amounts, and we have collected on most of it, about 80 to 90 per cent of it; there is about a $2 million amount outstanding at the moment.

Mr. Leonce: Okay. So is there some contingency if an agent does not pay that you all have?

Ms. Dwarika: We have given them, well we will give them some time, I think, it is another month to pay off their debt, and then we will have to probably take further stringent measures, and that may be suppression of the terminal until the amounts are paid.

Mr. Leonce: Okay. Thank you.

Ms. Dwarika: Okay.

Mr. Leonce: Just on a side note, I looked at the org structure that you all submitted and I recognized that we had some deficiencies in some of the positions; I am assuming this would have been part of the strategic plan. One question is: When are those positions intended to be filled? Or is it that an approval is required first for the positions to be filled?

And two, I looked at the variance in salaries with positions and it does not seem to be line with seniority, and you are seeing persons at lower levels of the org structure with higher salaries there. Can you explain that, please?

Mr. Jogee: Right. So, member, to answer your question, there are some vacancies that we need to fill, and we are working on that at this point in time as is keeping in line with the present org structure, as well as the salaries that you see, the variations in salaries, persons who are lower in the organization or lower levels receiving higher salaries, those persons were brought in on contract, those are service providers more or less, so they would have been receiving a higher salary than persons at the top. Right?

As well as something needs to be done to attract the talent in the organization in terms of remuneration, because you cannot be running a $3 billion company and paying people remuneration that is not conducive to market value. Right? So, we need to look at that and maybe the new strategic plan should be looking at that.

Mr. Leonce: I will pass on to my colleague.

Mr. Obika: Thank you. Well, Mr. Jogee, I want to concur with you that I spend most of my time with the financial, the banking and non-banking financial sector, and one thing I am sure of is, even at your position you will struggle to find someone to replace you because your salary is very poor for your level, without saying what it is. Then when you go down to the structure, I cannot see this organization attracting a single ACCA-qualified accountant, I cannot see that happening.

Mr. Jogee: To correct you, Sir, just—we do have one.

Mr. Obika: If I happens, let me say before you even correct me. If it happens, they may see it as a transitionary job.

Mr. Jogee: Okay.

Mr. Obika: But, yeah, you can say it now.

Mr. Jogee: But we do have one. Our financial comptroller is ACCA- qualified.

Mr. Obika: Right. So then you have—

Mr. Jogee: She says that she is underpaid as well.

Mr. Obika: Well, we know that. What I am saying is, even the highest salary that is here is—a bank manager would not stay in the organization, a junior bank manager, the lowest level bank manager would not stay in your organization for that salary, and that is the highest salary and that person is not even in the structure so they do not have all the benefits of being a full-time employee. So the point—in fact, the highest salary for someone in the structure is a regular staff member in many organizations in the financial sector.

So bank tellers make more money than some of the persons in the structure here. So, I am saying that it is not attractive at all and we really hope that whatever the process is to get this addressed—where exactly are we in terms of who, what is the organization that addresses that?

Mr. Jogee: The salaries? That will be the CPO, as well as the Ministry of Finance would have to assist us. And I am sure the Ministry of Finance, their representatives are here and they will be hearing you, they will be listening, and hopefully you may have some idea, seeing that you have the experience with salaries and stuff, on what the benchmark should be for an organization like this.

Mr. Obika: Well, the Auditor General will know better than me, because they have the full gamut, at least, in this sector. So the reality is and the problem is this statement. This point was made when you all appeared at the same, at that other committee in 2017. All right? I believe the member, the Chairman was Sen. Roach at the time. So the issue is not an issue that is not known, but the problem that I am having is that we do not have a deadline to address the issue, because they cannot attract talent and keep them, you know. So that is my final submission, Chair.

Ms. Seepersad: I would like to follow up on the glitch, the issue with the glitch. Do you all have an ongoing audit of the IT systems, programmes, et cetera, of your service provider to make sure that their systems are robust and that this glitch is not really the norm?

Mr. Jogee: I will ask Ms. Lewis to give us some information on that, please.

Ms. Lewis: Could you repeat your question, please?

Ms. Seepersad: Sure. I am just following up on the issue with the glitch. If you have ongoing audits of your providers' systems to ensure that the glitch is not really the norm?—because IT systems have a way of malfunctioning, and you rely solely on IT systems to run your business, your gaming business, and you need to make sure that these systems are robust and there are no ways that people could hack into it, the systems are working properly, et cetera.

Mr. Borde: Yes, Senator, member. We have a department called the ICS department that monitors IGTs for all their IT and different structures like that, and we also have an external auditor who is not based in Trinidad that also it looks at the entire online gaming system of IGT, but yes, we have one internally.

Ms. Seepersad: And they produce reports which are sent to the board?

Mr. Borde: Yes, they produce reports.

Ms. Seepersad: Okay. Thank you.

Mrs. Webster-Roy: Thank you, Mr. Chair. Earlier we were told that gambling and gaming is a $25 billion industry. Right? And the NLCB has 3 per cent market share. Am I correct?

Mr. Jogee: Yes, 12 per cent market share.

Mrs. Webster-Roy: Twenty per cent market share.

Mr. Jogee: Twelve per cent.

Mrs. Webster-Roy: Twelve per cent market share. Okay. What is your strategy to increase your market share?

Mr. Jogee: Well to increase the market share, it is no secret that the NLCB comes with—being involved in a dynamic environment and global gaming environment, they come up with newer games to attract the different age levels in the society, as well as we are going—we have to find some way of competing or eliminating with the illegal operators, the illegal 'Whe Whe' operators or the illegal gaming industry, we need to capture their market share too.

Mrs. Webster-Roy: How do you plan to do that?

Mr. Jogee: Well, we have ongoing discussions and there have been some arrests with the police and stuff. So quite recently we had some persons arrested for illegal gaming.

Mrs. Webster-Roy: And how many of your games would have been introduced over last two years?

Mr. Jogee: Well, I would ask Mr. Clarke to give us some information on that.

Mr. Clarke: The most recent introductions would have been the Fast Cash and the Super Five games. But generally we resort to promotions on a regular basis to increase our revenue streams. What is planned, if I may be allowed, is to expand the agent network in the coming months to be able to further capitalize on, you know, any opportunities out there.

Mr. Chairman: All right. Thank you. I want to thank you very much. We have had a full and, I think, rich session, and we got a lot of information. I thought that the NLCB was forthright in the information that it has provided, and it gives an opportunity to make a fair assessment of what its situation is as an institution, but that does not mean that everything is okay. It is clear that from the various reports and from the documents that we have examined and from the questions asked and from the responses and also from the Auditor General's response that there are things that have to addressed and have to be fixed, and as we close I just want to focus on some of those things as we go forward.

The first thing is that you absolutely have to get your accounts in order. I do not see how you can continue like this, and I do not see how you can postpone having made a commitment in 2017 to bringing this matter to conclusion anymore. So I would say, take the next year and get your business in order up to 2018. You said you are doing up to 2017 now, in one year's time it is reasonable by, I mean, I know that you are behind, but I think it is reasonable to ask by the middle of next year that you get all your accounts up to—yes, I would say, by this time next year that you get all your accounts up to 2018 in order, because what you have is the incompletion of some of your audits, and you have audits that have been done that are unsatisfactory, and I feel that this really has to come to an end for an organization that is spinning so much money. I really think it cannot be allowed to continue with unaudited accounts, and without the requisite fiduciary accountability demanded, and I think that you have to meet those obligations.

So have your auditors do their job, and let them work with the Auditor General to complete the exercise to the satisfaction of the Auditor General who is responsible, that office is responsible for your accounts. Okay? So can I have some kind of commitment on that, please, and we will put it in the recommendations.

To the Ministry of Finance to you, Permanent Secretary, I would say now that you have had the benefit of this discussion, can you help to facilitate the expeditious approval of the strategic plan?—so that NLCB can get its organization in order and therefore, the demands that we are making can be better serviced as we go forward. Okay?

What that would mean for NLCB and it is your responsibility not the Ministry of Finance, their responsibility is to facilitate that strategic plan to get your organization in order, but your responsibility is to get a proper finance department. What you have there is atrocious, you cannot continue like that.

The second thing is that you have to get a functioning, effective, compliant, insistent internal audit capability in your organization. With so much money flowing in your organization you have to have that.

I think the Chairman mentioned an organizational review that was done and that you have an organizational plan. And Sen. Taharqa in his interrogation here this morning raised the issue of the need for some kind of salary review. I think that the organizational review and salary review and action on these would be a valid thing to do going forward, and I would suggest that in collaboration with the Ministry of Finance that you find a way to do that so that you can get the requisite capacity and functional organizational going.

I would like to say, based on the information that was given here by the Chair, make sure the RFP for the service provider to NLCB is done in good time to facilitate a competitive bid. Do not let the time pass and then we end up with a default situation; and we have already heard today here that there is a written default option in the contract. So that does not mean that the same provider cannot be provided if the bid is competitive, but it must be open and competitive bid to facilitate that process so that you do not be a victim in the process. I think the competitive bid puts you in a stronger position.

Now, if approval is given for the organizational—well, for the strategic plan first of all, and the organizational strengthening and salary review process, I want to say to you that the employees who now work for you must be taken into account, and must be given a fair chance by proper training and development, even as you go outside to look for fresh and new talent. So this must not be an opportunity to take advantage of people because you change the organization chart on them and change the game. So some humanity must be brought into the process so they get adequate training and development in the process, and be given an even chance to compete for any jobs that might be available, and at the time you want fresh talent because fresh talent renews an organization and gives it impetus to do well.

The good news coming from NLCB is that you are not dependent on the State, and that you are actually contributing a significant amount to the Sports and Culture Fund and to the consolidated account. This is very good news, and it is something to be valued by the taxpayers, by the Government and certainly by this Committee here. And what we ask, therefore, is a little more, the issues I have already raised, I would not go again, but I think the issue of expenditure must be prudently handled, notwithstanding the fact that you are in surplus, and that you must be an accountable organization for the moneys that you are given the opportunity to be custodians of. Okay? So that would be my close.

I want to thank you, again, for your contribution. I want to thank the Auditor General and his office for the contribution here this morning. I want to thank the members of the media who were here, and I hope that they would cover this, as they normally do, in a way that makes sense for the population so that they help the population to understand what is happening to these institutions which from their point of view require good corporate governance.

And I want to thank my colleagues as usual, this is a really—this has always and consistently been a very good and strong and independent, I would say, PAC and I want to commend them for their forthright and insistent questions to this NLCB organization. So, thank you very, very much.

12.35 p.m.: *Meeting adjourned*.