PAC

PARLIAMENT
REPUBLIC OF TRINIDAD AND TOBAGO

THIRTIETH REPORT OF THE

PUBLIC ACCOUNTS

COMMITTEE

FIFTH SESSION OF THE 11TH PARLIAMENT

Inquiry

Examination of the concerns raised in the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the Financial Years 2016, 2017 and 2018 with specific reference to the Ministry of Energy and Energy Industries (MEEI) and follow up on the implementation of the recommendations in the Fourth, Fourteenth and Twentieth Reports of the Public Accounts Committee

Public Accounts Committee

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[1]
Mr. Taharqa Obika	Vice-Chairman
Mrs. Ayanna Webster-Roy	Member
Mr. Randall Mitchell	Member
Dr. Lester Henry	Member
Mrs. Paula Gopee-Scoon	Member
Mr. Adrian Leonce	Member
Mrs. Charrise Seepersad	Member

Committee Staff

The current staff members serving the Committee are:

Ms Keiba Jacob	Secretary to the Committee
Ms Hema Bhagaloo	Assistant Secretary to the Committee
Ms. Vanna Jankiepersad	Procedural Officer Intern
Mr. Darien Buckmire	Graduate Research Assistant
Mr. Justin Jarrette	Graduate Research Assistant
Ms. Anesha James	Administrative Assistant
Ms. Natoya O'Neil	Clerk Typist I

Publication

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

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[1] The Committee held its first meeting on Wednesday December 2, 2015. At this meeting the Committee elected Dr. Bhoendradatt Tewarie as Chairman, in accordance with Section 119(2) of the Constitution of the Republic of Trinidad and Tobago. At that same meeting, the Committee resolved that its quorum should comprise of three (3) Members, inclusive of the Chairman and any other Opposition Member.

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Members of the Public Accounts Committee

ELEVENTH PARLIAMENT, REPUBLIC OF TRINIDAD AND TOBAGO

Dr Bhoendradatt Tewarie
Chairman

Mr. Taharqa Obika
Vice-Chairman

Mrs. Ayanna Webster-Roy
Member

Mr. Randall Mitchell
Member

Mrs. Paula Gopee-Scoon
Member

Dr. Lester Henry
Member

Mr. Adrian Leonce
Member

Mrs. Charrise Seepersad
Member

Executive Summary

The Public Accounts Committee (PAC) is the Parliamentary Financial Oversight Committee tasked with the responsibility of examining the issues outlined in the Report of the Auditor General and Audited Financial Statements of Ministries, Departments and Statutory Bodies 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. The PAC presents its Thirtieth Report of the Eleventh Parliament which details its examination of **the concerns raised in the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the Financial Years 2016, 2017 and 2018 with specific reference to the Ministry of Energy and Energy Industries (MEEI) and follow up on the implementation of the recommendations in the Fourth, Fourteenth and Twentieth Reports of the PAC**.

During this inquiry, the following issues arose:

1. The importance of oil and gas as a source of national revenue;
2. The degree of accuracy of the production information received from oil and gas companies;
3. The systems in place at the MEEI to scrutinise production data received from companies;
4. The deficiencies in the MEEI's initiatives to witness meter calibration, specifically regarding offshore meters;
5. The work of the MEEI's Production Verification Committee (PVC) to improve the Ministry's existing production verification systems;
6. The status of the PVC Report due to be finalised in January 2020;
7. The plan to establish a Sub-Committee to implement the PVC's recommendations;
8. The eventual audit of the new implemented system further to a recommendation of the Auditor General's Department;
9. The World Bank Extractive Industries Value Chain;
10. The lack of a timeframe for the implementation of measures based on the findings of the Production Verification Committee;
11. The staffing challenges faced by the MEEI;
12. The recruitment of Petroleum Inspectors;
13. The calibration of meters by independent companies;
14. The need for a Conflict of Interest Policy at the MEEI for its interaction with all companies;
15. The MEEI's intention to issue a Request for Proposals (RFP) for a contractor to support the Ministry's verification activities;
16. The monitoring process regarding extraction of minerals;
17. The spot checks conducted at quarries by the MEEI's Internal Audit department;
18. The upcoming RFP for the procurement of an Unmanned Aerial System (UAS);

19. The status of progress towards the development of an integrated system to compile the information from the Measurement Unit and the Contract Management Division for the calculation of revenue;
20. The differences between the calculation of royalties for oil and for gas;
21. The method for estimating the revenue generated by a quarry;
22. The estimated number of illegal quarries and the challenges faced by the MEEI in this regard;
23. The lack of data concerning the estimated forgone revenue to the State as a result of illegal quarrying;
24. Collaboration between the MEEI and other State Agencies on the issue of illegal quarrying;
25. The outstanding royalties from licensed quarry operators and the MEEI's collection initiatives in this regard;
26. The legal challenges concerning the ownership of mineral rights;
27. The scope for and challenges of using weighbridges at quarries to monitor quantities extracted;
28. The total number of recognised quarries in operation;
29. The mining licensing process;
30. The number of quarrying-related complaints lodged over the past 2 years;
31. The licensing status of the Studley Park Quarry in Tobago;
32. The MEEI's Minerals Advisory Committee;
33. The monitoring of the MEEI's priority projects;
34. The slow progress of the MEEI in implementing the numerous recommendations of the Auditor General's Department in its annual Reports;
35. The status of outstanding debt in respect of Petrotrin; and
36. The relationship between the MEEI and the Ministry of Finance and the support that may be provided to the MEEI in the recording and auditing of production data;

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

- The MEEI should submit a status report to Parliament on the implementation of the recommendations made by the AGD and the possible challenges faced in this regard by August 30, 2020;
- The MEEI should provide an update to Parliament on the conclusions with regard to the above-mentioned pending measures by August 30, 2020; and
- The AGD should submit the conclusions of its follow-up assessment of the MEEI's internal control mechanisms with regard to revenue to Parliament by August 30, 2020.
- The MEEI should provide Parliament with the following by August 30, 2020:

    a. the status of the finalisation of the Report of the findings of the Production Verification Committee;
    b. a copy of the Production Verification Committee's Report; and
    c. the timeline for necessary action to be taken by the Sub-Committee to implement the Report's recommendations.
- The MEEI should report to Parliament on the establishment of a list of crucial meters and include the schedule for witnessing the calibration of those meters by August 30, 2020; and
- The MEEI should provide Parliament with the following by August 30, 2020:
    a. an update on the status of its efforts to recruit a consultant to support its meter calibration activities;
    b. the terms of reference of the consultant's work; and
    c. the cost of engaging the consultant.
- The MEEI should provide Parliament with an update on the procurement of an Unmanned Aerial System, including the estimated cost of the system, by August 30, 2020; and
- The MEEI should submit a feasibility report to Parliament including the challenges hindering the systematic use of weighbridges and ways in which these issues could be addressed by August 30, 2020.
- The MEEI should report to Parliament on the status of its recruitment of Petroleum Inspectors by August 30, 2020;
- The MEEI should indicate the number and tenure status of the posts of Minerals Resource Officers and provide a status update on recruitments to fill these posts by August 30, 2020;
- The MEEI should provide Parliament with an update on the status of the recruitment of the five (5) offices for which Draft Frameworks were submitted to the Service Commissions Department by August 30, 2020;
- The MEEI should explain its slow responsiveness regarding the revised class specifications submitted by the Personnel Department for the offices of Petroleum Officer I, II and III by August 30, 2020; and
- The PMCD should explain the rationale for recommending the creation of the specific sixteen (16) offices in response to the MEEI's request for fifty-seven (57) by August 30, 2020
- The MEEI should submit a report to Parliament on the implementation of the multi-disciplinary committee's recommendations, including examples and documentation, by August 30, 2020;
- The MEEI should report on any recommendations made by the MAC regarding illegal quarrying and the relevant action taken by August 30, 2020;
- The MEEI should provide the following information by 30 August, 2020;

a. the most recent statistics for the total number of illegal quarrying cases currently before the courts;
b. the number of prosecutions for illegal quarrying offences annually since 2015 under the Minerals Act; and
c. the amounts collected annually since 2015 in the form of fines paid by those found guilty of illegal quarrying.

- The MEEI should update Parliament on the development of a system to estimate forgone revenue due to illegal quarrying by August 30, 2020;
- The Commissioner of State Lands should provide Parliament with details of the measurable effects achieved since the amendments made to the State Lands Act Chap 57:01 concerning penalties for illegal quarrying by August 30, 2020;
- The MEEI should provide an update on progress towards the necessary legislative harmonisation by August 30, 2020; and
- The Trinidad and Tobago Police Service should identify ways in which it could further assist the MEEI going forward by August 30, 2020.

Introduction

The PAC of the Eleventh Republican Parliament was established by resolutions of the House of Representatives and the Senate at the sittings held on Friday November 13, 2015 and Tuesday November 17, 2015 respectively.

The Constitution of the Republic of Trinidad and Tobago mandates that the Committee shall consider and report to the House on appropriation accounts of monies 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, Standing Orders 111 of the House of Representatives and 101 of the Senate also empower the Committee, inter alia, to:

a) send for persons, papers and records;
b) have meetings whether or not the House is sitting;
c) meet in various locations;
d) report from time to time; and
e) communicate with any other Committee on matters of common interest.

Election of the Chairman and Vice-Chairman

In accordance with section 119(2) of the Constitution, the Chairman must be a member of the Opposition in the House. At the first meeting held on Wednesday December 2, 2015 Dr Bhoendradatt Tewarie was elected Chairman of the Committee. 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, 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 Fifth Session of the Eleventh Parliament during its thirty-seventh meeting held on Wednesday September 11, 2019. These entities are:

1. National Library and Information System Authority (NALIS);
2. Ministry of Energy and Energy Industries (MEEI) and Ministry of Finance (MoF) (Revenue Collection);
3. National Insurance Board of Trinidad and Tobago (NIB);
4. Caribbean Industrial Research Institute (CARIRI);
5. College of Science, Technology and Applied Arts of Trinidad and Tobago (COSTAATT);
6. Sports and Culture Fund;

7. Follow-up:
    - Water and Sewerage Authority
    - Trinidad and Tobago Electricity Commission
    - Airport Authority of Trinidad and Tobago
    - Chaguaramas Development Authority
    - Land Settlement Agency
    - Public Transport Service Corporation
    - National Lotteries Control Board
    - Trinidad and Tobago Bureau of Standards
8. Trinidad and Tobago Civil Aviation Authority;
9. Trinidad and Tobago Securities Exchange Commission; and
10. Trinidad and Tobago Unit Trust Corporation

Following the submission of the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the financial year 2018 to the Parliament, the Committee agreed to invite the Auditor General's Department to a public hearing to discuss the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the financial year 2018. This public hearing was held on May 22, 2019.

Following this public hearing, the Committee agreed to examine the MEEI with respect to the concerns raised in the Reports of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the Financial Years 2016, 2017 and 2018 and to conduct follow-up on the implementation of the recommendations in the Fourth, Fourteenth and Twentieth Reports of the PAC. The public hearing was held on November 27, 2019.

The Inquiry Process

The Inquiry Process comprises the steps taken by the Committee in its examination of the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the financial year 2018. The Inquiry Process agreed to by the PAC included the following steps:

I. Identified issues in the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the financial year 2018;

II. Conducted a public hearing to which the relevant witnesses were invited to attend and provide evidence on Wednesday November 27, 2019;

III. Forwarded questions for additional information to the Ministry of Energy and Energy Industries, the Ministry of Finance, the Ministry of the Attorney General and Legal Affairs (Chief Parliamentary Counsel), the Service Commissions Department, the Office of the Chief Personnel Officer and the Public Management Consulting Division of the Ministry of Public Administration on December 6, 2019 and responses were received by December 20, 2019;

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

V. Carrying out follow-up to monitor progress in the implementation of recommendations.

Background: Ministry of Energy and Energy Industries

History[2]

In 1948 the Mines Department which was a branch of the Public Works was reorganised and re-designated the Petroleum Department. This Department was later assigned to the Ministry of Industry and Commerce. On May 17, 1963, the Department gained greater autonomy when the Governor General authorised the establishment of the Ministry of Petroleum and Mines which came into being on June 1, 1963 with the staff of the Petroleum Department forming the nucleus of the organisation.

There have been six changes in the name of the Ministry since 1979. Other than the basic title of the Ministry of Energy, what is now the MEEI has previously been known as the Ministry of Energy and Energy-based Industries, the Ministry of Energy and State Enterprises, the Ministry of Energy and Natural Resources, the Ministry of Energy, Labour, Employment and Manpower Resources and, most recently, the Ministry of Energy and Energy Affairs.

Vision Statement[3]

To be a highly responsive, client-oriented organisation to drive the sustainable development of the energy and mineral sectors.

Mission Statement[4]

We provide strategic leadership and effective regulation and management of the energy and mineral sectors to create sustainable value for Trinidad and Tobago.

Core Values[5]

- Commitment – to create an enabling environment in the energy and mineral sectors.
- Professionalism – strengthening competencies towards creating a team with expertise.
- Integrity – operating based on the tenets of honesty and diplomacy.
- Accountability – functioning within a robust system of checks and balances.
- Transparency – bound by legislation, rules and regulations.
- Service Oriented – striving for excellence in customer service delivery.
- Equity and Equality – ensuring that all services of the MEEI are available and accessible to stakeholders.

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[2] Adapted from the Ministry of Energy and Energy Industries' website, Background: http://www.energy.gov.tt/about-us/history/background/ accessed May 15, 2020.

[3] Ibid, About Us: http://www.energy.gov.tt/about-us/ accessed May 15, 2020.

[4] Ibid

[5] Ibid

Strategic Goals and Objectives for the 2017–2021 Period[6]

- Growth and Sustainability;
- Maximising Our Potential;
- Operational Efficiency;
- Governance Service Excellence; and
- Health, Safety, Security and the Environment.

Functions[7]

- Leasing and/or licensing of areas for petroleum exploration and production;
- Regulation and management of all oil and gas development activities;
- Regulation and management of upstream operations in oil refining activities;
- Administration of domestic marketing of petroleum products, natural gas transmission/sales, petrochemical manufacture and other natural gas based industries;
- Formulation and implementation of legal instruments for the petroleum industry;
- Acquisition, analysis and dissemination of both local and international petroleum information;
- Sharing responsibility with the Ministry of Finance for the collection of petroleum revenues accruing to the State;
- Representation of the interests of Trinidad and Tobago at international petroleum fora and institutions;
- Long term planning, development and implementation of policy initiatives in the petroleum sector;
- Sharing of the management of the State's interests and assets in the oil and gas industry; and
- Sharing responsibility for the administration and management of the minerals sector.

Divisions[8]

- Contract Management
- Commercial Evaluation
- Downstream Petroleum Management
- Energy Research and Planning
- Petroleum Operations and Management
- Legal

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[6] Ibid

[7] Ibid, Our Roles and Functions: http://www.energy.gov.tt/about-us/our-roles-and-functions/ accessed May 15, 2020.

[8] Ibid, Divisions: http://www.energy.gov.tt/about-us/the-organisation/divisions/ accessed May 15, 2020.

- LNG and Gas Exports
- Minerals
- Resource Management

Current Minister[9]

2016 – present Senator the Hon. Franklyn Khan

Parliamentary Secretary[10]

2017 – present Ms. Nicole Olivierre, MP

Permanent Secretary

2019 – present Ms. Sandra Fraser

[9] Ibid, Minister of Energy and Energy Industries: http://www.energy.gov.tt/minister-of-energy-and-energy-industries/ accessed May 15, 2020.
[10] Ibid, Parliamentary Secretary: http://www.energy.gov.tt/parliamentary-secretary/ accessed May 16, 2020.

Background: Auditor General's Department

History[11]

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

Establishment of the Office of the Auditor General[12]

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

1) There shall be an Auditor General for Trinidad and Tobago, whose office shall be a public office.
2) The public accounts of Trinidad and Tobago and of all officers, courts and authorities of Trinidad and Tobago shall be audited and reported on annually by the Auditor General, and for that purpose the Auditor General or any person authorized by him in that behalf shall have access to all books, records, returns and other documents relating to those accounts.
3) The Auditor General is hereby empowered to carry out audits of the accounts, balance sheets and other financial statements of all enterprises that are owned or controlled by or on behalf of the State.
4) The Auditor General shall submit his reports annually to the Speaker, the President of the Senate and the Minister of Finance.
5) The President of the Senate and the Speaker shall cause the report to be laid before the Senate and the House of Representatives, respectively, at the next sitting of the Senate and the House of Representatives after the receipt thereof, respectively.
6) In the exercise of his functions under this Constitution the Auditor General shall not be subject to the direction or control of any other person or authority.

Appointment of the Auditor General[13]

The Auditor General is appointed by the President of the Republic of Trinidad and Tobago after consultation with the Prime Minister and the Leader of the Opposition and may hold office up to age sixty-five (65) years and may be removed from office only on certain grounds and after a prescribed procedure. Those provisions are entrenched in the Constitution of the Republic of Trinidad and Tobago (1976).

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[11] Auditor General Department's website http://www.auditorgeneral.gov.tt/content/history accessed May 16, 2020.
[12] Constitution of The Republic of Trinidad And Tobago http://laws.gov.tt/pdf/Constitution.pdf
[13]Auditor General Department's website http://www.auditorgeneral.gov.tt/content/appointment-role-and-function accessed on May 16, 2020.

Current Auditor General[14]

2019 - Present   Ms. Lorelly Pujadas

Past Auditors General[15]

2015 - 2019   Mr. Majeed Ali
2006 - 2015   Mrs. Sharman Ottley
1990 - 2006   Mrs. Jocelyn Thompson
1986 - 1990   Mr. Alton A Campbell
1967 - 1986   Mr. Errol Gregoire
1963 - 1967   Mr. Mathieu V Lee Sing

Role and Function[16]

The Auditor General is required by law to examine and report annually to Parliament on the accounts of Ministries, Departments, Regional Health Authorities, Regional Corporations and such State Controlled Enterprises and Statutory Boards for which the Auditor General is the statutory auditor. The portfolio also includes the audit of:

- The accounts of projects funded partly or wholly by International Lending Agencies;
- All pensions, gratuities and other separation benefits paid by the State in accordance with the Pensions Acts and other Agreements; and
- The grant of credit on the Exchequer Account in accordance with the requirements of section 18 of the Exchequer and Audit Act, chapter 69:01.

The audit services take the form of financial audits, compliance audits and value for money audits intended to promote:

- Accountability;
- Adherence to laws and regulations; and
- Economy, efficiency and effectiveness in the collection, disbursement and use of funds and other resources.

Duties and Powers of the Auditor General[17]

The duties and powers of the Auditor General are defined in the Exchequer and Audit Act Chapter 69:01 of the laws of Trinidad and Tobago. Part III of the Exchequer and Audit Act specifies these duties listed here under:

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[14] Auditor General Department's website http://www.auditorgeneral.gov.tt/content/profile-auditor-general accessed on May 16, 2020.
[15] Auditor General Department's website http://www.auditorgeneral.gov.tt/content/past-auditors-general accessed on May 16, 2020.
[16] Auditor General's Department, Appointment, Role and Function, http://www.auditorgeneral.gov.tt/content/appointment-role-and-function accessed on May 16, 2020.
[17] Exchequer and Audit Act Chapter 69:01 http://rgd.legalaffairs.gov.tt/laws2/alphabetical_list/lawspdfs/69.01.pdf

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

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

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

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

(2) The Auditor General shall satisfy himself that -

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

Issues, Observations and Recommendations

During the examination of the Reports of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the financial years ended September 30, 2018, the Committee identified the following issues and proposed recommendations:

1. Revenue Leakages at the MEEI

The MEEI did not maintain adequate records of moneys collected or owed. The MEEI did not keep sufficiently detailed records of its efforts to collect receivables owed to it. The Ministry also struggled to verify production data from oil and gas and quarrying companies. These shortcomings led to revenue leakages for the MEEI.

While the Auditor General's Department (AGD) clarified that verification of the data presented was not its role, it did highlight the following material weaknesses[18]:

- Lack of proper methods for determining and measuring Oil and Gas production;
- Lack of current measurement technologies and standards;
- Total dependence on Oil and Gas Companies and Quarry Operators for production data;
- Lack of oversight at the senior management level with respect to production data verification; and
- Inadequate staffing; knowledge, training and competence.

The AGD made the following recommendations for the strengthening of the monitoring processes:

- Implement a documented process for the verification of production data;
- Manpower audit to determine personnel competencies etc. required;
- Commitment by senior public officers at the MEEI at all levels to ensure that Internal Controls are implemented/improved;
- Greater input by Internal Audit to monitor controls; and
- Implementation of the Minerals Electronic System, which would have tracking and auditing functions;

A public hearing held on Wednesday May 22, 2019 for examination of the Auditor General's Report for the financial year 2018. The Auditor General explained[19] that it identified the assessment of weaknesses and gaps in internal control mechanisms at the MEEI with regard to

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[18] Auditor General's Department, responses dated June 3, 2019 to questions for additional information, Appendix B.

[19] Verbatim Notes of the Thirty-Sixth Meeting of the Public Accounts Committee, page 24.

revenue as one of its target areas for follow-up during the current year. The AGD committed to provide the results of the follow-up assessment once the exercise was completed.

In its Twelfth and Twentieth Reports, the Committee noted that the MEEI was unable to determine the veracity of the production data submitted by the oil and gas extraction companies and quarry operators.

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

In its Ministerial Response to the recommendations in the Committee's Twentieth Report, the MEEI indicated that it witnessed oil cargoes and other processes, as well as the calibration of fiscal gas meters, analysed quarry operators' annual returns and conducted quarrying site visits.

The MEEI also indicated that it was still in the process of determining some other measures as follows:

- Assessing the feasibility of conducting material balances in order to reconcile the export volumes with the produced volumes, taking into account changes in inventory;
- Review of production verification during the first quarter of 2019 by an Interdepartmental Committee in the Ministry; and
- The acquisition of a suitable Unmanned Aerial System (UAS) to assist in carrying out topographic surveys to independently estimate the quality of minerals produced by quarry operators.

Recommendations:

- ***The MEEI should submit a status report to Parliament on the implementation of the recommendations made by the AGD and the possible challenges faced in this regard by August 30, 2020;***
- ***The MEEI should provide an update to Parliament on the conclusions with regard to the above-mentioned pending measures by August 30, 2020; and***
- ***The AGD should submit the conclusions of its follow-up assessment of the MEEI's internal control mechanisms with regard to revenue to Parliament by August 30, 2020.***

2. Production Verification Committee (PVC)

The findings and recommendations of the PVC must be used to bring about improvements to the systems in place. At the hearing, the Committee asked which senior officers took ownership of the issue of production verification. In a written submission dated December 20, 2019, the

MEEI explained that the Energy Information Management and Technology centralises and manages data collected by other Divisions.

In its Ministerial Response to the recommendations in the Committee's 20th Report, the MEEI stated that an interdepartmental Production Verification Committee (PVC) had been formed in the first quarter of 2019. The goals of the PVC were to identify the types of measurement systems in use, to compare these systems used in Trinidad and Tobago to the practices in other countries and to identify gaps and make recommendations to fill them.

In the aforementioned December 20, 2019 written submission, the MEEI explained that the review conducted by the PVC revealed that Trinidad and Tobago mostly used the same measurement systems as the United States, Canada, Brazil and the United Kingdom, to which Trinidad and Tobago was compared. The MEEI further explained that whereas the regulations in these countries include measurement requirements; this is not the case in Trinidad and Tobago. The PVC has therefore recommended that the regulations be updated accordingly. In this regard, the MEEI indicated that there should be an assessment of the necessary updates to the Petroleum Regulations. The PVC also recommended that a security element be included in the MEEI's inspection programme so as to ensure that the measurement systems are not tampered with.

At the hearing, the MEEI explained that the PVC was due to finalise the Report of its findings and recommendations for the improvement of the existing production verification systems in January 2020. The Committee noted that, although there were plans to establish a Sub-Committee to implement the PVC's recommendations, no definitive timeframe had been set at the time of the hearing for the achievement of the Sub-Committee's work.

Recommendation:

i. The MEEI should provide Parliament with the following by August 30, 2020:
   - ***a. the status of the finalisation of the Report of the findings of the Production Verification Committee;***
   - ***b. a copy of the Production Verification Committee's Report; and***
   - ***c. the timeline for necessary action to be taken by the Sub-Committee to implement the Report's recommendations.***

3. Meter Calibration

The MEEI's systems for verifying production data need to be strengthened. Meters on the production of oil and gas are generally calibrated once a month and calibration reports are submitted to the MEEI. The MEEI does not systematically witness these meter calibration exercises. The MEEI attests to the fact that the calibration was carried out, but does not calibrate the meters itself. The actual calibration is done by independent companies. This problem is most acute with offshore meters. At the hearing, the MEEI stated that it intended to engage a consultant to support its calibration verification activities. In this context, the PVC was mandated to submit a list of crucial meters to be visited on a priority basis. However, this had not yet been done as at December 2019.

Recommendations:

i. ***The MEEI should report to Parliament on the establishment of a list of crucial meters and include the schedule for witnessing the calibration of those meters by August 30, 2020; and***
ii. ***The MEEI should provide Parliament with the following by August 30, 2020:***
    a. ***an update on the status of its efforts to recruit a consultant to support its meter calibration activities;***
    b. ***the terms of reference of the consultant's work; and***
    c. ***the cost of engaging the consultant.***

4. Monitoring of Minerals Extraction

Mineral extraction is not being comprehensively monitored. It was indicated at the hearing that weighbridges, which could facilitate more effective tracking of quantities of minerals extracted, are not used systematically across all quarries. Efforts are made more difficult by a lack of requisite technology. To this end, the MEEI stated that it planned to procure an Unmanned Aerial System (UAS). The UAS would enable the MEEI, inter alia, to monitor operators' activity and conduct volumetric surveys. As at December 2019, the procurement was still in progress. Request for Proposals (RFPs) were scheduled to be issued in the second quarter of 2020.

Recommendations:

i. ***The MEEI should provide Parliament with an update on the procurement of an Unmanned Aerial System, including the estimated cost of the system, by August 30, 2020; and***
ii. ***The MEEI should submit a feasibility report to Parliament including the challenges hindering the systematic use of weighbridges and ways in which these issues could be addressed by August 30, 2020.***

5. Human Resource Challenges

The shortage of personnel hinders the Ministry's calibration and monitoring initiatives from being as effective as they should be. Fourteen (14) of the thirty (30) posts of Petroleum Inspector on the establishment were vacant. The Ministry also indicated that it was in the process of recruiting Minerals Resource Officers to replace the discontinued post of Quarry Management Officer. A Draft Framework was submitted to the Director of Personnel Administration in

December 2018 with respect to the filling of vacant entry level offices at the Ministry. However, at the hearing, the MEEI described progress in this regard as slow.

For its part, the Service Commissions Department (SCD) explained in a written submission dated December 19, 2019 that it received Draft Frameworks from the MEEI in January 2019. These contained post-related information to facilitate the shortlisting of applicants for five (5) offices at the Ministry. The offices were as follows:

1. Chemical Engineer I/II;
2. Petroleum Engineer I/II;
3. Petroleum Chemist;
4. Geologist I/II; and
5. Petroleum Engineering Assistant

The SCD indicated that delays were caused by the need to settle a legal matter filed in relation to the recruitment process. As the matter has been settled, the SCD explained that assessment for the shortlisting of applications received for the five (5) above-mentioned offices would likely begin soon.

In a written submission dated December 19, 2019, the Personnel Department explained that it forwarded revised class specifications for the offices of Petroleum Inspector I, II and III to the MEEI in March 2011, but that the matter had gone dormant in the absence of feedback from the Ministry.

The Public Management Consulting Division (PMCD) of the Ministry of Public Administration indicated in a written submission dated December 12, 2019 that, it received the Draft Cabinet Note EEI (2016) EEI: 1/6/33 dated September 23, 2019 entitled Restructuring and Institutional Strengthening of the Ministry of Energy and Energy Industries. The Note requested the creation of fifty-seven (57) permanent and pensionable offices within the MEEI. In response, the PMCD recommended the creation of sixteen (16) permanent and pensionable offices as follows:

One (1) Director, Commercial Evaluation	One (1) Director, Downstream Petroleum Management
One (1) Director, Energy Research and Planning	One (1) Director, Petroleum Operations Monitoring
One (1) Accounting Executive	One (1) Accounting Assistant
One (1) Records Manager II	One (1) Auditor III
One (1) Auditor I	Two (2) Auditing Assistant
One (1) State Counsel III	Two (2) State Counsel II
One (1) Mechanical Engineer II	One (1) Senior Mechanical Engineer

Recommendations:

i. ***The MEEI should report to Parliament on the status of its recruitment of Petroleum Inspectors by August 30, 2020;***
ii. ***The MEEI should indicate the number and tenure status of the posts of Minerals Resource Officers and provide a status update on recruitments to fill these posts by August 30, 2020;***
iii. ***The MEEI should provide Parliament with an update on the status of the recruitment of the five (5) offices for which Draft Frameworks were submitted to the Service Commissions Department by August 30, 2020;***
iv. ***The MEEI should explain its slow responsiveness regarding the revised class specifications submitted by the Personnel Department for the offices of Petroleum Officer I, II and III by August 30, 2020; and***
v. ***The PMCD should explain the rationale for recommending the creation of the specific sixteen (16) offices in response to the MEEI's request for fifty-seven (57) by August 30, 2020***

6. Illegal Quarrying

The Director of Minerals needs more assistance to significantly reduce illegal quarrying. The MEEI explained that it is aware of existence of numerous illegal quarries, in some cases operated by armed groups. Section 45 of the Minerals Act Chap 61:03 provides for fines and imprisonment for mining without a permit or outside of a designated mining zone. Pursuant to Section 11 of the Minerals Act, the Director of Minerals has the authority to 'terminate illegal mining and illegal mining-related activities on both State and private lands'. Officers delegated by the Director are authorised to enter and search premises where suspected illegal activity is being carried out once prior notice is given to the Commissioner of State Lands and to the occupant of the land in accordance with Sections 29 and 30 of the said Act.

The MEEI's Minerals Advisory Committee[20] (MAC) was established under the Act and is chaired by the Permanent Secretary of Ministry. In addition to the MEEI representatives, the Commissioner of State Lands is a member of the MAC. In this regard, Section 25 of the State Lands Act Chap 57:01 forbids the 'digging, winning or removal' of materials from State Lands without the necessary licence. The MAC makes recommendations to the Minister of Energy and Energy Industries about the Act and relevant regulations pursuant to Section 16 of the Minerals Act.

[20] MEEI website, Minerals: http://www.energy.gov.tt/minerals/ accessed May 17, 2020

An article published in 2014 by the Government Information Service[21], explained that the Ministry of Energy and Energy Affairs (MEEA) – the predecessor to the MEEI – had taken steps to curb illegal quarrying by increasing penalties for the offence under the Minerals Act from a fine of two hundred thousand dollars (TT $200,000) and imprisonment for two (2) years, to a fine of five hundred thousand dollars (TT $500,000) and a term of imprisonment of five (5) years upon first conviction. Penalties under the State Lands Act have reportedly also been increased.

The article explained that the Cabinet had accepted the recommendations of a multi-disciplinary committee chaired by the MEEA regarding illegal quarrying. These recommendations included:

- amending the Minerals Act to provide greater enforcement powers to tackle illegal quarrying;
- harmonising all quarrying-related legislation;
- the establishment of an enforcement unit; and
- improved collaboration among all agencies involved in fighting illegal quarrying.

Concerning the recommendation to harmonise all quarrying-related legislation, the Committee notes, for example, that while the State Lands Act provides at Section 30 that persons carrying out unlawful digging, winning or removal of materials may be arrested by the Commissioner of State Lands or delegated officers, the Minerals Act contains no such provisions. In its written submission dated December 20, 2019, the MEEI explained that the matter of legislative harmonisation was being addressed by the Legislative Review Committee (LRC).

It was explained at the hearing that the MEEI's efforts to curb illegal quarrying were hampered by the lack of legal authority to intervene. The Director of Minerals has no power to arrest, and relies on the Trinidad and Tobago Police Service (TTPS) for support. The MEEI informed the Committee that a TTPS Quarrying Unit was established in October 2019 to strengthen its collaboration with the MEEI and other stakeholders towards curbing illegal quarrying. In a written submission dated December 20, 2019, the MEEI informed the Committee that twenty-two (22) persons had been arrested and their equipment seized in relation to three (3) illegal quarrying sites. Prior to this, there were three (3) enforcement matters from 2016 to 2018.

As mentioned at issue 2, the MEEI is in the process of procuring an Unmanned Aerial System (UAS). Through this system, the MEEI would be able to conduct surveillance in areas where illegal operations take place and where such monitoring is currently lacking due in part to the staff shortage described at issue 4.

[21] Government Information Service, Energy Ministry Strongly Condemns Illegal Quarrying: http://www.news.gov.tt/content/energy-ministry-strongly-condemns-illegal-quarrying#.XsmplGgzbIX accessed May 17, 2020

Finally, the Committee noted that the MEEI does not maintain any data concerning the estimated forgone revenue to the State as a result of illegal quarrying. Tracking such data would make it possible to compare forgone revenue to fines collected.

Recommendations:

i. ***The MEEI should submit a report to Parliament on the implementation of the multi-disciplinary committee's recommendations, including examples and documentation, by August 30, 2020;***
ii. ***The MEEI should report on any recommendations made by the MAC regarding illegal quarrying and the relevant action taken by August 30, 2020;***
iii. ***The MEEI should provide the following information by 30 August, 2020;***
    a. ***the most recent statistics for the total number of illegal quarrying cases currently before the courts;***
    b. ***the number of prosecutions for illegal quarrying offences annually since 2015 under the Minerals Act; and***
    c. ***the amounts collected annually since 2015 in the form of fines paid by those found guilty of illegal quarrying.***
iv. ***The MEEI should update Parliament on the development of a system to estimate forgone revenue due to illegal quarrying by August 30, 2020;***
v. ***The Commissioner of State Lands should provide Parliament with details of the measurable effects achieved since the amendments made to the State Lands Act Chap 57:01 concerning penalties for illegal quarrying by August 30, 2020;***
vi. ***The MEEI should provide an update on progress towards the necessary legislative harmonisation by August 30, 2020; and***
vii. ***The Trinidad and Tobago Police Service should identify ways in which it could further assist the MEEI going forward by August 30, 2020.***

7. Support from the Ministry of Finance

The Ministry of Finance can help the MEEI to accurately record production data. This was highlighted at the hearing. Accurate data recording would strengthen revenue collection. The Ministry assured the Committee that it would work with the MEEI towards this goal. The Ministry also indicated that the Treasury Division was ready and willing to assist the MEEI to optimise its auditing and accounting systems.

Recommendation:

i. ***The Ministry of Finance should submit a list of the ways in which it can assist the MEEI with its production data recording and the improvement of its auditing and accounting***

systems, and indicate the timeline to begin to provide this assistance by August 30, 2020.

Concluding Remarks

One of the goals included in the MEEI's policy context[22] involves the implementation of strategies to effectively monetise the country's hydrocarbon reserves. This is quite important, given the traditional prominence of this sector in Trinidad and Tobago's economy. The significance of accurate recording by the MEEI of the production of these resources is clear given that it is directly linked to the level of revenue collected.

In terms of the external environment within which the Ministry functions, the legislative framework may need to be amended to better empower the MEEI and its various Divisions to take corrective action concerning issues that harm the sectors under the Ministry's purview.

Internally, staffing issues need to be quickly resolved. The MEEI must also ensure that the conclusions of the Production Verification Committee lead to substantial improvements. All of this will be to the overall benefit of the Ministry in the fulfilment of its mandate.

The Committee welcomes the commitment by the Ministry of Finance to extend assistance to the MEEI. The Committee is confident that this will contribute to reducing the recurrence of some of the issues that are perennially highlighted in the Auditor General's Reports.

The recommendations to curb illegal quarrying and to bring revenue and environmental degradation under control should not be taken lightly. Crimes against the state and against the Environment are taking place and these should be addressed, curbed and put right. This would require coordination with, and collaboration among, the various State agencies. A similar recommendation has been made to the EMA.

In light of several pending matters related to the Energy sector which require resolution, the Ministry should itemize these and recommend action at the level of Cabinet in a context in which the Energy sector itself must undergo significant transformation given a deeply altered environment.

[22] Ministry of Energy and Energy Industries' website, GORTT Policy Context http://www.energy.gov.tt/about-us/gortt-policy-context/ accessed May 18, 2020.

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

The following witnesses attended the meeting held on Wednesday November 27, 2019:

Ministry of Energy and Energy Industries

• Ms. Sandra Fraser	-	Permanent Secretary (Ag.)
• Mr. Monty Beharry	-	Director of Minerals
• Mr. Marc Rudder	-	Director, Petroleum Operations Management Division
• Mr. Sheldon Butcher	-	Director, Downstream Petroleum Management Division
• Ms. Susan Durant-Tangwell	-	Accounting Executive I (Ag.)
• Ms. Menawatie Singh	-	Director, Human Resource Services
• Ms. Louise Poy Wing	-	Senior State Counsel

Ministry of Finance

• Ms. Suzette Taylor-Lee Chee	-	Permanent Secretary
• Ms. Cherry-Ann Legendre	-	Director of Budgets, Budgets Division
• Ms. Naleisha Bally	-	Treasury Director, Treasury Division
• Mr. Ravi Taklalsingh	-	Commissioner, Inland Revenue Division
• Ms. Jeanine Correia	-	Economist II

Auditor General's Department (AGD)

• Ms. Lorelly Pujadas	-	Auditor General
• Mr. Riaz Ali	-	Assistant Auditor General
• Mr. Brian Caesar	-	Audit Executive II (Ag.)

THE PUBLIC ACCOUNTS COMMITTEE –
FIFTH SESSION, ELEVENTH PARLIAMENT
MINUTES OF THE THIRTY- NINTH MEETING HELD ON WEDNESDAY, NOVEMBER 27, 2019 AT 10:06 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
Mr. Randall Mitchell	-	Member
Mrs. Ayanna Webster-Roy	-	Member
Ms. Charrise Seepersad	-	Member
Mr. Adrian Leonce	-	Member
Ms. Keiba Jacob	-	Secretary
Ms. Vanna Jankiepersad	-	Procedural Officer Intern
Mr. Justin Jarrette	-	Graduate Research Assistant

Excused were:

Mrs. Paula Gopee-Scoon	-	Member

COMMENCEMENT

1.1 At 10:06 a.m. the Chairman called the meeting to order and welcomed those present. The Chairman informed the Members that Mrs. Paula Gopee-Scoon asked to be excused from the Meeting.

THE EXAMINATION OF THE MINUTES OF THE THIRTY-EIGHTH MEETING

2.1 The Committee examined the Minutes of the Thirty-Eighth (38^{th}) Meeting held on Wednesday November 13, 2019.

2.2 There being no omissions or corrections, the Minutes were confirmed on a motion moved by Mr. Adrian Leonce and seconded by Ms. Charrise Seepersad.

MATTERS ARISING FROM THE MINUTES OF THE THIRTY-EIGHTH MEETING

3.1 With reference to item 4.1, the Chairman informed Members that copies of the Ministerial Responses to the Twenty-Seventh Report of the Committee on the Examination of the Expenditure and Internal Controls of the National Carnival Commission of Trinidad and Tobago (NCC) for the years 2010 to 2018 which were received on November 22, 2019 are included in their packages. The Ministerial Responses were received from the following entities:

- The Ministry of Communications; and
- The Tobago House of Assembly.

3.2 Also, with reference to item 4.1, the Chairman informed Members that by letter dated November 13, 2019, the Permanent Secretary of the Ministry of Finance-Investments Division requested an extension to submit the Ministerial Responses to the Twenty-Fifth Report of the Committee on the Examination of the National Lotteries Control Board (NLCB) to December 16, 2019. The original deadline for the submission of the Ministerial Response was November 25, 2019. The Chairman indicated that this letter was also included in Members' packages.

3.3 With reference to item 6.4, the Chairman informed Members that questions for additional information were sent to the Auditor General's Department, NALIS and the Ministry of Communications on November 21, 2019. The deadline for the submission of responses for additional information was on December 6, 2019. The Executive Director of NALIS requested and was granted an extension to December 18, 2018.

3.4 The Chairman then invited Members to raise any matters arising from the Minutes.

PRE-HEARING DISCUSSION RE: MINISTRY OF ENERGY AND ENERGY INDUSTRIES

5.1 The Chairman informed the Members that the purpose of the meeting was to examine concerns raised in the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the Financial Year 2016, 2017 and 2018 with specific reference to the Ministry of Energy and Energy Industries and follow up on the implementation of the recommendations in the Fourth, Fourteenth and Twentieth Reports of the Committee.

5.2 The Chairman invited Members to review the Issues Paper on the Auditor General's Report for the Financial Year 2016, 2017 and 2018 with specific reference to the Ministry of Energy and Energy Industries and follow up on the implementation of the recommendations in the Fourth, Fourteenth and Twentieth Reports of the Committee.

5.3 The Chairman invited Members to raise any issues or questions for discussion with the Ministry of Energy and Energy Industries, the Ministry of Finance and the Auditor General's Department on the following:

- concerns raised in the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the Financial Year 2016, 2017 and 2018 with specific reference to the Ministry of Energy and Energy Industries; and
- follow up on the implementation of the recommendations in the Fourth, Fourteenth and Twentieth Report of the Committee.

5.5 The Chairman informed Members that the Secretariat received the written submission from the Ministry of Energy and Energy Industries shortly before the commencement of the meeting. Copies were circulated to Members thereafter.

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

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

EXAMINATION OF THE CONCERNS RAISED IN THE REPORT OF THE AUDITOR GENERAL ON THE PUBLIC ACCOUNTS OF THE REPUBLIC OF TRINIDAD AND TOBAGO FOR THE FINANCIAL YEARS 2016, 2017 AND 2018 WITH SPECIFIC REFERENCE TO THE MINISTRY OF ENERGY AND ENERGY INDUSTRIES (MEEI) AND FOLLOW UP ON THE IMPLEMENTATION OF THE RECOMMENDATIONS IN THE FOURTH, FOURTEENTH AND TWENTIETH REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

6.1 The following officials joined the meeting:

Ministry of Energy and Energy Industries

Ms. Sandra Fraser	-	Permanent Secretary (Ag.)
Mr. Monty Beharry	-	Director of Minerals
Mr. Marc Rudder	-	Director, Petroleum Operations Management Division
Mr. Sheldon Butcher	-	Director, Downstream Petroleum Management Division
Ms. Susan Durant-Tangwell	-	Accounting Executive I (Ag.)
Ms. Menawatie Singh	-	Director, Human Resource Services
Ms. Louise Poy Wing	-	Senior State Counsel

Ministry of Finance

Ms. Suzette Taylor-Lee Chee	-	Permanent Secretary
Ms. Cherry-Ann Legendre	-	Director of Budgets, Budgets Division

Ms. Naleisha Bally	-	Treasury Director, Treasury Division
Mr. Ravi Taklalsingh	-	Commissioner, Inland Revenue Division
Ms. Jeanine Correia	-	Economist II

Auditor General's Department

Ms. Lorelly Pujadas	-	Auditor General
Mr. Riaz Ali	-	Assistant Auditor General
Mr. Brian Caesar	-	Audit Executive II (Ag.)

6.2 The Chairman called the public meeting to order at 10:40 a.m.

6.3 **Key Topics Discussed:**

1. The importance of oil and gas as a source of national revenue;
2. The degree of accuracy of the production information received from oil and gas companies;
3. The systems in place at the MEEI to scrutinize production data received from companies;
4. The deficiencies in the MEEI's initiatives to witness meter calibration, specifically regarding offshore meters;
5. The work of the MEEI's Production Verification Committee (PVC) to improve the Ministry's existing production verification systems;
6. The status of the PVC Report due to be finalized in January 2020;
7. The plan to establish a Sub-Committee to implement the PVC's recommendations;
8. The eventual audit of the new implemented system further to a recommendation of the Auditor General's Department;
9. The World Bank Extractive Industries Value Chain;
10. The lack of a timeframe for the implementation of measures based on the findings of the Production Verification Committee;
11. The staffing challenges faced by the MEEI;
12. The recruitment of Petroleum Inspectors;
13. The calibration of meters by independent companies;
14. The need for a Conflict of Interest Policy at the MEEI for its interaction with all companies;
15. The MEEI's intention to issue a Request for Proposals (RFP) for a contractor to support the Ministry's verification activities;
16. The monitoring process regarding extraction of minerals;
17. The spot checks conducted at quarries by the MEEI's Internal Audit department;
18. The upcoming RFP for the procurement of an Unmanned Aerial System (UAS);
19. The status of progress towards the development of an integrated system to compile the information from the Measurement Unit and the Contract Management Division for the calculation of revenue;
20. The differences between the calculation of royalties for oil and for gas;
21. The method for estimating the revenue generated by a quarry;

22. The estimated number of illegal quarries and the challenges faced by the MEEI in this regard;
23. The lack of data concerning the estimated forgone revenue to the State as a result of illegal quarrying;
24. Collaboration between the MEEI and other State Agencies on the issue of illegal quarrying;
25. The outstanding royalties from licensed quarry operators and the MEEI's collection initiatives in this regard;
26. The legal challenges concerning the ownership of mineral rights;
27. The scope for and challenges of using weighbridges at quarries to monitor quantities extracted;
28. The total number of recognized quarries in operation;
29. The mining licensing process;
30. The number of quarrying-related complaints lodged over the past 2 years;
31. The licensing status of the Studley Park Quarry in Tobago;
32. The MEEI's Minerals Advisory Committee;
33. The monitoring of the MEEI's priority projects;
34. The slow progress of the MEEI in implementing the numerous recommendations of the Auditor General's Department in its annual Reports;
35. The status of outstanding debt in respect of Petrotrin; and
36. The relationship between the MEEI and the Ministry of Finance and the support that may be provided to the MEEI in the recording and auditing of production data

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

6.4 The Committee agreed to send additional questions to the Ministry of Energy and Energy Industries, the Ministry of Finance, the Ministry of the Attorney General and Legal Affairs, the Director of Personnel Administration, the Public Management Consulting Division, and the Office of the Chief Personnel Officer for written submission.
[**Please see Appendix 1**]

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

ADJOURNMENT

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

7.2 The adjournment was taken at 12:53 p.m.

We certify that these Minutes are true and correct.

CHAIRMAN

November 27, 2019
APPENDIX I

Ministry of Energy and Energy Affairs

Request for Additional Information

Questions for Additional Information – Ministry of Energy and Energy Industries

General Questions

1. Given that energy-related revenue makes up at least 40% of total government revenues, that accurate and reliable production data is key to maximizing the energy sector's revenue generating potential and that one of the MEEI's key functions is to monitor the energy sector:
   a. What is the Ministry's self-assessment of its success in revenue collection?
   b. What weaknesses continue to affect the MEEI in this area and what assistance would help to sustainably remedy these issues?
2. What is the licensing process for prospective oil companies and quarry operators?
3. The MEEI explained that it was in the process of recruiting new Petroleum Inspectors.
   a. Does the Ministry have a Business Continuity Plan to ensure that newly recruited staff are fully apprised of the context and status of work prior to their arrival?
4. What are the Key Risk Indicators (KRI) used by the MEEI?

Monitoring Process

In a written submission[23] (see attached) for the Committee's examination of the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the Financial Year 2018, the Auditor General's Department explained that observing the following recommendations would strengthen the monitoring processes at the MEEI:

- Implement a documented process for the verification of production data;
- Manpower audit to determine personnel competencies etc. required;
- Commitment by senior public officers at the MEEI at all levels to ensure that Internal Controls are implemented/improved;
- Greater input by Internal Audit to monitor controls;
- Implementation of the Minerals Electronic System, which would have tracking and auditing functions.

[23] Auditor General's Department, responses to questions for additional information, Appendix B.

Questions:

1. When was most recent Manpower Audit conducted and when is the next such exercise scheduled to be conducted?
2. What measures have been implemented to ensure that the link between monitoring the energy industry and deriving optimum revenue from the industry is understood throughout the Ministry?
3. What strategies have been devised to ensure effective communication at all levels of staff to ensure that senior officers follow up on delegated tasks related to internal controls and that concerns / challenges are relayed back to and taken into account by senior officers?
4. How involved is the Internal Audit function of the Ministry in the monitoring of controls?
5. The Trinidad and Tobago Extractive Industries Transparency Initiative (TTEITI), a Civil Society Organization, noted in its 2017 Report[24] that through the MES, applications for licences could be submitted and processed online within 72 hours.
   The TTEITI Report noted that, although the MES had been tested by the IT Unit of the MEEI, it had not yet been rolled out to end users.
   a. Given that the MES still has not been implemented in 2019, what has been the reason for the delay in the roll out of the system?
   b. What is the timeline for its eventual implementation?

<u>Royalty Collection from Oil Companies</u>

1. Does the MEEI set revenue collection targets?
   a. If yes, how are these targets determined and are they usually met?
2. What is the MEEI's standard policy / approach to oil companies that fall behind on their payments?
3. In its Ministerial Response dated March 20th, 2018 to the recommendations in the Committee's 14th Report, the MEEI also mentioned the Minister's right to revoke Exploration and Production licences, pursuant to Section 17(1) and 2(d) of the Petroleum Act, in cases where companies failed to settle outstanding payments.
   a. Has the Minister of Energy and Energy Industries ever exercised this right?
   b. If yes:
      i. when and how many times has this been done;
      ii. which companies did it concern?
      iii. is there a threshold of outstanding royalties that triggers the revocation of licences?
      iv. if yes to (iii) above, what is that threshold and how was it determined?
      v. did the suspension of licences compel those companies to pay monies due to the State?

[24][24]TTEITI website, 2017 Report, accessed November 24, 2019: http://www.tteiti.org.tt/wp-content/uploads/Final-TTEITI-Report-September-30-2019-Signed-1.pdf

vi. were licences ever restored subsequent to eventual settling of outstanding debts?

c. If this right has never been exercised, what is the reason for not using all means at the Ministry's disposal to ensure collection of revenue lawfully owed to the State?

4. In the said Ministerial Response, the MEEI stated, concerning royalty collection from oil companies, that Petrotrin had made 'some payments towards FY 2016 and 2017'.
    a. What effect, if any, does the change from Petrotrin to Heritage Petroleum Company Ltd have on the payment of outstanding sums?
5. What strategies does the MEEI plan to adopt to mitigate the operational risk inherent to revenue collection?

Operational Quarries

In its Ministerial Response to the recommendations in the Committee's 14th Report, the MEEI indicated that six (6) quarries had been regularized by February 28, 2018.

Question:

1. Is it possible to quantify the forgone revenue for the State as a result of the operation of unlicensed quarries?
2. According to Section 81 of the Petroleum Act Chap. 62:01, licence holders are required to periodically submit 'information, returns and data concerning their operations' at the MEEI's request.
    a. What measures does the MEEI implement to induce compliance with this provision?
3. The MEEI indicated that it was working with the Chief State Solicitor's Office to have the surface and mineral rights determined through searches, as royalties are due to the State only where the State owns the mineral rights. A report on this matter was being prepared.
    b. What is the status of the work with the Chief State Solicitor's Office?
    c. How has this work strengthened the State's mineral rights?
    d. Was the Report concluded?
    e. If yes, what were its findings / conclusions?
    f. How have these findings / conclusions helped to further the MEEI's work?

Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for financial year 2018

CHAPTER 3 – ACCOUNTS OF RECEIVERS OF REVENUE

Revenue Control – Pages 33 & 34

The Ministry does not maintain key documentation to record moneys collected, for example, a Revenue Register was not produced for audit examination.

Documentary evidence on a company owing royalties on oil was requested but not received for examination.

Also, evidence of efforts to collect outstanding royalties as at 30th September, 2018 as required by Ministerial procedures was not seen.

Questions:

1. What is the reason for not furnishing documentary evidence of a company owing royalties?

According to **Section 55 of Petroleum Act Chapter 62:01**, the licensee's financial obligations towards the Treasury shall consist of minimum payment, rent, royalty, petroleum impost, corporation tax and other payments.

Section 80 of Petroleum Act Chapter 62:01 states that "Minimum payments, royalties and rents becoming due by the licensees shall be paid in Trinidad and Tobago or United States currency at the option of the Government or in any other currency acceptable to the Government."

Questions:

2. What percentage of revenue is received in:
   i. United States currency; and
   ii. Trinidad and Tobago Dollars.

Section 59 of the Petroleum Act Chapter 62:01 states that it shall be a condition specified in an Exploration and Production Licence that— (a) if the minimum payment, rents or royalties payable by a licensee, or any part thereof, remain unpaid for the period of thirty days next after the due date of payment, the Minister may enter on the lands and premises occupied by the licensee and distraint on all or any of the stock of petroleum and petroleum products and all things found in or upon the premises.

Question:

1. For the years 2016, 2017 and 2018, what were the total incidences of distraint exercised?

In a written submission[25] for the Committee's examination of the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the Financial Year 2018, the Auditor General's Department identified the following internal control weaknesses at the MEEI:

i. Lack of proper methods for determining and measuring Oil and Gas production;
ii. Lack of current measurement technologies and standards;
iii. Total dependence on Oil and Gas Companies and Quarry Operators for production data;

[25] Auditor General's Department, responses to questions for additional information, Appendix B.

iv. Lack of oversight at the senior management level with respect to production data verification; and

v. Inadequate staffing; knowledge, training and competence.

Questions:

1. Which senior managers take ownership of the issue of production data verification?
2. What measures are implemented to ensure that production data verification is not done in silos?

Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for financial year 2017

CHAPTER 3 – ACCOUNTS OF RECEIVERS OF REVENUE

Revenue Control – Page 53

1. Regarding royalties on oil, in its Ministerial Response dated April 15th 2019 to the recommendations in the Committee's 20th Report, the MEEI stated that it was looking at the feasibility of conducting material balances in order to reconcile the export volumes with the produced volumes, taking into consideration changes in inventory. The MEEI was in the process of determining the data that would be necessary to facilitate this exercise.
    a. According to the MEEI's findings, what is that data necessary to facilitate the conducting of material balances?
    b. Is this data readily available?
    c. If not, what could be the challenges to gathering the requisite data and how would the MEEI meet these challenges?
    d. What is the estimated timeline for the implementation of these material balances?
2. How often does the MEEI receive calibration reports?
3. In its Ministerial Response to the recommendations in the Committee's 20th Report, the MEEI stated that an interdepartmental production verification committee had been formed in Q1 2019 to:
    - identify the types of measurement systems existing;
    - compare Trinidad and Tobago to other countries; and
    - identify any gaps and make recommendations to fill them.

    a. What measurement systems did the committee identify?
    b. To which other countries was Trinidad and Tobago compared?
    c. What did these comparisons reveal and how has the information been used to strengthen Trinidad and Tobago's measurement system?
    d. What were the gaps identified and recommendations made to fill them?

4. Concerning quarry operators, the MEEI stated that site visits are conducted to review operators' records in order to verify quarterly returns.
    a. How often have these sites visits been conducted?
    b. Are they conducted on a scheduled or unannounced basis?
    c. Have these site visits ever realised irregularities in quarry operators' records?
    d. If yes, how has this issue been addressed?
5. The MEEI stated that it was in the process of acquiring an Unmanned Aerial System (UAS) to assist in conducting topographic surveys to independently estimate the quantities of minerals produced.
    a. Has the UAS been procured?
    b. If yes, what was the cost?
    c. What was the process used to procure the item?
    d. If no, when is the UAS scheduled to be procured?
6. Were any measures implemented in fiscal 2017 to determine the veracity of the production data submitted by the oil and gas extraction companies?
    a. If no, what level of risk did this pose to the MEEI?
    b. What is the value of the revenue forgone as a result of this issue?
    c. What was the reason for failure to address this issue in fiscal 2016 subsequent to the matter being highlighted in the Auditor General's Report?
7. Has the Ministry taken collaborated with the Trinidad and Tobago Police Service or other agencies such as the Environmental Management Authority (EMA) to put a stop to this illegal activity?
    i. If yes, what progress has been made?
8. Which Divisions of the Ministry have a responsibility, whether direct or indirect in compliance and enforcement as it pertains to illegal quarrying?
9. How effective have these Divisions been in addressing matters of illegal quarrying?
10. According to **Section 11 (b) of the Minerals Act Chap 61:03,** the Director of Minerals has the power to enforce regulations and monitor operations of mining, processing and other mining related activities under the Act, to ensure compliance with the licence and the provision of the Act and Regulations.
    a. What were the total number of matters of enforcement for the years 2016, 2017 and 2018?
    b. What the mechanisms in place to ensure effective enforcement and monitoring?
    c. What substantiates that the Director of Minerals is carrying out his duties effectively?
11. What is the process involved for an operator acquiring a mining license?
12. What steps have been implemented to strengthen the controls of the quarries' operations?
13. What mechanisms are used to gain proof of an operator's ownership of the mineral rights on private land? How many quarry operators currently mine on private land?

14. When did the Ministry first discover the absence of a system that allows it to be notified when an illegal operator begins extraction of aggregate?
    a. Does the current framework/ structure of the Ministry permit a system?
    b. What changes must be made to accommodate such a system?
    c. With reference to the “initiative” taken by members of the public, what actions constitute an “initiative”
    d. How does the Ministry lend support to such members of the public?
    e. How effective has this alternative been?

Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for financial year 2016

CHAPTER 3 – ACCOUNTS OF RECEIVERS OF REVENUE

Revenue Control – Pages 33 & 34

1. What does “oil and gas data” entail?
2. What are the responsibilities of the Measurement Unit and the Contract Management Unit?
3. In its Ministerial Response to the recommendations in the Committee’s 14^{th} Report, the MEEI stated that the Measurement Unit would be able to provide required coverage during the calibration of “crucial” meters thanks to the expected filling of vacant positions for Petroleum Inspectors.
    a. What is the full complement of Petroleum Inspector positions on the establishment?
    b. How many of these positions were vacant?
    c. Have all vacant positions since been filled?
    d. If no to (c), how many positions remain vacant?
    e. Were the positions filled through contract employment or on a permanent basis?
    f. To what extent did the filling of Petroleum Inspector vacancies increase the number of meters calibrated by the Measurement Unit?
4. In its Ministerial Response to the recommendations in the Committee’s 14^{th} Report, the MEEI indicated that an interdepartmental production verification committee had been formed and was gathering information from within each of the Ministry’s departments towards developing a system of reconciliation when calculating revenue.
    a. What is the status of the production verification committee’s work?
    b. Did the production verification committee succeed in facilitating the development of the required reconciliation system?
    c. If yes, what does the reconciliation system entail and when was it implemented?
    d. If no, what are the challenges impeding the committee from achieving the objective for which it was formed?

5. According to the MEEI, 'the production verification committee has the responsibility to determine and provide a list of "crucial" meters to be visited on a priority basis'.
    a. Provide a copy of the list of "crucial" meters as prepared by the production verification committee.
    b. With the recruitment of additional Petroleum Inspectors, has the MEEI's Measurement Unit been able to cover all of the "crucial" meters?
    c. If not, what challenges outside of staffing have hindered work in this regard?
6. Why was there no collaboration between the Measurement Unit and the Contract Management Unit in the calculation of revenue?
    a. How long has this problem been ongoing?
    b. What measures/ mechanisms have been used by the Ministry to encourage synergy between the two Units?
7. Since 2016, has the MEEI started to maintain a log to reflect the queries raised by the Contract Management Unit with the Operators and the resolutions made?
    a. If yes, when did this begin?
    b. If no, what is the reason and how has the relevant information been kept in the absence of a log?
8. How often does staff receive measurement training?
    a. Was such training sufficient to develop the knowledge, skills and competencies of staff employed in the Measurement Unit?
9. In its Ministerial Response to the recommendations in the Committee's 14th Report, the MEEI stated that it was taking steps to contract the services of an independent third party to audit the reconciliation process used to calculate revenue.
    a. Identify the contracted third party.
    b. What was the cost of contracting these services?
10. What were the reasons for Quarterly and Annual Reconciliations of Royalties due and received for nine of the eleven Oil Companies not produced as required by the Petroleum Regulations, Chapter 62:01 paragraphs 70 (1) – (2) and 71 (1) – (3)? Has this situation been rectified?
11. What are the current technologies and standards utilized by the MEEI for measuring oil and gas production?
12. How dependent is the MEEI on the oil and gas companies and quarries for data?
    a. Is there a probability that oil and gas production data can be manipulated by companies?
    b. If yes, what safeguards are enforced by the MEEI to ensure that such data?
13. Please identify the regulations, as contained in the Petroleum Act Chap 62:01 with which the collection of this data either relates or is in compliance.

14. In its response to the recommendation in the Committee's 14th Report that the Auditor General should expand its audit scope of the MEEI to include the calculation of revenue, the Auditor General's Department stated that the audit of methods and processes used in revenue calculation would be done after the MEEI finished its review of collaboration between its Measurement Unit and Contract Management Division.

    Question:

    a. Has the aforementioned review been completed?
    b. If yes, when?
    c. If no, what has hindered completion and when is the expected timeline for completion?

15. In its Ministerial Response to the recommendations in the Committee's 14th Report, the MEEI stated, concerning royalty collection from oil companies, that Petrotrin had made 'some payments towards FY 2016 and 2017'.
    a. Was the total outstanding amount eventually payed off?
    b. If not, what is the sum still outstanding and what efforts are being made to recover these monies?
16. In the same Ministerial Response, the MEEI further explained that the company Moraven which was in arrears on its royalty payments, had asked the MEEI intervene so that production could resume on condition that Moraven would pay an agreed percentage of new revenues to outstanding liabilities at interest rates to be determined by the relevant stakeholders.
    a. Did the MEEI facilitate Moraven's request?
    b. If yes, when did production resume?
    c. What was the agreed percentage of new revenue to be paid by Moraven to the State?
    d. How much of its outstanding sums has Moraven since paid?
    e. What was the rate of interest charged to Moraven?
    f. How was this rate determined?

<u>Operational Quarries – Page 53</u>

2. What is the total number of quarries operating in the country?
3. In its Ministerial Response to the recommendations in the Committee's 14th Report, the MEEI indicated that six (6) quarries had been regularized by February 28, 2018.
    a. What is the estimated number of unlicensed quarries as at November 2019?
    b. What steps have been taken to ensure all remaining unlicensed quarries are licensed going forward?
4. Production Data relating to the quantity of minerals mined, processed and sold for 17 operators was not submitted.
    a. When did the MEEI eventually obtain this information?
    b. How much revenue is estimated to be owed to the State in connection with these 17 operators?
5. Royalties were not collected for 16/20 operators.

    a. what is the total sum of these uncollected royalties?
    b. have these sums been collected to date?
    c. if yes, when were they collected?
    d. if not, what measures have been implemented to secure payment?
6. How does the Ministry verify the accuracy of the production data relating to the quantity of minerals mined, processed and sold?
7. What steps have been implemented to strengthen the controls of the quarries' operations?
8. What mechanisms are used to gain proof of an operator's ownership of the mineral rights on private land? How many quarry operators currently mine on private land?
9. What are the reasons for five operators mining on private land not providing proof of ownership of the Mineral Rights in order to be exempted from paying royalties?

Ministry of Finance

1. Identify the ways in which the MoF can support the MEEI in the processing and auditing of production data.

2. Identify any other forms of assistance that could be extended by the MoF to strengthen the achievement of the MEEI's mandate.

Ministry of the Attorney General and Legal Affairs

1. Has the CPC received any instructions concerning amendments to energy-related legislation?
2. If yes:
    a. When were these instructions received;
    b. What did these instructions entail; and
    c. What is the status of the CPC's work on the relevant Draft Bill(s)?

Director of Personnel Administration

1. When was the Draft Framework received by the DPA?
2. What does the Draft Framework entail?
3. What is the status of the DPA's initiatives related to the Draft Framework?

Public Management Consulting Division

1. Have any requests been received from the MEEI for the creation of posts?
2. If yes, provide details of the posts created or being created.

Chief Personnel Officer

1. Provide an update on the reclassification for the offices of Petroleum Inspector I, II and III.

Appendix III
Verbatim Notes

VERBATIM NOTES OF THE THIRTY-NINTH MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD IN THE J. HAMILTON MAURICE ROOM, MEZZANINE FLOOR (IN PUBLIC) TOWER D, THE PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON ROAD, PORT OF SPAIN, ON WEDNESDAY, NOVEMBER 27, 2019, AT 10.40 A.M.

PRESENT

Dr. Bhoendradatt Tewarie	Chairman
Mr. Taharqa Obika	Vice-Chairman
Mr. Randall Mitchell	Member
Mrs. Ayanna Webster-Roy	Member
Mr. Adrian Leonce	Member
Dr. Lester Henry	Member
Ms. Charrise Seepersad	Member
Ms. Keiba Jacob	Secretary
Ms. Vanna Jankiepersad	Procedural Officer Intern

ABSENT

Mrs. Paula Gopee-Scoon	Member

AUDITOR GENERAL'S DEPARTMENT

Ms. Lorelly Pujadas	Auditor General
Mr. Gary Peters	Assistant Auditor General
Mr. Brian Caesar	Audit Executive II (Ag.)

MINISTRY OF ENERGY AND ENERGY INDUSTRIES

Ms. Sandra Fraser	Permanent Secretary (Ag.)Mr. Monty Beharry Director of Minerals
Mr. Marc Rudder	Director of Petroleum Operations Management Division
Mr. Sheldon Butcher	Director of Downstream Petroleum Management

	Division
Ms. Susan Durant-Tangwell	Accounting Executive I (Ag.)
Ms. Menawatie Singh	Director, Human Resource Services (Ag.)
Ms. Louise Poy Wing	Senior State Counsel

MINISTRY OF FINANCE

Ms. Suzette Taylor-Lee Chee	Permanent Secretary
Ms. Cherry-Ann Legendre	Director of Budgets, Budgets Division
Ms. Naleisha Bally	Treasury Director, Treasury Division
Mr. Ravi Taklalsingh	Commissioner, Inland Revenue Division
Ms. Jeanine Correia	Economist II

Mr. Chairman: Good morning, and welcome to each and every one of you this morning. I want to especially welcome the Auditor General and her team here this morning, the representatives from the Ministry of Energy and Energy Industries and the representatives of the Ministry of Finance. There are members of the media here present. I want to welcome them also, and there are no members in the public gallery. My name is Bhoendradatt Tewarie. I am the Chair of the Committee and in a few moments I will have members of the Committee introduce themselves.

The purpose of this meeting of the Public Accounts Committee is to examine the report of the Auditor General on the public accounts of the Republic of Trinidad and Tobago for the financial years 2016, '17 and '18, with specific reference to the Ministry of Energy and Energy Industries. We have examined the Ministry of Energy and Energy Industries in relation to these Auditor General's reports before. And what this is, is a follow-up on the implementation of the recommendations in the reports of the PAC, the fourth one, the 14th one and the 20th report of the PAC. So this is really a follow-up to see if any of the things we said, or any of the recommendations we made have been taken seriously and acted upon by the various agencies to whom action has been requested.

So, based on the issues identified, the key stakeholders are the Auditor General's Department, of course, because it is their report that we use to examine the various Ministries and entities; the Ministry of Energy and Energy Industries, and the reason we want to follow-up on this is because energy is so critical to the lifeblood and the revenue stream of the country, fully 40 per cent of the revenues come from the energy industry. And, of course, the Ministry of Finance, because they are a critical Ministry in any country, because they basically manage revenue and expenditure and keep the day-to-day accounts in view, so to speak, as the business of government is conducted.

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 parl101@ttparliament.org, Facebook.com\ttparliament and Twitter @ttparliament.

So, what I want to do now is to say welcome once again to all the representatives here gathered and I will ask the Auditor General's Department, the Ministry of Energy and Energy Industries, and the Ministry of Finance representatives to introduce themselves, and then I will ask the members of my Committee to introduce themselves, members of the PAC. Okay? So, could we start with the Auditor General's Department?

[*Introductions made*]

Mr. Chairman: All right. Thank you very much for being here and for introducing yourselves. I will ask members of my Committee if they will now introduce themselves. I will start from my left with Independent Sen. Seepersad.

[*Introductions made*]

Mr. Chairman: All right. Thank you very much for attending. Well, I am Bhoendradatt Tewarie and Chair of the Committee.

I want to ask at this point if the Permanent Secretary, Ministry of Energy and Energy Industries would like to make a brief opening statement.

Ms. Fraser: Thank you, Chair. The Ministry of Energy and Energy Industries, like any other Ministry, continues to face our respective challenges. We have been able to make some headway, in terms of the following areas, such as our pension and leave, our various recording functions and in the area of monitoring and evaluation. There is still, however, some work to be done in terms of service commission, in terms of the approved framework, the area of production verification and the area of service delivery.

We acknowledge the comments of the Auditor General and are taking measures in an effort to improve the way that the Ministry conducts its business. It continues to be a work in process. And we therefore look forward to this review and all parties gaining an appreciation of the Ministry's requirements at this time. Thank you, Chair.

Mr. Chairman: All right. Thank you very much. PS, Ministry of Finance, would you like to say something?

Ms. Taylor-Lee Chee: Thank you, Mr. Chairman. Just briefly, on behalf of the Ministry of Finance team, I wish to thank you for the opportunity to appear before the Committee today. This is a matter of great importance for the Ministry of Finance, and we undertake to work with the Ministry of Energy and Energy Industries to support all efforts to improve the verification and audit process for revenue collection. So again, thank you, Mr. Chairman, and we look forward to any questions you may have for the Ministry of Finance.

Mr. Chairman: Thank you very much. Auditor General, would you like to make a brief opening statement before we proceed with the questioning?

Ms. Pujadas: Yes. Thank you, Chair. I acknowledge with appreciation the comments and observations and recommendations that were put forward by the Committee in their review of the 2016, 2017 and 2018 Auditor General's Report with specific reference to the Ministry of Energy and Energy Industries.

I just want to reiterate what you have started off saying this morning, that the Ministry of Energy and Energy Industries has a key role in the area of revenue and it is one of the main revenue earners of this country. And as a result of that, the Ministry itself has a wide range of activities that pertains to the various revenue streams. And so it is always of concern for the Auditor General and for the taxpayers at large that we can provide the level of assurance that they need that the country is receiving all the revenue from the various revenue streams emanating from natural resources.

We take note that the Ministry has started off saying this morning that they are making efforts to improve on the verification process and that is key as well for our work, because we need to provide the insurance that you all are doing just that.

I just want to reiterate that the World Bank has presented five elements of the value chain and we would want to be assured that those five elements, that the Ministry has the capacity, both in human resources and technical competencies and skills in that particular value chain. And the value chain that is alluded to and enunciated by the World Bank is the award of contracts and licences, regulation and monitoring of operations, collection of taxes and royalties, revenue management and allocation and, of course, sustainability and development of policies of projects.

So we just want to be assured that the processes that are implemented by the Ministry of Energy and Energy Industries at this time and going forward would facilitate improvements in those five elements of the value chain. Thank you, Chair, for this opportunity.

Mr. Chairman: All right. Thank you all. I just would like one member who just joined us, Minister Mitchell, to introduce himself.

Mr. Mitchell: Good morning. I am Randall Mitchell, member.

Mr. Chairman: All right, and thank you very much again. We are very happy to have you here and we will proceed with the questions. As we normally do in this Committee, I will start by asking a few questions and then we will spread out to all members here to either follow-up on my own questions or initiate questions of their own. And we all try to take turns in asking questions that are relevant and pertinent to the public at large and important to the business of governance.

Now, this is a follow-up review, you might say. All right? I want to start by asking some basic questions to the Ministry of Energy and Energy Industries. Now, given the importance of the revenue contribution of energy, you are a very important, in fact critical Ministry, and the revenue-generation potential and value to the Government and people of Trinidad and Tobago is really significant. All right? How would you assess yourself, in terms of success in first of all providing or being, or having access to and providing reliable production data in energy, and consequently to insist on revenue collection that is due to the country by providing that accurate production data? How do you assess your success? Okay. Go ahead.

Ms. Fraser: Chair, with your leave, I would like to have my Director of Downstream Management answer the questions on the production data and the revenue collection, please.

Mr. Chairman: Okay.

Mr. Butcher: Thank you very much, PS. Good morning once again. So that question, I think, directs us to the work we have been doing in the very short term on looking at production verification. Okay? So it is something that we were very mindful of. Internally to the Ministry we would have put together an internal committee consisting of various technical divisions and units.

Mr. Chairman: When did you put that committee together?

Mr. Butcher: It would have been sometime in May of last year. May of this year.

Mr. Chairman: Of 2018?

Mr. Butcher: Sorry, May of this year.

Mr. Chairman: May 2019?

Mr. Butcher: Yes.

Mr. Chairman: Okay.

Mr. Butcher: The first meeting we had, sorry, it was actually March of this year. So we had five meetings of the committee and the intention was to conduct a preliminary desktop research into production verification systems of countries and see where there could be some parallels that we could draw on. So we took analysis of what we currently do, in terms of assessing production levels and verifying the numbers as the system currently stands. And we would have put together a report which is currently being reviewed and finalized on some of the discussions that we had internally to the

Ministry. So if I could put that as the basis of the view that we have right now, I think that we are making positive inroads into maximizing the value derived from the production of oil, gas and condensate in the country and we continue to improve as we go along the lines of the outcomes of the Production Verification Committee.

Mr. Chairman: How would you respond if I said, you know, we raised some of these issues in 2016, we raised some of them in 2017, we raised them in 2018, and we have an Auditor General's Report due in 2020, April, based on 2019? And that my judgment would be that you took too long a time and came to the issue too late to establish a committee to try and look at this issue, and I will have some follow-up questions on the work of the committee itself. But I mean, how would you respond to the fact of my saying that, or asking you the question, why did you take so long?

Mr. Butcher: Okay. The time that it took to actually have the persons meeting for the first time was because of some staffing challenges in the Ministry around the time of receiving the suggestions from the Auditor General and from your feedback of the Committee as well. And you are thinking through the best way that we can actually make some inroads and that had some internal discussions and we would have sought to have the best representatives of the various divisions and units sit in the committee. So that took a little time. But when we met we would have had very strong terms of reference from the get-go and we sort of drove home as to what we needed to achieve in a very short space of time.

Mr. Chairman: Okay, and what are some of the issues that you identified from your desktop research that other countries are doing, that we are not doing but need to do?

Mr. Butcher: Okay. So the full details of that, I think if I may ask, we could respond in a subsequent communication because the document is being reviewed internally and finalized.

Mr. Chairman: Okay. So you are not ready for public discussion of those?

Mr. Butcher: Not at this time.

Mr. Chairman: Okay. I think I read in one of the documents that when you do this, you have either embarked upon or are going to embark upon a second round of research, of two identified things that are applicable to Trinidad and Tobago. How long is this thing going to take? How long is your internal review of the first report going to take, and when are we going to get to the point where we know what we are doing in Trinidad and Tobago?

Mr. Butcher: The first round will involve a desktop review of systems. Now, what we saw was that not a lot of information is found by online sources for how a lot of different countries would manage production verification. So we sought assistance from industrial associations as well as contacts that certain persons would have had, who will be on the committee, to the industry. And so we sought to pull together that information.

But in the second round it may be more of an exercise of going out to some of the options of countries that have similar sort of settings to us, as well as countries that would have adjusted their system over time and we could have seen how that trend goes. So the timing, I would not be able to say at this point how long that second phase would take. But for the first phase, we are looking within the next few months to actually have that first report reviewed and finalized before going on to the second phase.

Mr. Chairman: Okay. I find for something so important, it is really taking long. And perhaps, the methodologies. I mean, it is one thing going on the Internet and doing the desktop research, but I mean, we have relations with so many countries. We are also part of OPEC. I mean, I know that the geopolitical value of OPEC is now diminished. We have relations with other energy-producing countries. I mean, could we not do this at a governmental level or ministerial level, or at a level that would be more expeditious and much more focused? I mean, why do we take the wrong route and the tortuous route when we could take, not necessarily a shortcut, but a direct route?

Mr. Butcher: Thank you for that question. We have engaged some intergovernmental associations. We have engaged the gas exporting countries forum, which is an international forum that is kind of like the gas equivalent to OPEC, if I could use those terms loosely, and we sought information on production verification systems around the member countries. So we have used our associations and our membership to our advantage.

Mr. Chairman: To get additional data.

Mr. Butcher: To get to the point of where we are. But going forward we will need to do some further steps.

Mr. Chairman: All right, I will stop at this point and I will ask my colleagues. Who would like to ask next? Would you like to follow?

Ms. Seepersad: Forgive me if I am repetitive but you will have a project plan for this project. Yes? Could you tell us or give us an idea of the time frame for the actual implementation? I love your stories, but I think we need to know when is this thing going to happen, so that we could verify the data. And how far back are you going to go in terms of the verification process?

Mr. Butcher: So, with the outcome that we had in the preliminary report that is currently being reviewed and finalized, it may not be enough for us just to use what we have uncovered because it does not really put it into the sort of framing of next steps. But certainly it would be where we realize what sort of model could work for us, and we go into the second stage where we do some further discussions and further meetings with subject matter experts, and so forth.

It will be as I see it, a phased roll-out of some of the improved systems. And that could mean that you have early adoption in certain areas and maybe some later on in other areas. So, the details of that, I am not in any way prepared to relate a time frame at this stage for the roll-out. But it has to go through some more internal processes in the Ministry. So at this stage, it is just premature of me to really comment at this point.

Mr. Chairman: Well, I noticed—just a quick response here—that there is in the documents, an indication that we might have something written as a draft by January 2020. But I do not know how much that will do for actualizing a system that works. Okay? I did not mean to cut you, but please go ahead.

Ms. Seepersad: I am not comfortable with your response, because I do not think anybody on the Committee has a real sense of where this project is and what is the end outcome of it. So, I am really not comfortable by your response because I really do not know.

Mr. Butcher: Right.

Ms. Seepersad: And in the interim, what steps are you all taking to verify the data? Because we have to operate in the meantime while your project is ongoing. What steps are you all taking to fill the gaps, I would think, in the meantime?

Mr. Butcher: Okay. So thank you for the question. In relation to the work that has been going on in the Production Verification Committee, all through the Ministry we are mindful of the need to, where possible, and the system allows for it right now, continue to do some quality checks, continue to do quality checks, quality assurance of the data that we have, and apply those strong framings where they exist in particular divisions and units, into others. So, we are on the road to getting the production verification systems improved. But while we are building on top of that, I think that we will continue to strive to improve internally as we go towards that point.

Now, as I said, the work is an ongoing one, it is an internal focus for review and finalization. I think January 2020 is a fair time for the completion of this first phase and in mapping the way of the second phase—

Mr. Chairman: But that report will only say what other countries, what you discern that other countries do, and what you discern from what they do, that might be of value. I do not think it will go more than that, based on my understanding of what you said would be available.

Mr. Butcher: Okay, so I will just ask our Director of Petroleum Operations Management to comment.

Mr. Rudder: So, just to add to what Mr. Butcher was saying, the contents of the report will review a desktop study of other countries we were able to find from sources online and from documentation. But it is also reviewing the current Ministry of Energy and Energy Industries process as well. And we are looking to see whether any gaps in the process of the Ministry of Energy and Energy Industries that need to be filled. So, it will review the Ministry's process. It will document the Ministry's process. It will identify gaps in the Ministry's process, and also indicate recommendations for filling those gaps, which will then go to the Permanent Secretary who will then determine whether to accept those recommendations or not.

They will also provide recommendations for the way forward. This committee was set up to do a fact-finding mission. Another committee will need to be set up to actually implement the recommendations of the committee. The committee is made up of all the divisions that have any linkage with production data. So it is a very big committee. A smaller committee would need to be developed to actually implement the recommendations, if accepted.

Once they are implemented, the next stage, of course, which was recommended by the Auditor General, is an audit of the new system to see whether it benchmarks with best practice internationally.

Mr. Chairman: Okay. Member Mitchell.

Mr. Mitchell: Thank you very much, Mr. Chairman. I just want to follow-up on that line of questioning. And thank you for the update on the work of the committee so far. But I want to take us back to 2016. In 2016, Mr. Chair, I was just a few months into this job. And in 2016, we had the Ministry of Energy and Energy Industries before us.

In 2016, if my memory serves me correct, we had the oil price going down to, perhaps, as low as $26 and we also had falling oil production. And it was very important to this Public Accounts Committee to have the Ministry of Energy and Energy Industries before us, because prior to coming into this job, I knew that the Ministry of Energy and Energy Industries played a very significant role and the oil and gas industry was the lifeblood of this country's revenue.

In 2016, what we had before us, and pardon me, we had a chuckling Permanent Secretary who described a situation to us, where the system of verification was someone from the Ministry of Energy and Energy Industries going out or not going out to assess meters that were calibrated or not calibrated, because there was no information to suggest either way.

We had documentation coming back that was unsigned and that is what the Auditor General reported. That was shocking to me that we could not verify what the multinationals were reporting to us nor those lease operators. It was shocking because the Permanent Secretary was chuckling, and I will always remember that.

11.10 a.m.

So this to me is a very, very serious situation and the Ministry of Energy and Energy Industries is now before us and is telling us about work of a committee and potential gaps that need to be filled when, clearly, there are gaps. Clearly, we need to understand what the multinationals are reporting to us in terms of production is correct, so that we know what our tax revenue ought to be because our oil and gas resources are depleting and we need all that we can get.

You are telling us that the work of the committee will be completed in 2020. What can you tell us today, how is the information being audited and accessed? Tell us that.

Mr. Rudder: Okay so, I would just give you a short version of what we do in the Ministry. I am from the Petroleum Operations Management Division. Our role, in terms of the calibration of meters, is to witness calibration of meters to ensure that the measurement system is working. When a visit is made by the Ministry for a calibration, it is not picking-up or detecting the actual production from a well or from a platform, it is just ensuring that the instrument itself is working.

When it came up to the issue of calibration and whether meters are calibrated or not calibrated. In terms of dealing with that, it is said that some meters—we are not able to prepare all the meter calibrations, but all meters are calibrated and are witnessed by the company that owns the meter as well as the party that is receiving the production. All right? But in terms of the data coming to the Ministry, there is no major linkage in terms of a value of production from a calibration, because there are no witnesses of a production figure when a calibration is being done and the figures coming to the Ministry.

The figures coming into the Ministry from the companies and there are other divisions in the Ministry that receive the data, and the data is reviewed in terms of, if there are any differences in terms of the production from one month to another. All right? And they are trended and normally if there are major changes in the production figures, it raises a red flag. And the different divisions, for instance, there is Contract Management Division that come up, they will look at the oil data and there is Mr. Butcher's division will look at the gas data and they scrutinize the data and if there are any variances in it, they will query to determine what is the issue and document that information. That will normally be presented on file and in monthly reports.

And then we also have other layers of verification. There is the PSC audit division that audits all the PSCs and they do that on a yearly basis for all the PSCs and they have a process for auditing which also track not only the volumes, but also the value that they get. And if they check that there is a mismatch, they will require the company to pay back the money that they owed to the Ministry.

There is also another layer that exists as well in terms of the audits that are done by the Ministry by third parties, by an independent auditor, for instance, the Ryder Scott Audit for gas. And we also conduct oil audits, but not at the frequency of a yearly basis. And normally with the gas audit, they can also pick up differences in terms of production and what that has to do with the reserves drawdown and from that review, you can also detect errors in the production reports sent to the Ministry.

So there is a system in the Ministry for production verification. What we are looking at in the committee is where we can make improvements to the system. And the system that we have in the Ministry is something that was obtained from past procedures that exist in the Ministry. I think what has happened over time is that since the Ministry has restructured, different divisions being created and different functions have been created for different divisions. So it really—I think what the Auditor General really wants is a desk manual to show the process and we have to have the desk manuals to show the process that the country relates to the current structure in the Ministry in terms of the different divisions and the rules and responsibilities. And that is what we—this committee that we have set up was just to do a fact-finding mission. The next committee would come after 2020 will then look at developing that desk manual and that is what we envisage will happen.

In terms of the—I understand that you had a question about the time we took and why it took so long. We made a request for the committee to be set up in 2018. The former Permanent Secretary, at the time, indicated he wanted to do the desk study first before we went into reviewing the current Ministry's system. All right so, I hope that provides some sort of clarity.

Mr. Mitchell: The petroleum inspectors, are they now signing the forms, the information that you are using as data? Or they go out and they come back with the information?

Mr. Rudder: Okay. So when a meter is calibrated in the field, a signing takes place in terms of a witness of a calibration. So if there is a witness of a calibration, an inspector's role is to sign that they witness the calibration. They are not signing the production figure.

Mr. Mitchell: Okay. How do you know, how do you verify what the multinationals say their production is? We were told that someone goes out there and checks a meter and they verify what is being reported.

Mr. Rudder: So that is not what is done. What is done in the field is the checking to see that the meter works.

Mr. Mitchell: What does the meter do?

Mr. Rudder: All right. So, the meter measures the gas rate, it also measures, in the case of gas meters, it also measures pressure, temperature, to ensure that—because the meter is not giving—when you go to the meter it is not giving you a figure, it goes to a flow computer that goes into a control room and there it is where the production figures will be calculated and you get the figures, but that is a snapshot of—so when an inspector goes out there for a couple of hours, it is just a snapshot of what the production is at the time. But they are not looking at the production figure, just ensuring that the instrument works and is measuring correctly.

So it is just a matter of either the meter is calibrated or the meter is not calibrated. And an independent company is there present to calibrate the instrument and they ensure that the meter factor, which is one, is obtained and once that meter factor is obtained, the system is calibrated, the inspector who is present signs off that they witness that the meter is calibrated and that is it. So you are not actually seeing a production figure, you are not signing off on a—

Mr. Mitchell: Yeah, but it is a part of verifying—

Mr. Rudder: It is a part of the process, yes.

Mr. Mitchell: It is a part of the process of verifying. Okay so, in terms of your system of verification, how would you give that a rating in terms of accuracy?

Mr. Rudder: In my time at the Ministry I have never seen a situation to date where production figures had to be adjusted based on an uncalibrated system, because most of the, if not all of the meters, there is a buyer and a seller. The buyer wants to ensure that that meter is calibrated because he wants to make sure they are getting the value for what they are taking. So it is an assurance process, yes. But you are just ensuring that the system works but there is no—there is not a direct connection link in terms of doing that work. And the production figures that come into the Ministry on a monthly basis—only from the point of view that the data that is coming to the Ministry should be coming from meters that are calibrated.

And the meters should be calibrated and they are calibrated on a frequency basis. So that is the connection between the calibration and the data.

Mr. Mitchell: In terms of your system of verification, how accurate would you rate it in terms of a percentage?

Mr. Rudder: So, if I understand your question, how—

Mr. Rudder: Okay. Let me give some perspective. We have had an example in this country recently, where someone involved in the oil industry was accused of ripping off the country; that was the accusation. And it revolved around the system of checks and balances, and verification. The question is, how accurate, how robust would you describe your system of verifying what the oil and gas producers produce with what we are expected to receive in revenue?

Mr. Rudder: Okay, so—

Mr. Mitchell: Royalties, tax revenue.

Mr. Rudder: I would not be able to answer because that is not an issue that we, our division looks at. We just make sure that the—and I think we have a very good confidence that all the system meters are calibrated, and there is not an issue of non-calibration that feeds into the production data that we receive in the Ministry. We would not see that as obtains in terms of changing the figures over time.

The other divisions in the Ministry that review the data. I would not want to speak to what they do.

Mr. Chairman: Their issues, I understand.

Mr. Rudder: Yes.

Mr. Chairman: Member Webster-Roy.

Mr. Mitchell: But I am asking the question to the Ministry of Energy and Energy Industries, not specifically to you so anyone could answer the question.

Mr. Chairman: Well, the PS has overall charge if she wishes to answer, because you are responsible and accountable for the Ministry. Would you like to venture or would you not like to say?

Ms. Fraser: Chair, as my colleague said there are several layers to the—

Mr. Chairman: I think what Minister Mitchell is asking is, notwithstanding all these explanations and so on, if you had to give a percentage number of the accuracy of the verification process that would then result in accurate production data and therefore, accurate and authentic revenue information that is of value to the country, what percentage would you give it, you know, 50 per cent, 90 per cent, whatever it is? He is asking you to hazard an educated guess.

Ms. Fraser: Chair, I prefer to not guess at this point in time.

Mr. Chairman: Do you want a follow up, Minister Mitchell? Are you comfortable enough that things are okay? I mean, you are the PS of this Ministry involved in that. Are you comfortable enough that things are okay if you would not hazard a guess?

Ms. Fraser: Chair, as my colleague said, there are several layers to the verification process. We continue to work, identify gaps and we continue to look at where the gaps are and we try to rectify them. And all I can say right now, it is a work in process and we work with the framework that we have been given right now.

Mr. Chairman: But we can assume that there are gaps that need to be rectified?

Ms. Fraser: Yes, Sir.

Mr. Chairman: Okay. So that would not make it at the very minimum in terms of a guess, it would not be 100 per cent accurate or close to it?

Ms. Fraser: I would say it is not 100 per cent accurate, but I would not be able to say the percentage, Sir.

Mr. Chairman: I understand that. Thank you. Representative Ayanna Webster-Roy.

Mrs. Webster-Roy: Thank you, Mr. Chairman. Ministry of Energy and Energy Industries, I would like to follow up on a question that my colleague asked, because like him, I was troubled by some of the responses in the past. There was a recommendation to the Ministry—the Ministry of Energy and Energy Industries should identify independent entities to act on its behalf in instances where individuals from the measurement unit are incapable of being present at the calibration of meters. That recommendation was made, I think a while back. What action, if any, has been taken to implement the recommendation, please?

Mr. Rudder: Okay. We took on board the recommendation. This is something we are looking at in terms of the committee that we have set up called the Production Verification Committee. And we are looking at the—and the next step of the process is to look at all the meter systems at present. There are different meter systems that— some are custody transfer points, some are points that relate to royalties to the Ministry. So what we plan to do in the future is to look at all the systems and to rank them in terms of importance and priority. For instance—

Mrs. Webster-Roy: In the interim who is seeking the interest of the State and the people of Trinidad and Tobago?

Mr. Rudder: All right. So in the interim, currently, we are looking at— the Ministry of Energy and Energy Industries has joint inspectors who are currently witnessing the calibration meters. The meters that are not able to be witnessed at this current time are particularly the ones that are offshore and the programme we have in place currently is to witness those offshore meters twice a year, but we are witnessing all the other meters on land presently.

Mrs. Webster-Roy: Is that twice a year timeframe sufficient to ensure the interest of the people of Trinidad and Tobago and the State?

Mr. Rudder: So those meters that are calibrated offshore, they also have another present party to those meters as well. Those are the gas meters and there is also a party present there as well as all the production from gas also come onshore and we are also checking every month for the meters onshore.

Mrs. Webster-Roy: So, how soon do we expect the recommendation to be fully implemented?

Mr. Rudder: All right. So after we do a review of all the meters and the importance of each meter. The plan is to go to tender for a company or companies to provide assistance in that area, for meters that we are unable witness. So the plan is after the report is completed by January2020 and submitted and the recommendations are agreed to. In parallel we are also working with the other divisions, because the importance of those meters is not just a function of our division it is also other divisions and we are also working in parallel with them. So we hope to in, probably the second quarter of 2020, to seek to go to tender for a party to assist the Ministry as necessary, because one of the things we want to make sure is that there is a need for us to look at the particular meters. And we do not want to go to tender and there may be a situation where it may not be necessary for us to look at particular meters at a particular frequency.

Mrs. Webster-Roy: There was another recommendation, and this might be for the Permanent Secretary, the Ministry of Energy and Energy Industries should develop an integrated system capable of compiling the information from the three divisions into a single reconciliation process when calculating revenue. Please provide an update? On page 5 of the submission.

Ms. Fraser: Yes. Thank you, we found it. The required response that we have to that request is the same production verification committee, Ma'am, for—[*Interruption*]—yes, for the integrated process.

Mrs. Webster-Roy: My next question, Mr. Chair, if you permit me, is to the Ministry of Finance. I know that we depend heavily from the revenue from the Ministry of Energy and Energy Industries, having listened to everything that has been said thus far, I would like you to provide some feedback, comments on what is the Ministry of Finance's view of what is happening, please thanks?

Ms. Taylor-Lee Chee: Well we regularly engage with the Ministry of Energy and Energy Industries at the level of production forecast and pricing and we have discussions around GDP, but arising out of this discussion, I think that the Ministry of Finance has to delve a little deeper into the process by which the projections or the information comes to us. And as well the Treasury Division is also committed to assisting the Ministry of Energy and Energy Industries with the processes that need to be implemented to ensure that the data is properly recorded and audited. Other than that, you know, we can probably think about it a little more and provide a more in depth response to the Committee on how we can assist.

Mr. Chairman: Let me ask. You want to follow, you are ready to ask? Okay. Sen. Taharqa.

Mr. Obika: Thanks Chair. And good day to everyone, apologies for being late. I am an economist by trade and energy economics is the cornerstone, it is the central point of our studies at the University of the West Indies once one studies economics. And the Ministry of Energy and Energy Industries came before us before and they said that they would have committed to giving us data on production. Can I ask the question, how we can rely on the royalties due and the royalties paid? When we are hearing today that you still have no idea as to the production measure, because all you do is check the calibration of the machines. Can we get any statement on that, Mr. Rudder?

Mr. Rudder: I would like to pass this question to the Director of Downstream Petroleum Management Division, please.

Mr. Butcher: Thank you very much for the question. So as we go through the topic of royalty, I just want to make a basic statement that kind of shows the difference between royalty on oil and condensate and royalty on gas. As it currently stands, the royalty on natural gas would be on natural gas sold, not on natural gas produced. And the basis of that natural gas sale, or natural gas selling process would have a buyer and a seller. So when NGC buys gas for the domestic consumption and there is a certain quantity of gas that is purchased and so when we look at the data coming in from the upstream suppliers; the bp, BHP, the Shell what have you, and NGC's data we at the Ministry looked at reconciling the numbers.

Certainly, as Mark has said before, a buyer would want to buy what is a fair amount that is being sold and not an overage for which he does not get the value for. So in looking at how those numbers are put together, when we are looking at the royalty calculations that sort of reconciliation those sort of checks go into our calculations forecast and certainly when we get the actual gas sold for a given quarter, when we do our actual royalty calculations those get fed into it.

Mr. Obika: So can I ask a question then, you all have no clue as to gas produced?

Mr. Butcher: I would not say we have no clue. I am saying that we do have a data collection mechanism to get those numbers from the points of production which would be gas supply companies, the up-streamers.

Mr. Obika: So can I ask the question, do you depend on the companies to provide that information, or do you have instruments that are there that the Ministry controls?

Mr. Butcher: We do not have meters on the field that the Ministry can go and have a separate metering point that we can go to. What we rely on is the fiscalization points between the buyer and the seller. So a BP and NGC would have representatives that would come to not only check the calibrations but every so often they will be checking how that meter is performing and how the readings are being shown on the system that is connected to the meters.

Mr. Obika: So then basically you are saying that you are dealing on a "good faith" basis, but you do not have control?

Mr. Butcher: So we can add layers of control to what we currently have, but what we have depending on right now—

Mr. Obika: Please, my apologies, I wish to get a direct answer for that question.

Mr. Butcher: Okay.

Mr. Obika: You deal in a "good faith" basis where you do not have control? Yes or no, please?

Mr. Butcher: Yes.

Mr. Obika: So we want to submit that that is the state of gas in Trinidad, which every citizen will have serious difficulty with. I would, of course, let the Auditor General determine what would be the issues there in terms of accounting, but what about oil production?

Mr. Butcher: So oil is different from gas in terms of how the royalty is calculated, it is not on oil sales, it is on oil production. So when you look at the points of oil production, generally, you have our Heritage Petroleum Company Limited buying a lot of the onshore crudes for use in amassing volumes of crude for export at this given time. It used to be Petrotrin, would have been amassing crude volumes for input into the refinery. Other crude volumes are exported so bp would export crude volumes from itself, Shell, Perenco.

Mr. Obika: Apologies again for cutting you. Really, I am just trying to get specific to the point where the Ministry has control. So prior, we would had depended on whom? Petrotrin to check the lease operators, or the Ministry would check the actual production?

Mr. Butcher: Petrotrin checks for the conduct of its business in buying crude they would do their analysis, their checks and their numbers for what they bought, we can tie it back into what the up-streamers would had sold to Petrotrin. So there is that sort of reconciliation taking place there. Again, as with the gas we have no meters of our own that we can go and can say that we have our own control over those numbers.

Mr. Obika: But I understand the difference with gas and oil, where there is Heritage now, right. The issue with oil what would we say—because you are speaking to the nation— what would we say would be an optimal, if not ideal. So ideal we would leave the lofty ideals, let us say, optimal based on the systems that are in place. What would be an optimal or a low hanging fruit approach to measuring production, would it be at the wells where there are calibration mechanisms at the wells or would it be at the points of fiscalization?

Mr. Butcher: So a large percentage of our oil production comes from wells producing very small barrels per day, right? So you could say two to five barrels per day is probably on the upside of all of these hundreds and thousands of smaller wells. So what the system has evolved for a lot of the low production points is that you have gathering stations, and you have wells that go through systems called manifolds so it connects many different lines to collection points that go to various other larger collection points along it way—as in this case it would he Heritage, right. So where you are looking at the per well basis, sometimes it is very costly to put a meter on each well to be able to get the actual production, because it is going to be so low.

Mr. Obika: I thank you for that and time is limited and my time is also coming to a very quick end. So, I just have one last question, because you gave the answer there.

Mr. Butcher: Okay.

Mr. Obika: The closure of Petrotrin. Before the closure of Petrotrin there was the issue of AV Drilling and the fiscalization of oil, all right. The two questions I have one, are we sure that the issue with the AV Drilling with fiscalization is not happening again? How are we sure, and the second question is, how has the closure of Petrotrin and that period affected the royalties in Trinidad and Tobago? So the first question has to do with, how are we sure the fiscalization issue with AV Drilling is fixed? And what are the mechanisms in place to correct that? And the second is the impact of the closure of Petrotrin on royalties.

Mr. Butcher: Thank you for the questions. The first question, I would hesitate to give a response to that because of the nature of the question. So if I could ask to be excused from answering that one? But if we are looking at the general gaps in the system of managing the numbers for what would be produced, I think that because of what happened with AV and maybe other situations and circumstances that came up prior or after that, I think that there are definitely improvements that could made, but I am sure that the improvements have happened arising from. So I would not hazard a guess as to if it could never again, but I think that we are potentially better off—

11.40 a.m.

Mr. Obika: I am sure you understand that is not the real response I wanted, so I would change my last question. Basically I want to find out, is there a conflict of interest policy? Given the fact that our nation depends on these production measures for oil and gas. Is there a conflict of interest policy for persons engaged in interfacing with these up-streamers and leasehold operators and if they signed a code of conduct, persons so involved?

Mr. Beharry: So we would have the public service regulations that would—would be our overall guidance for how we perform as civil servants. But we also have some contract staff outside the Ministry and they would also be guided by a contractual arrangement with themselves and the PS for conducting themselves in the right manner, in terms of conduct of their work and not to have any conflicts of interest that arise from other activities being brought into their work functions and work roles. So between those two frameworks, we will have persons who are interacting with the companies on the Ministry side, definitely putting ourselves separate and apart from any conflict of interest matters may arise.

Mr. Chairman: All right, based on the dialogue that has been going on for the last half an hour or so, I have some serious questions to ask. But I want to ask member Leonce and subsequently Sen. Henry to follow-up now with some questions.

Mr. Leonce: Thank you very much. We have been hearing a lot about the oil and the gas and production verification. There are also the minerals and I know you all spoke about the unmanned aircraft system that you are going to get to have some level of control with it. What is the current process right now for measurement and for monitoring the removal of minerals for Ministry of Energy?

Mr. Beharry: Thank you. Through the Chair, the current process is the same process that existed and is established in the minerals regulations, which is the operators are required under the regulations to submit quarterly production statements to the Ministry. Those statements are then checked internally by staff of the Minerals Division and sent to our internal audit unit for verification and auditing. Our internal audit unit, together with staff of the Ministry may conduct spot check visits to many of these quarries to verify that the information being submitted on the books of the operators is accurate. And we then prepare statements which are sent to operators advising of their production and the royalties due based on the production.

With respect to the unmanned aircraft system, as we had reported at the last meeting, we started the process, the Ministry invited expressions of interest for the supply of an unmanned aircraft system for use in aerial surveying to assist the Minerals Division, with three main functions: One, to conduct volumetric surveys, to calculate volume of materials removed. So this is a verification system using a geophysical method basically, and it would complement the paper records that are coming in to check and verify that the numbers being reported—

Mr. Leonce: Sorry, I do not want to cut you.

Mr. Beharry: Yes.

Mr. Leonce: I read the response so I know that you all are in train with that and you all are going out for RFPs now—

Mr. Beharry: Yes, we are.

Mr. Leonce:—which you expect to become 2020. Correct?

Mr. Beharry: We are in the process of putting out RFPs and we expect within this fiscal year to have this system in place, all things being equal.

Mr. Leonce: And I understand that.

Mr. Beharry: Yes.

Mr. Leonce: What I was more getting at is, those spot checks, so like the oil and gas, you are dependent on the persons who are doing the mining to provide you with the information.

Mr. Beharry: That is correct and that has been the traditional system in the industry.

Mr. Leonce: What triggers an officer going and doing a spot check?

Mr. Beharry: It is a requirement under the Act that an annual audit be conducted. So that the officer together with our internal audit staff who are auditors based on the data that is received, they will go out to do their checks of the books. So almost every quarry would be audited on an annual basis, at least in compliance with law. So the trigger basically is the law that says it has to be done.

Mr. Leonce: Okay, well you will understand that then, that is a big possibility for significant loss in revenue in that area. You agree with that?

Mr. Beharry: It is possible to estimate production from a quarry based on a number of things. One, is the acreage; two, the depths or estimated depths to which operator is operating; three, their current stockpile volumes on the ground; four, the type of equipment they are using, the processing plants, et cetera.

It is possible for us to calculate and have a fairly within reason figure of what is actually coming out of the ground right now. With the UAS system, we would have more accurate surveying, so our figures will then converge to a more accurate figure. So I do not—I cannot say that we have 100 per cent accuracy in the figures that are coming in, but with the new technology we hope to improve on that.

Mr. Leonce: Okay, so every submission to the Ministry you all do, you all do all those calculations?

Mr. Beharry: Not every one.

Mr. Leonce: That is what I am getting at.

Mr. Beharry: Yes, it is an audit. It is an audit and the time it would take to conduct such an audit, per operator, given the number of operators would require substantial resources of manpower that we currently do not have at that time.

Mr. Leonce: Just finally, are you suggesting also that, some legislative changes be made to improve on this? Or would the UAS be sufficient in mitigating against those risks?

Mr. Beharry: Not this specific issue. The UAS is basically a geophysical tool, basically to collect data. And it would collect more accurate data than a surveyor on the ground with a total station basically will collect a lot more data points. And it should allow us to compute the volumes removed and have a snapshot over a time series of the quarry as it operates. And to, within reason, have a fairly accurate figure of production coming out of that quarry. Once we match that with the records being kept, we would know whether the operators are complying with keeping accurate records. If they are not, it is violation of the Act and Regulations. So there are penalties in there. For those who choose to cheat the system, while we require the system.

Mr. Leonce: When in 2020 do you anticipate this UAS system to be on board?

Mr. Beharry: And that is subject to the availability of funds and the process for the procurement. And I would like to think within fiscal 2020, but we are trying to get it as soon possible.

Mr. Leonce: Okay, thank you very much.

Mr. Beharry: Sure.

Dr. Henry: Morning, continuing along the same lines, Mr. Beharry. I just wanted to know, in terms of the enforcement by the Ministry in relation to violations of the same Act that you just referred to. Has there been any in recent times, have you taken steps to rein in illegal operations or operators who are legal but not complying?

Mr. Beharry: I can answer that by saying that to my knowledge, something happened yesterday, to deal with matters of that issue. What I can tell you is that the complaints that were received by the ministry, over the past two years or so, have been forwarded to the Trinidad and Tobago Police Service and it is receiving the attention of the Commissioner of Police and his staff. And it is in the hands of the police to do law enforcement and they are currently doing their investigative work, and they will then take the necessary action and we will hear the reports as they come.

Dr. Henry: So that is the procedure you do not actually issue any order to shut down or stop an operation or anything like that. You just get information that this person might not be doing something within the law and you pass it to the police.

Mr. Beharry: Yes. How the law is structured, although the law says and I know that it has been reported erroneously in the newspapers and I would like to repeat the erroneously. Director of Minerals does not lock people up. The Director of Minerals does not have the power to arrest people, charge people, take them through the courts and prosecute. That is the job of the police and what we do, is when we receive these reports we pass them to the police. Members of the public can also report, illegal quarrying to the police directly or they can make reports to 800-TIPS or 555 and the police are duty-bound to investigate and take action.

Dr. Henry: Do you have any estimate as to how many illegal operations there might be going on-going at any given time in the present?

Mr. Beharry: It is difficult to give you an exact number because it varies—

Dr. Henry: —Yes, we know it would.

Mr. Beharry:—depending on the activity in the construction sector. If there is a lot of construction activity taking place, what we have noticed over the past four or five decades or so, is that once you have a spike in construction activity, illegal quarrying picks up. And when the construction activities slows down illegal quarrying slows down. So it is correlated with the activity in the construction sector.

Dr. Henry: Do we have any idea what kind of revenue is foregone when we do not have enforcement? In your submission there was an issue of no data related to the quantity of minerals, mined, processed and sold for 17 operators. You know, what kind of revenue would be—because if you do not have any data on them, you obviously cannot tax them, you know.

Mr. Beharry: Yes, I believe when that report was generated by the Auditor General, this is a previous year, a few years back, subsequent to that the audits would have been conducted, the statements would have been received, the quarterly statements, the audits would have been conducted. So we have an updated statement which was submitted in the document, the submission which shows that within the last four calendar years, 2015, '16, '17 and '18 we actual collected approximately 18.5million from operators.

Dr. Henry: What is the number, 18?

Mr. Beharry: 18.5 million.

Dr. Henry: Okay.

Mr. Beharry: Based on production and what we noticed is that the royalties, the production of the royalties match fairly well with what we expect is happening in the construction sector. So it is when the construction is low, we say lower production and lower royalties.

Mr. Chairman: You would like to raise something quickly.

Mr. Mitchell: Yes. I am just following on that line.

With respected to the actual value of the aggregate lost to the State? Or received in benefit from those unlicensed quarry operators? Let us say never the last 10 years or over the last 20 years, what is the value of that?

Mr. Beharry: No study has been done to quantify that statement, so it is not really possible to give a figure on that.

Mr. Mitchell: No estimation.

Mr. Beharry: I would not like to estimate a value when it comes to mineral valuation it is a whole different ball game. Mineral valuation is a complex issue. It is not a simple valuation like a surface land rental value. It involves quite a number of things. It involves economics, it involves mining, it involves geology, it involves a number of factors and without having proper data, or collecting proper data you cannot put a value on how much a mineral property would be worth.

Mr. Mitchell: Okay, I understand the complexity. Of course, you know I represent people so very simply you go to a stockpiler and you pay $2,200 for a load of half and half. So how much half and half and sand and other forms of aggregate, would the State have lost, because that is a state resource, over the last 10 years? No estimation, no study done?

Mr. Beharry: We have not conducted a study on that.

Mr. Mitchell: Okay. The next question, do you all have outstanding royalties uncollected from licensed quarry operators?

Mr. Beharry: Yes. The answer is yes.

Mr. Mitchell: What is the value and what is being done to collect? Improve your collection.

Mr. Rudder: Two issues. One, the current outstanding royalties for the past four years is approximately $44million. One of the challenges we have though before we can actually—we have been collecting royalties, but in some cases we have persons who have challenged the ownership and that they claimed ownership of the royalties, especially where they own the private mineral rights. And so although we have a large figure for some of these persons, we are now dependent on the Chief State Solicitor's Office to conduct the title and mineral rights searches for us before we can make a determination, to go and collect some of these outstanding royalties. So to give you a specific figure and say this is the amount due to the State would not be correct at this time.

We have been working closely with the Chief Solicitors Office, I know they are challenged on their end with respect to the resources to conduct some of these searches in a timely manner for us and we have been receiving some. But I do not have a specific figure to say this is the exact royalty due at this point in time.

Mr. Mitchell: Is there a limitation period that would come into play to prevent the Ministry form collecting these after a certain time has passed?

Mr. Rudder: Not that I am aware of.

Mr. Chairman: I have some questions here and then we will go another round. I did not realize member Mitchell had a number of questions there. I want to clarify something, the Permanent Secretary, Ministry of Finance said the Ministry had recent recognition of the need to work with Ministry of Energy to determine the accuracy of the production data and consequently the revenues. Am I correct in interpreting what you said?

Ms. Taylor-Lee Chee: I said the practice has been that when we deal with the Ministry of Energy, it is on a more macro level, production level—

Mr. Chairman: Yes—

Ms. Taylor-Lee Chee: —and if we have a—

Mr. Chairman:—so you just take the figures?

Ms. Taylor-Lee Chee: Well we would have our own information and we would have questions. The Ministry would go back and respond to the question, but we do not delve into the operations and I think given the exchanges here there may be a need for the Ministry to be more—

Mr. Chairman: But did this recognition only take place with this particular dialogue today or did this dawn on you some months or maybe a year before or something like that? I got the impression that you said it has been something that has come up.

Ms. Taylor-Lee Chee: Right. Well from my prospective, my interaction is limited to the technical aspects. The practice has not been to delve into it. So, I was not fully aware of the operational issues.

Mr. Chairman: Okay but going forward, you feel there is need?

Ms. Taylor-Lee Chee: I think there is. Yes.

Mr. Chairman: All right, very well. The second thing is that the—when we were talking about the verification issue, I think it was Mr. Rudder, who said that, what you do is to basically verify and put your signature on or your initial on the fact that the instruments for calibrating were operating accurately, right? And but then you also said that, there was a control room that gave you a snapshot of data, not the entire quantum of data, but a snapshot. Let us hear the point or verification. Who is the owner or controller of that control room?

Mr. Rudder: The control room is normally operated by the operator who owns the platform. So is the owner—

Mr. Chairman:—the producer.

Mr. Rudder: The producer, correct.

Mr. Chairman: Okay. So that is where you would get your snapshot as a Ministry of Energy official in collaboration with the representative or representatives of the company, that you are verifying the calibration issue about. Is that correct?

Mr. Rudder: So the exercise is not to get the snapshot, the exercise is to ensure the instrument correctly measuring. So the exercise is not to look at the snapshot as well.

Mr. Chairman: No but do you not look at the snapshot or who looks at the snapshot?

Mr. Rudder: So the snapshot is not looked at, at that point in time.

Mr. Chairman: So what is the use of the snapshot then when do you look at it? I thought that you looked at the snapshot in order to verify the accuracy of the calibrating instruments.

Mr. Rudder: So that is not the—the control room will receive the data and do the calculations—

Mr. Chairman: Yes.

Mr. Rudder: —to give production figure. But the output of the calibration is not a production figure, the output of calibration is that the instrument is reading—

12.00 p.m.

Mr. Chairman: No, no, I understand all that but I mean why are you trying to find out if they are accurate? You are trying to find out if there are operating accurately so that you can be assured that the production figures are therefore accurate, are you not?

Mr. Rudder: That is correct, yes.

Mr. Chairman: Well, exactly. So, the snapshot then, it seems to me would be something that is related to what you are doing, not so?

Mr. Rudder: It is related, but it is not something that we look at when we do the calibration exercise.

Mr. Chairman: Okay, so when you do the calibration exercise, the representatives at the Ministry of Energy do not go to the control room?

Mr. Rudder: In all—I cannot say that they do not go. I cannot say, all right.

Mr. Chairman: You know, every question you answer gets me more troubled. Every question you answer gets me more troubled as a citizen, as a Member of Parliament, and as a person who has been in government, and I am sure that my colleagues probably feel the same. I get the feeling that we are dealing with a kind of runaway horse, we just do not have a handle on it, you know? Anyway, I want ask something. Now, I want to follow-up on something else which is that, you said that one of the aspects of verification although loose, all right, is really the relationship between the buyer and the seller, and that a buyer would always want to know that they are getting value for money, in other words. And therefore, if the buyer agrees, then there is a pretty good chance that there is relative accuracy about the figures that you are talking about, whether it is money or production or quantum or whatever. Am I correct? Am I interpreting you correctly?

Mr. Rudder: Yes. So what I was saying is that the buyer is also present at the calibration exercise.

Mr. Chairman: Yeah, would seek his interest. Yes, so I understand that. But you are aware that there have been problems with buyers and sellers before? My colleague member Mitchell raised the issue of Petrotrin. And you know that there has been a problem of accuracy with the AV Drilling matter and Petrotrin. You indicated in your statements that the Ministry of Energy and Energy Industries is removed from that process by taking the information from Petrotrin, because they do not directly get involved in the relationship between a lessee and Petrotrin, right? Am I correct? I am just—remember, we are working here for the public, I want the citizens to understand what is going on.

Mr. Rudder: Yes, Mr. Chairman, you are correct.

Mr. Chairman: Right, okay. So, now, when the issue of AV Drilling came up, even if we did not know before, we would have known at that point that there could be issues having to do with the accuracy of production figures. There would be issues in which the seller would get whatever money he claimed was his, but that the buyer could be in a position in which they were overpaying, not so? We knew that as a fact. Even by simply dealing with that information we knew that as a reality. Would that not have pricked some ears and some concerns and some need to kind of tighten up the system all around in the Ministry of Energy and Energy Industries? And were you affected by that, and did you try to do anything? Because it seems to me, I am being minimalist here, two things were necessary. How you check the data coming from a company like Petrotrin, first of all, because you are removed from it. And secondly, "how do I make sure boy, dat everything dat everybody is telling me is correct"?

Mr. Butcher: So those issues are indeed very serious ones that can arise. Whether we would have been able to reach the point that we have reached now where we are at the verge of closing the phase one of the committee results for the Production Verification Committee, I would say it took the discussions around the Auditor General's comments, the comments of the Committee I think, to get us in a position where we were able to take the necessary steps to reach where we are. So, I appreciate your laying out of that scenario and I know that because we are looking at other countries as well—other regions, they too will also have an issue where buyer and seller could be in collusion for transfer of title, to produce hydrocarbon. So when we are looking at that in the second phase, I think we will take a lot more—

Mr. Chairman: But did that affect you in your disposition, your sense of urgency, the need for vigilance and the issue of accuracy? Did it affect you?

Mr. Butcher: I think that we are always mindful of ways that we can improve the system. It is just that because of how our processes were set up at that point in time, it was difficult for us to move at that stage, given the situation.

Mr. Chairman: Okay, and another issue that would have arisen from that was the issue of conflict of interest. Now, did it occur to you that a conflict of interest issue would be something that one should be concerned about in the Ministry of Energy and Energy Industries in relation to the control of the production and revenue requirements, due to the country?

Mr. Butcher: Definitely, conflict of interest issues would be something that we are very mindful of. So, yes, the answer to your question is yes.

Mr. Chairman: All right, okay. Sen. Seepersad, would you like to follow-up. I still have a number of questions, eh, but I want to be fair to my colleagues and give them a chance to ask questions because I know they must be burning with some questions.

Ms. Seepersad: I want to deal with the revenue side and the collections of royalties from oil and gas. Can you give us an update on what is the accounts receivable status of royalty collections from oil and gas? And I think Minister Mitchell dealt with the minerals, but not oil and gas.

Mr. Butcher: So, just to put it into perspective, we would be receiving royalties on a quarterly basis. Both from oil, condensate and gas and it is payable on the 21st of the month following that quarter. Now, in January01, 2018, we made an adjustment to our legislation to allow for a change of royalty, the percentage is 12½ per cent and that is across oil, gas, and condensate, and that is not only for the exploration and production licences but also for the production sharing contracts as well. So, prior to January01, 2018, royalty as a quantity was not collected from the production sharing contract companies, and there were also varying percentages of royalty prior to January01, 2018, and those would have had some historic reasons as to why those percentages would have been different. And so, from January1st, you had everything just sort of being across the board the same, all right?

So, royalty as a payment does not fetch any interest or financial penalties to the upstream producers for the oil, and for the upstream suppliers for the gas. So that, over time we have had companies that are very forthright in making royalty payments, and we have had companies through a variety of reasons, would not have been able to pay royalties on time. So, in terms of where we are at right now, we were also to look at the budgeted oil and gas price in terms of when we are looking at what would be expected as payments into the coffers of the country. I relay that to what we would be actually collecting as time goes on.

So, to look at where we are right now, I think, if I may request I can provide those figures in writing because royalty collecting changes because some companies might be able to make advance payments, some companies might be paying royalty for a past period, so we constantly have discussions with ourselves, Ministry of Finance, as to what has been received—Central Bank as well, what has been received, and we could do our tallies. So, I can provide those numbers just not orally.

Ms. Seepersad: Could you also include the minerals as well please, following-up on Minister Mitchell's questions as well please?

Mr. Butcher: So just to clarify for—

Ms. Seepersad: So, it is everything, all royalties outstanding for everything: oil, gas, whatever, condensate, minerals; everything.

Mr. Butcher: Okay, yes sure, no problem.

Mr. Chairman: All right, please follow-up.

Mrs. Webster-Roy: Thanks, Mr. Chairman. I wanted to go back to data verification. In terms of verification of extraction data, are the current practices of the Ministry in line with international best practice? That is one. And two, what are some of the current trends regionally and internationally re verification of mineral extraction data for the purpose of calculating royalties, et cetera?

Mr. Beharry: It is a fairly loaded question. The mineral industry in Trinidad is a fairly small industry. Compared with minerals worldwide, this industry is extremely small, miniscule.

Mrs. Webster-Roy: So, okay let us compare it to another place that is quarrying aggregate? That is the term?

Mr. Beharry: Yes. Again, it is difficult to make that type of comparison, but what I can tell you is that we have looked at what is best for us here. Not simply to take something that exists somewhere and try to apply it where it will not work. I have seen in different countries, different approaches to mineral production. In some countries where there is a lot more enforcement, in the US in particular, the persons are required to have private weighbridges on their property. And now there is always the challenge of persons not complying by driving around the weighbridges, and you cannot put someone to regulate every single weighbridge at every single quarry. So, it is not something that may work for us here. We actually looked at that, the feasibility of that working for us in Trinidad, and it was found that there were too many ways to cheat that system.

So, one of the things that is used internationally, globally, would be weighbridges at every quarry. I know if we try to—we looked at that many years ago. I know the industry itself when they knew it was a plan, they had some challenges with that because it would have been very difficult for a very small quarry to set up a weighbridge. Very large quarries in Trinidad actually have weighbridges, for instance, National Quarries.

What we are putting in place for the calculation, for instance the UAS system, the drone. With the implementation of drone technology in almost every branch of industry, drones are now being used throughout the world, Australia, UK, US, different countries for similar-type surveys and these surveys can then assist with determining the quantifications.

So, to answer your question yes, by introducing this technology, we are or we would be moving towards best practice globally, and it is something that based on what we have looked at will work for us in Trinidad with a small industry, and for that particular cost.

Mrs. Webster-Roy: Okay, thanks for the response. My other question, I wanted to find out what is the total number of quarries operating in Trinidad and Tobago?

Mr. Beharry: The current number of quarries that are recognized, operating in Trinidad and Tobago is 77.

Mrs. Webster-Roy: But realistically?

Mr. Beharry: That does not take into consideration the complaints of illegal activity which are being investigated by the police. So, the recognized quarries, those that have five-year licences, or those whose five-year licences expired and they are in the renewal process as well as those who had Cabinet approval and previous one-year licences and are going through a renewal process, that total number is 77.

Mrs. Webster-Roy: Seventy-seven, and how many have their licence? The full five-year licence?

Mr. Beharry: As of today?

Mrs. Webster-Roy: "Um-hmm."

Mr. Beharry: Seven valid five-year, 39 expired five-year licences that are in the renewal process, and the other 31 comprises those who had previous Cabinet approval or previous one-year licences and they are now going through the licensing process to get a five-year licence.

Mrs. Webster-Roy: What is the reason why we only have seven and the others going through the process or just expired? What is the process like, so those listening could understand?

Mr. Beharry: The process is well established in the Minerals Act and Regulations. Information on the process can be found on the Ministry's website. We have guidelines, documents for the Mining Licence, Processing Licence as well as flow charts, so it is very well laid out and it is available to the public. Anyone with access to the Internet can find it. But, in general, the reason we have 39 persons with expired licences is that when we issue a licence it is valid for five years. And persons would come throughout the course of the year to obtain licences. The Minerals Regulations came into effect in 2015, and since then we have been transitioning persons into that new regulations. Some persons have had challenges with getting certain documents, these applicants who previously did not have state land leases.

Mrs. Webster-Roy: "Um-hmm."

Mr. Beharry: Prior to the Regulations, we did not conduct the due diligence and the searches that we are doing now. I had mentioned earlier the Chief State Solicitor searches for mineral rights. That is a very important search because it is not just for the mineral rights, but the surface rights, and from those searches we are discovering quite interesting things that some persons may have claimed mineral rights prior and they may not have owned it. There are also persons who have come forward to us with applications and when the searches are conducted by the Chief State Solicitor, we are finding title issues, so they may not own the land, or they may not be the sole owners of the land, or they may own part of the mineral rights.

So, some of these things are showing up, as well as some of the persons who need to get state land leases who have been operating prior to that, some of them for decades but never had a state land lease, have to obtain a state land lease for the surface—to access the surface. Some of these things take time because the leases must come from the office of the Commissioner of State Lands, who has to be assisted again by the Chief State Solicitor. So, we are now trying to see how we can resolve some of these issues that it does not delay.

Mrs. Webster-Roy: Is the quarry in Tobago fully licensed?

Mr. Beharry: The Studley Park Quarry has submitted their application and it is in the process of review. It should be not too long before they obtain their licence.

Mrs. Webster-Roy: Okay, one final question. How many reports of illegal quarries you would have received at the Ministry to date?

Mr. Beharry: Over the past two and a half years we received 92 complaints. These complaints are not just illegal quarrying. I do not have a break down specifically to illegal quarrying to give you, but the complaints would have been complaints against quarrying, some of which would have been illegal. So, the illegal quarrying may be possibly a third or half, but I cannot give you that specific figure right now. I do not have that breakdown.

Mrs. Webster-Roy: And what has the Ministry done in terms of any recourse to the public because of that?

Mr. Beharry: Yes, over the past few years we have been conducting visits with different agencies including the EMA, the Commissioner of State Lands office, the Water Resources Agency, Town and Country Planning, and some of these other agencies that are part of the Minerals Advisory Committee. And we have been working with the police and the defence force to try to bring some resolution to these issues. Recently, we would have passed on the complaints list based on what we received from the public to the Commissioner of Police, and he has his team looking into that now.

Mrs. Webster-Roy: Okay, and my final question, final, final question: Is the Ministry comfortable that in terms of—now I am just talking about quarrying—comfortable that the people of Trinidad and Tobago are getting their just due in terms of what is being extracted and what we are receiving in terms of revenue? Are you satisfied?

Mr. Beharry: I would say that we are not satisfied at this time, and that is why we are trying to put all these different things in place with the UAS system, with getting the assistance of the police to do their enforcement that is necessary to stop some of the illegal activity that is taking place out there. So, I am not totally satisfied, no.

12.20 p.m.

Mr. Chairman: Just a quick follow up, and then I have some other questions. Do you have the power in the Ministry of Energy and Energy Industries to stop an illegal quarry operator from operating?

Mr. Beharry: That is a difficult question. It depends on where the person is actually operating. If the person is operating on a state parcel of land, the jurisdiction for all state land falls with the Commissioner of State Lands.

Mr. Chairman: Okay.

Mr. Beharry: If the person is within state lands and a forest reserve, there is the Commissioner of

State Lands, the Conservator of Forests who have jurisdiction. The Director of Minerals cannot go or send his staff on to state lands or forest reserves without the permission of those bodies. And when it comes to actually stopping persons and taking action, the reality is the persons who engaged in illegal activity are armed, heavily armed in many cases, and the Ministry of Energy and Energy Industries and the staff of the Minerals Division, do not have the means to deal with that type of activity. So to answer your question, if we have to deal with illegal activity of that nature, the answer will be no. That is why we depend on the police.

Mr. Chairman: Okay. So the first issue would be cooperation among governmental agencies to be effective. That would be the first issue, right?

Mr. Beharry: That is correct.

Mr. Chairman: And the second issue would be for those persons who operate the quarries for the purpose of financing illegal activities, you would really have to have military capacity of some kind to be able to enforce the law. Am I correct?

Mr. Beharry: That is correct.

Mr. Chairman: Okay. So we have two big problems here which is: internal, the cooperation among the agencies to make sure that the law is followed, because you have split responsibilities, and the second issue is the issue of simply violence and firepower, which can only be subdued by military force of some kind.

Mr. Beharry: Yes. Let me just add to that. The cooperation among the various agencies has been happening and it happens often and very well. Again, these other agencies are also challenged in that if they have to patrol and police those same areas, they are also met and their staff are also met with the violence that you mentioned and the heavily armed persons, and none of the public agencies—non-military, non-police—are trained or equipped to deal with that.

Mr. Chairman: To deal with that?

Mr. Beharry: Yes.

Mr. Chairman: And I suspect that when you talk about the firepower that they have and the violence that they execute, you are talking about most likely, illegal firearms?

Mr. Beharry: I have seen reports indicating that persons have been in possession of illegal firearms, and it is highly likely that persons who are engaged in these activities will have illegal firearms.

Mr. Chairman: Okay. I just want to put that on the public record, because it is important. I want to ask some more general questions that relate to why we are here today, and I want to follow up on some of the recommendations of the Auditor General's Department. The Auditor General asked that the Ministry of Energy and Energy Industries implement a documented process for the verification of production data. Given what you are doing now, has that been done?

Mr. Butcher: So we are working towards that, given where we currently have our processes and procedures.

Mr. Chairman: Okay. So you are trying to do that now, but you do not have a system yet? You have not responded. You have not executed the recommendation of the Auditor General yet. Am I correct?

Mr. Butcher: To varying degrees, we would have taken a note of the points made by the Auditor General and we would have incorporated it into our existing systems. Where there is a bit of a gap, we have to take steps to actually consider how that gap can be closed.

Mr. Chairman: When you intend to implement this recommendation?

Mr. Butcher: The timing of implementation I think would be, at this stage, not able to be stated.
Mr. Chairman: You cannot be definitive about it?
Mr. Beharry: At this time.
Mr. Chairman: The second recommendation: Manpower audit to determine personnel competencies, et cetera, is required. Has that been done? In other words, you need a range of competencies to do the work and the Auditor General is saying unless you have those, you cannot do it. Have we done that?
Ms. Fraser: To some extent Chair, I would say it has been done.
Mr. Chairman: Okay. I remember from the reading that you said 10 people have been recruited and that 10 posts have been created and advertised for. Is that what you are talking about or more? And by more I do not mean numbers, I mean things related to the building of capacity and competencies.
Ms. Fraser: Those 10 posts, Chair, are for the Minerals Division.
Mr. Chairman: Okay. So it is not related to this?
Ms. Fraser: We have other posts that we are recruiting for within the Ministry of Energy and Energy Industries.
Mr. Chairman: Okay. So can I ask a direct yes or no question? Has the manpower audit to determine personnel competencies required in order to police and manage the energy industries been done? Has that been done? No?
Ms. Fraser: No, Chair.
Mr. Chairman: Then commitment by senior public officers at the Ministry of Energy and Energy Industries at all levels to ensure that internal controls are implemented, improved. I would not ask you a question about the commitment. I would take that for granted that you are all committed to do it, but have we set up the system of internal controls or improved the existing system?
Ms. Fraser: Yes, Chair.
Mr. Chairman: All right. So that has been done?
Ms. Fraser: Yes Chair, to a large extent.
Mr. Chairman: Okay. Greater input by internal audit to monitor controls, how is that going?
Ms. Fraser: To a large extent that has also been going well
Mr. Chairman: So you have strengthened the internal auditing capability within the Ministry?
Ms. Fraser: Yes, Chair.
Mr. Chairman: And they are more effective?
Ms. Fraser: Yes, Chair.
Mr. Chairman: All right. Implementation of the Minerals Electronic System which would tracking and auditing function. I think that question was answered by Mr. Beharry, who indicated that this is a more effective system because you really cannot manage one quarry at a time with human personnel, but you also answered to member Webster-Roy that the value to the citizen is not really realized in the industry itself. What would you say to that? And Mr. Beharry can respond, but I am asking the PS.
Ms. Fraser: Chair, can you repeat please?
Mr. Chairman: The implementation of the minerals electronic system which would have tracking and auditing functions, that has been implemented. I think Mr. Beharry said that. Is that correct?
Mr. Beharry: No, that is not correct. The UAS system, the response I gave was in response to the

UAS system which is the drone basically.

Mr. Chairman: Okay. So you have not done that system then?

Mr. Beharry: The Minerals Electronic Information System is a separate system. It is a database, basically, that we have built in-house in the Ministry and it is in the testing stages right now. It would be rolled out probably next week internally for the Ministry. What the system does, is basically it migrates us from paper to electronic, and once we have fully worked out all the bugs in-house, we plan to roll it outside so that persons who are applying from outside can submit their applications electronically online and track their applications. So we are trying to streamline and speed up the process. That is the electronic system.

Mr. Chairman: Yeah. You see, what I am interested in here is the auditing function. You see, can the system that you have tell me how much gravel or whatever mineral is being extracted from the ground? Can it tell me how much has been done in the space of a month, six months, a year, et cetera?

Mr. Beharry: And that is the purpose of the Minerals Electronic Information System.

Mr. Chairman: Well yeah, but can it do that? Will it do that?

Mr. Beharry: It is designed to do that, yes, and then it will work in conjunction with the UAS data to do the volume metrics and the certification.

Mr. Chairman: So you have made some significant progress here?

Mr. Beharry: Significant progress and we have actually laid it—

Mr. Chairman: Thank you very much. I want to go on how though to some of the recommendations that this Committee made, and we only got the responses to those this morning, but I must tell you I am not happy with the responses. I do not know what my colleagues think, but I suspect that they are not happy either with the responses. First of all, it only came this morning and, secondly, I do not find that they really solve the problems we are trying to solve with the recommendations. All right, I will raise it. Okay, for instance, I would not read all, I will read some. Now, look at this one for instance:

The Permanent Secretary should make it a priority to have all required documents ready for submission by the statutory deadline.

Right? This is so that the Auditor General can do her job. The response is:

The Ministry of Energy and Energy Industries has continued to strive in having all required documents ready for submission to the Auditor General by the statutory deadline.

Did we meet the deadline for the 2018 Auditor General's Report?

Ms. Durant-Tangwell: Yes, we have.

Mr. Chairman: Okay. And are you going to meet the 2019 deadline?

Ms. Durant-Tangwell: Yes, we will.

Mr. Chairman: All right, thank you. And then, monitoring priority projects, right?

Monitoring and Evaluation Unit need to closely monitor every project under the Infrastructure Development Fund.

And it goes on to explain. Right? But the real issue is to establish a Monitoring and Evaluating Unit to track the projects under the Infrastructure Development Fund. This is your response:

A Monitoring and Evaluation Unit was established on the 2nd of August, 2018, with the hire of one Monitoring Evaluating Coordinator. On a phased basis, the work of the unit has largely focused on monitoring and evaluation of MEEI 2017/2021 Strategic Plan.

So that is okay. That is satisfactory, because you have done it and you have gone on to explain what needs to be done later.

What I am concerned about in some of these responses is that I do not get a definitive factual response that we have done this or will do this by such and such a date. All right? I mean, given the responses that we received today, can we get something from you that is much more definitive, because I think all members of this Committee want to pursue this matter and make sure that we get the most value for money from the energy sector?

Ms. Fraser: Chair, we would like to give more definitive responses but where the responses do not lie solely in our remit and we depend on other external agencies, we are unable to give that commitment.

Mr. Chairman: All right. Give me an example.

Ms. Fraser: Okay. Take for instance if we have to get the assistance of DPA, that is not within our remit and we continue to work with them, we continue to dialogue with them, we continue to have meetings with them to see if they can hasten the process for us. We try to influence the process by talking—have bilaterals with them, talking to the heads, but there is only so much that we can do.

Mr. Chairman: So the DPA, you would say, is unresponsive to your needs?

Ms. Fraser: I would not say that, Sir. What I would say is that we are continuing to work with them so that they can expedite things on our behalf, but it does not always work out.

Mr. Chairman: I think we should have the Secretary write to the DPA and indicate what you have stated in this report and what you have just stated, and ask that they act expeditiously to give the Ministry of Energy and Energy Industries the resources that it needs to do the job that is required, and that the Auditor General is demanding of you and the PAC is also demanding of you and you cannot fulfil these mandates because you are simply not fulfilled by the DPA. So we will do that from this Committee and let you have a copy also of what we sent to them.

Ms. Fraser: Thank you, Chair, and thank you for intervening on our behalf.

Mr. Chairman: All right. The follow up response on:

The MEEI should submit to Parliament a status on the number of quarries that have been regularized by February 28^{th}.

You did submit an update, I think by an earlier time, if I am not mistaken, but I see here you have 74 new applications not operational. Can I understand what would be done to these 74 pending applications?

Mr. Beharry: Yes. The applications that come to the Ministry have a 90-day time limit. If they are incomplete and the outstanding documents are not submitted within 90 days, the application becomes invalid based on the regulations. So, some of these applications may very well become invalid. I know that we processed 53 of those 74 applications. Some of them would have come in at different points in time, so it is not all 74 on the same date. So that 90-day time limit starts when the application is received. So these are in process right now. These applications are being looked at.

Mr. Chairman: Okay. So let us say most of these are approved and they get their licence and they proceed to do their business, how will we effectively monitor the ones that we are not monitoring now and in addition to that, monitor these that are now coming on stream to make sure, because these are fresh? So even if we make a mistake before, we should get all the money that we can from the new ones that come on stream and we should set up a system to make sure that they comply with the rules, the regulations and the requirements of the contract, et cetera, even if we have problems with the ones before, because you could fix that at some point in time, but you could fix this now. How are we going to ensure that that happens?

Mr. Beharry: Yes, Chair. Through the licensing process and with the—the PS mentioned we have in place the recruitment of staff, we would be monitoring the new licensees much more closely.

Mr. Chairman: So there has to be a monitoring and enforcement—

Mr. Beharry: It is a monitoring function.

Mr. Chairman:—process for this. Okay. All right. Another follow-up response is on page 9 of the report that you submitted.

Section 40 of the Minerals (General) Register states all payments of royalties shall be made to the Permanent Secretary of the Ministry on a quarterly basis as specified by the Minister. However, many operators were tardy in their royalty payments. The licence renewal process involves—so and so.

And then it says.

There is a negative figure for royalties outstanding in 2018 due to the receipt of bulk payment made by an operator in 2018 for royalties that were due in previous years—and so.

But I did not pick it up here yet, but in reading it, I saw where the Ministry of Energy and Energy Industries actually acted and threatened the operator and, in fact, the royalties were paid and then arrangements were paid with a second operator for a payment system over time.

Are we monitoring strongly enough to allow us to do this—make this kind of intervention from time to time so that we get the moneys that are due to the Ministry and the State and to make sure that energy operators of whatever variety comply with their responsibilities and obligations to the State?

Mr. Butcher: Yes, we seek to work with the operators.

Mr. Chairman: Yes, I would understand that and appreciate it. So you work with them. But, I mean, I saw in one instance, you actually threatened—I mean, I cannot pick it up here now. I cannot remember—and they complied. They basically said, okay, we will do so and so. Sometimes it is not the best in an industry to use the big stick, I understand that, but sometimes you have to, and you got compliance and you got three people to respond. So to what extent is this something that you have to monitor closely enough to make sure that they respond and provide the income that is required to the country?

Mr. Butcher: We continue to work with the operators to understand any particular challenges that they have at the given time that would prevent them from making timely payments of royalty, because we know that there would be sometimes operational, sometimes other commercial pressures that certain operators may experience from time to time. Generally, we have operators wanting to be timely with their payments, wanting to actually pay royalties even before the due date. Some operators might make payments that come in may be the 16th or the 18th of a month versus the 21st. So we have varieties of different capabilities in the sector. So we continue to work with the ones that are not paying as often or as quickly as they should to be able to effect their responsibility.

Mr. Chairman: Yeah. But in one instance here I saw, I mean, one operator had not paid for three years or something like that, and you got the person to comply afterwards. Do you have situations like that now or are you on top of things is what I am asking?

Mr. Butcher: And that is a good question. The large quantity of unpaid royalty towards the later part of 2017 and 2018 would have been Petrotrin, and what has happened would have been because of the restructuring of the—

Mr. Chairman:—company, I understand that.

Mr. Butcher:—we would have been receiving moneys from Heritage, a lot more on time, on time, as per their requirements, and the historic payments from Petrotrin, and that is being worked out right now to effect the drawdown of the royalties.

Mr. Chairman: And you have no problems like that with the big companies?

Mr. Butcher: The other majors, they generally meet—

Mr. Chairman: They meet their obligation on time?

Mr. Butcher: Generally, yes.

Mr. Chairman: Okay. I will stop at this point. I do not know if any of my colleagues have any questions to ask.

Mr. Obika: Chair?

Mr. Chairman: Yeah, please.

Mr. Obika: So I thank Mr. Butcher for raising a point about Petrotrin honouring its debts—well Heritage honouring the debts of Petrotrin, but this is a question more for the Ministry of Finance. What of the billions of dollars of debts that Petrotrin would have taken off from Heritage, who pays that? Is it Corporation Sole or is it Heritage?

Ms. Taylor-Lee Chee: There is a set of Government guaranteed debt that the Government would have guaranteed for Petrotrin that it is currently still within the entity that is Petrotrin and the company services that debt, but it is counted as part of the public debt because it is guaranteed debt of a state enterprise.

Mr. Obika: Which company?

Ms. Taylor-Lee Chee: Petrotrin.

Mr. Obika: Petrotrin has any operations?

Ms. Taylor-Lee Chee: No, the debt was originally in Petrotrin. I am not—the debt was incurred by Petrotrin and it is still within that entity that is Petrotrin.

Mr. Obika: What I am really asking is, annually, the debt obligation is upwards of half a billion dollars. Am I correct?

Ms. Taylor-Lee Chee: But there are several types of debts.

Mr. Obika: No, the two bonds that Petrotrin would have had. The two main bonds.

Ms. Taylor-Lee Chee: Or the international bonds?

Mr. Obika: Yeah. So there would have been the debt obligation annually in terms of interest payments and so on and lending payments would be upwards of half a billion dollars?

Ms. Taylor-Lee Chee: Those are serviced by the company.

Mr. Obika: But by Heritage?

Ms. Taylor-Lee Chee: Yes. They are serviced by the company.

Mr. Obika: Can we get documentation of that?

Ms. Taylor-Lee Chee: Yes, yes. Just for clarity—

Mr. Obika: Because that is not the understanding that the nation has that those debts were removed from Heritage and that it would be paid separately. So if you are telling us that Heritage is paying that, that is new information.

Ms. Taylor-Lee Chee: You are saying the refinanced bonds.

Mr. Obika: Yes.

Ms. Taylor-Lee Chee: Okay, I will get the information for you.

Mr. Obika: Because I want to submit that from where I sit, it is not being paid by Heritage hence they could turn a profit. All right. But if you include the debt obligation of the bonds, Heritage would make a loss.

Ms. Taylor-Lee Chee: I am not aware of that information, but I will get that to you.

Mr. Chairman: So what you will provide for us really is the loan arrangements and the responsibility for meeting the debt obligations.

Ms. Taylor-Lee Chee: Of Heritage? Specifically, the international bonds?

Mr. Chairman: That is correct.

Ms. Taylor-Lee Chee: Yes, sure.

Mr. Chairman: Thank you very much. I wonder if I could ask the PS in the Ministry of Finance to simply respond, as a kind of closure, to what has happened this morning in terms of engagement of the Ministry of Energy and Energy Industries. You have indicated one thing already, which is that you feel the need for more probing relationship with the Ministry of Energy and Energy Industries. Would you like to say anything else? I would ask the Auditor General afterwards to comment on that and following her comments we will close.

Ms. Taylor-Lee Chee: Mr. Chair, I just want to reiterate what you have just said there that I personally see the need for a more in-depth discussion with the Ministry of Energy and Energy Industries in terms of production levels and pricing and, certainly, the reports will provide a lot of information for us in that regard. So that is the undertaking and, as I said before, the Treasury Division will also undertake to work with the Ministry of Energy and Energy Industries to improve the various auditing and accounting systems. Thanks.

Mr. Chairman: Okay. All right. So Auditor General, I mean, you have heard the entire discussion. I mean, you know what your recommendations were, you know what ours were. You have seen the responses from the Ministry of Energy and Energy Industries and you have also heard the responses here. You are also privy to other documents which we did not raise in this particular forum, and I wanted to ask you if you would like to make some final comments before we close the meeting.

Ms. Pujadas: Thank you, Chair. Chair, I think from an audit perspective and from providing the country with assurance that the revenues generated are complete would still have us with some concern. We are speaking here strictly about the production data which is the foundation and the core of revenue generation, and it speaks to revenue generation, not only with regard to royalties, but we have not even covered the issue of taxation. We have not covered the issue of profits generated which, again, would be based on the concept of production data.

So while we take under advisement the improvements and the steps that are being taken, we have to consider whether going forward when we assess in this financial year, the underpainting materiality of the revenue figure, whether we are knowing with a true fact whether revenues, all revenues receipts are being properly brought to account.

We may have to expand our limitation of scope where we spoke specifically of section 4, we may now have to also include this as a limitation of scope, because it is the foundation, and when you look at the various receipts—the Green Levy Fund, the petroleum profit taxes, the supplementary petroleum taxes, you look at royalties both from the minerals extractive industries as well as royalties coming out of the oil and gas industry, and given the level of responses that we have received here today, it still leaves us with some questions.

12.50 p.m.

We are proposing as a team to perhaps look at how we will generate. We propose to ask a more detailed questionnaire survey so please be aware of that, that we will be asking more details, questionnaire with a view to also looking at the internal controls, looking at what sort of mitigating controls the Ministry has established to mitigate the risk that the company's data that they are receiving may not be totally in sync. So we have to look at all of those things in this year so that we can, you know, provide an audit opinion, and if we are unable to, then we would have to state that as well.

Mr. Chairman: All right. Well, thank you very much. I want to thank my colleagues, I will start with that, for having a very probing and I would say intense questioning session with the Ministry of Energy and Energy Industries, and that is a tribute to them as members of the Committee but it is also a tribute to how important the energy industry is to this country, how important are the issues raised by the Auditor General in this matter, related to these matters, and how much we are concerned about reasonable and expeditious responses to the recommendations we made having to do with the Ministry of Energy and Energy Industries in this sector. And having thanked my colleagues, I want to thank the Ministry of Energy and Energy Industries. The one thing I would say about you is that not for a moment during the answering of the questions did I doubt the veracity or the sincerity of the information provided to this Committee. I thought you were very forthright and you stated what you had to state, and therefore some of the glaring issues that remain issues of concern remain before us.

I do not think that you tried to cover up or make nicer than it is, anything, so that meant that in my view you were truthful, and I think my colleagues would agree with me, but it also points to the several challenges that we must address as quickly as we can in the Ministry of Energy and Energy Industries to deal with this particular sector. I want to thank the Ministry of Finance also for being here present and for contributing. PS, I thought you were also forthright responses, honest straightforward responses were very good and strengthened the nature of this particular meeting today. I want to thank the media for covering this particular PAC meeting and we hope that the general public will benefit from the information that was provided here today by all parties concerned.

So thank you all very much. We are happy to have been part of this public information meeting of the PAC and we thank you for participating so fully and so responsibly. Thank you very, very much. The Auditor General's Department, I do not know if I did that, but I mean, I thank you of course for all the work and for the collaboration that we have established between the PAC and the Auditor General's Office to make sure that we get the governance process going in a constructive way and improve constantly all the time, no matter which entity. Thank you very much.

12.53 p.m.: *Meeting adjourned.*