VERBATIM NOTES OF THE FIFTH MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD IN THE JOHN HAMILTON MAURICE ROOM, MEZZANINE FLOOR (IN PUBLIC) TOWER D, THE PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON ROAD, PORT OF SPAIN, ON WEDNESDAY, MARCH 09, 2016, AT 10.30 A.M.

PRESENT

Dr. Bhoendradatt Tewarie	Chairman
Mr. Rodger Samuel	Vice-Chairman
Mrs. Paula Gopee-Scoon	Member
Dr. Dhanayshar Mahabir	Member
Mrs. Ayanna Webster-Roy	Member
Mr. Randall Mitchell	Member
Miss Keiba Jacob	Secretary
Miss Hema Bhagaloo	Parliamentary Intern

AUDITOR GENERAL'S DEPARTMENT

Mr. Majeed Ali	Auditor General
Ms. Lorelly Pujadas	Ag. Dep. Aud. General
Ms. Gaitrie Maharaj	Asst. Aud. General
Ms. Kumari Rampaul	Audit Executive I
Mr. Kenneth Barton	Audit Executive II
Mr. Brian Caesar	Audit Executive I
Ms. Nicole Cockburn	Legal Officer

Mr. Chairman: Good morning. This part of the discussion is before we go before the public so this is private, what you call it, in camera. And the reason that we wanted to do this was just to engage you a minute before, especially you, Auditor General, because we would like very much to have a presentation from you, but as you know, we had a session which extended for over two hours last time and very important issues were raised, some of which would be very much in your head and at the tip of your concerns. And what we wanted in the presentation was not to go over all the issues but to use this opportunity as Auditor General to sharpen the focus on the issues that you consider important to highlight to us formally. Is that okay?

Mr. Ali: Yes.

Mr. Chairman: All right, and that you will do in public.

Mr. Ali: Yes.

Mr. Chairman: All right. I do not know if any other member wishes to engage the Auditor General on anything before we go formally into this session. Are we okay? Yes, so we will go live now. Okay.

[*In Public*]

Mr. Chairman: Good morning, everyone. I want to especially take this opportunity to welcome the Auditor General of Trinidad and Tobago and his staff from the Auditor General's Department. I wish also to welcome those members of the media who are here present and of course, the public who might be looking on either on television or listening on radio.

The purpose of this meeting of the Public Accounts Committee is to discuss the report of the Auditor General on the public accounts of the Republic of Trinidad and Tobago for the financial year 2014, and to get an insight into how the reports are prepared and to examine particular issues that might have cropped up in our reading of the Auditor General's report of that year 2014. This meeting is being held in public and it is being broadcast live on the Parliament's Channel 11 and on Radio 105.5 FM.

I wonder if I could ask the members of the Auditor General's Department to introduce themselves. I know they did so on the last occasion but I think it is important that people know who are the custodians really of the public accounts, the senior people in it, and I would ask them if they would introduce themselves to the public.

Mr. Ali: Thank you, Mr. Chairman and good morning to you, the members of the Public Accounts Committee and the Secretariat. I am Majeed Ali, Auditor General of the Republic of Trinidad and Tobago. Please allow me to apologize for the absence of the first meeting of the Public Accounts Committee. However, I would like to place on record that I informed the Secretariat on numerous occasions that I was absent for that meeting. My staff would now introduce themselves.

[*Introduction made by Auditor General's Department*]

Mr. Chairman: Thank you very much.

[*Mr. Chairman introduces members of the Committee*]

Now, on the last occasion that we met here, your staff, Auditor General, gave us a very, very good account and raised a number of issues and I want to especially commend your staff which I did on the last occasion. Mrs. Pujadas as Acting Auditor General, Ms. Maharaj and the entire staff that were here on the last occasion. Some of the things that we discussed were the role of the Auditor General and the challenges between the constitutional provisions on the one hand and the mechanisms of operation of the Auditor General's Department; the relationship between the Auditor General and the Public Accounts Committee; how we might work collaboratively to ensure transparency and accountability in the financial management of the public accounts of the country.

Five major elements were identified as weaknesses in the system of public financial management. There may have been others but there were five big ones:

the archaic regulations that govern the public accounting framework and the need to adopt public sector accounting standards, enlighten public sector accounting standards; the implementation of an integrated financial management system which is in process but not completed; the strengthening of the internal audit function in the Ministries and Departments which was felt to be pervasive—that is to say, the weaknesses were felt to be pervasive. Adequate staffing and training of staff in accounting and monitoring units across Ministries and Departments and the implementation of performance indicators to aid in the preparation of value for money audits. The role of the accounting officer was also discussed; the audit of the Auditor General's Department which is done by the Treasury Division of the Ministry of Finance; the involvement of the public and potential whistle-blowers in the identifying of issues to be investigated. These are some of the issues. It is not a comprehensive summary of what transpired on the last occasion but I do not want to spend all my time talking here when the issue is really to engage the Auditor General's Department and to examine the 2014 accounts.

So what I will do, at this point, having flagged five or six issues in summary form from the last meeting, I will ask the Auditor General to make a brief opening statement. If you would be kind enough to keep it within 10 minutes I would say, and keep it focused on issues that you consider really relevant to today's meeting, taking into account the fact that we have had about two and a half hours of dialogue prior to this particular meeting.

Mr. Ali: Thank you very much, Mr. Chairman. I was appointed Auditor General on April 07, 2015. I started acting in that position when the former Auditor General went on pre-retirement leave on December 04, 2014. At that time, my first area of concern was to address the backlog of completed fieldwork which amounted to 250 years on numerous entities. This backlog came about as a result of three submissions to Parliament on the non-receipt of financial statements for certain entities. To date, I have certified and reported to Parliament on 100 of these years and, with the assistance of my dedicated staff, will continue to work to clear this backlog.

It is of grave concern that as of December 31, 2015, 51 entities had not submitted their financial statements for a total of 181 years. Some of these statements are dated as far back as 2006. It is my intention to request that these entities submit their financial statements up to December 31, 2015 within a certain time frame. Failure to comply will result in a report to Parliament on their non-submission. I also intend to have discussions with the relevant line Ministers of these entities and the Minister of Finance on this issue should these entities fail to comply.

Staffing in my department: In order to boost staff morale, I met with the Director of Personnel Administration to discuss staffing issues with respect to outstanding promotions and the acquisition of additional staff. The meeting proved fruitful as several officers have since been promoted and the DPA is currently seeking to fill 45 entry level positions in my department. We now have a bigger problem which is getting suitable accommodation for these positions. I have written to the relevant Ministry seeking additional office space, not only for these officers but also for the training facility which we are in dire need of. Over the years, my department has had to utilize various Ministries' facilities to train our staff. I shall be grateful if this Committee could assist us in this regard.

In December of 2015, I was able to obtain Cabinet approval for the employment on contract of 11 associate professionals. Those are the scholarship winners who had fulfilled their obligation to Trinidad and Tobago and had been employed in the department under short-term employment for a number of years.

In this same approval, the Ministry of Finance was instructed to review the structure of the Auditor General's Department with a view of filling the vacant positions. In looking at the terms and conditions of my staff, I met with the Chief Personnel Officer to discuss the scheduling of travelling positions. As a result of this meeting, the CPO approved the scheduling of 40 travelling positions for my department.

Legislative issues: I met with the Attorney General to discuss proposed amendments to the legal framework in which I operate and he is in full support of strengthening the Office of the Auditor General. I also met with the Minister of Finance who has expressed his willingness to support the department in terms of providing additional resources where needed.

The department also audits funded projects by lending agencies. The Inter-American Development Bank, the IDB, as part of the process, conducted a peer review of our organization and the work done on these projects. Officials from the Washington office along with members of the local office recently conducted a review and were quite impressed with the quality of work that was done by our department. However, due to staff constraints, the department is unable to conduct new IDB projects, audits. The IDB has indicated its willingness to pay an increased fee for this department to continue these audits because of the reliance that they can place on our work. I say thank you to my staff.

In closing, I wish to say thank you for taking the time to listen to my concerns and the steps that have been taken to remedy some of the challenges faced by our department. Thank you.

Mr. Chairman: Thank you very much, Auditor General, and we are grateful for the matters that you have highlighted, the proactive approach that you have taken, the work that you have done in a relatively short period of time from April 2015, you indicated, and the fact that you are proactively also seeking to address some of the critical issues including the legislative context and the resource constraints that you might have. So we are grateful for that update.

In introducing members, I did not introduce myself, not to you because I know you are aware but to the general public, my name is Bhoe Tewarie and I am Chair of this Public Accounts Committee and I already indicated to the general public what the Committee's function is.

I will start by asking a few questions and then I will ask my colleagues to proceed to do the same thing. All right? And we will not interfere with your response but we ask you to be pointed and sharply focused on the questions asked.

One of the things that struck me last time—and I asked for the verbatim notes to be able to make sure that I had heard it right—was that a question was asked by the Member for San Fernando East about who audits the Auditor General's office, and I thought I heard and then it was confirmed by the verbatim notes that you are audited by the Comptroller of Accounts. But all the accounts that you audit are under the jurisdiction of the Comptroller of Accounts and I found it kind of odd that you would be auditing all of these public accounts that are under the jurisdiction of the Comptroller of Accounts, and that you in turn, as the Auditor General, then report to Parliament and give views on the accounts that you have audited—would be audited by the Comptroller of Accounts. Would you care to comment on that?

Mr. Ali: Well, the Comptroller of Accounts does our audit but it goes to the Permanent Secretary for certification that the work had been certified correctly and that is where it stands and then it is forwarded back to us.

Mr. Chairman: Okay, but I mean I am just trying to figure out—what is the best practice internationally? Would this be best practice internationally? Would this be in conformity with the way things are done in other countries?

Ms. Pujadas: Just to reiterate, the reason why the Comptroller of Accounts of the Treasury audits us is because it is included in the Exchequer and Audit Act. The Exchequer and Audit Act specifies that the Treasury will be the ones who audit us. In speaking to terms of best practice, it comes back to the issue of independence that we were discussing the last time in terms of financial autonomy, in terms of general autonomy. Now, that would be construed under the declaration IAS 10 that we fall under, under the Mexico Declaration. That would be construed as an indication that we are not fully independent. It could also be construed as a conflict of interest.

Mr. Chairman: Well, that is how I viewed it.

Ms. Pujadas: Yes, and it is actually— I think when we get the results of the peer review that was recently done on us by the INTOSAI, that would be one of the salient points that will come forward, that it needs to be addressed; but how it has to be addressed, it would need to be addressed legislatively because, as I said, the Exchequer specifies that that is who would be the auditor of the Auditor General.

Mr. Chairman: All right. I mean, without belabouring the point, would you agree that this is one of the things that might be examined with a view to resolution in favour of an arm's-length relationship between the Auditor General's office and the public accounts entities including the Comptroller of Accounts? Would you agree that this needs to be examined with a view to resolution?

Ms. Pujadas: Yes.

Mr. Chairman: Yes, okay. That is fine. I wonder if I could ask you to do two things on the 2014 accounts because we will start with general accounts and then we will go chapter by chapter through the accounts that you have provided for 2014. What would you say—I will be asking you two questions at once because it is two sides of the same issue. What is the most important positive thing that you can say about the 2014 accounts and what is the most important troubling thing that you can say from the 2014 accounts?

Mr. Ali: Well, let me start with the second question first. The most troubling thing has to be the internal audit unit. Without a proper internal audit unit with proper controls and balances, the entity would not be functioning as it is supposed to. In terms of the most—the best thing—[*Interruption*] Yes, they are willing to change.

Mr. Chairman: Okay. You think there is a greater responsiveness?

Mr. Ali: Yeah, we are getting from the entities that they are willing to change and go forward.

Mr. Chairman: Okay, then my next question follows from that. Would you say then that your responses from the public service system, from the financial custodians of the public service system and the accounting officers, based on your recommendations on the 2014 accounts, are reflected in positive change-oriented actions and perhaps, are part of what you saw as positive in the preparation of the 2015 accounts?

Mr. Ali: Yes, well, I had a meeting with the PSs. At a PSs meeting, they invited me to listen to some of their complaints and most of those complaints were quite relevant in terms of storage of documents and leases, and they were quite concerned, because we have the same problem also. So we are looking to see how best we can improve when we are doing the accounts in 2015 in terms of providing these comments.

Mr. Chairman: Okay. So some of the matters that you have flagged in 2014 for improvement, they have expressed a willingness to work on for 2015 and you have seen that reflected in the accounts and to work further in 2016?

Mr. Ali: We did not see much change in the 2015 interim audits.

Mr. Chairman: Okay, so there is a lag time there in terms of responsiveness and actual improvement.

Mr. Ali: Yeah.

Mr. Chairman: Okay. When will the 2015 accounts be ready for laying in Parliament?

Mr. Ali: It will be ready before April 30, 2015.

Mr. Chairman: Okay, so it will be ready early this year.

Mr. Ali: Well, that is the time we lay it every year. On or before.

Mr. Chairman: Okay. Thank you very much.

I will start with my left with Sen. Mahabir to continue the discussions.

Dr. Mahabir: Thank you very much, Mr. Chairman, and in keeping with what we have agreed that we will start at the very beginning of the 2014 report. On page 4, I see a very large number. That is the Exchequer Account overdrawn by some $32 billion. What I would like to know is this: is this overdrawn amount included in the public debt of Trinidad and Tobago? One, because it is an overdraft. Second, which agency of the State authorized this overdraft which is about half the national budget? And third, if you say an account has been overdrawn, clearly some law may have been violated. What law was imperilled by this huge significant overdraft? Thank you very much.

Mr. Ali: Ms. Maharaj.

Ms. Maharaj: The Exchequer Account is not shown on the statement of public debt but it is shown on the consolidated statement of assets and liabilities in the Treasury statements which give the financial assets and liabilities basically.

Dr. Mahabir: Okay. A follow-up question there. Is the Ministry of Finance then required to replenish the amount that was overdrawn by some $32 billion?

Ms. Maharaj: Not as far as we know; you may wish to direct that question to the Ministry of Finance.

Dr. Mahabir: Okay. But the other two questions that I raised are relevant; that is, some agency of the State must have authorized this overdraft and second, was any law violated in issuing this overdraft which in my mind is really significant.

Ms. Maharaj: Again, the Ministry of Finance is responsible. The Exchequer gives responsibility to the Treasury, which is the Minister of Finance, and as far as we know, no law was violated.

Dr. Mahabir: Mr. Chair, just—but this account is administered by the Central Bank. Is it not?

Ms. Maharaj: Yes.

Dr. Mahabir: And clearly if cheques are to be drawn, some agency, some—it cannot be the Treasury. Is it the Central Bank that authorized this particular overdraft or is it the Treasury itself has the authority to increase its own overdraft?

Ms. Maharaj: Well, again, that question will be better answered by the Ministry of Finance but, of course, the arrangements would have been made between the Treasury and the Central Bank.

Dr. Mahabir: Thank you.

Mr. Mitchell: Good morning, Mr. Ali and good morning to your team. I am into general matters. From my experience, limited as it may be, I am aware of the cash basis and the accrual basis for accounting, and I know that the accrual basis is more prevalent, more widely used, and I always associated the cash basis of accounting with more sole trader, parlour-type operations. Can you just give some insight as to why the cash basis of accounting would be used in the public sector and is it appropriate and are there any deficiencies?

Ms. Maharaj: The accounting framework that exists for the public sector began in 1959 and has not really been updated with changes and best practice. Of course, there are a lot of deficiencies based on that and I think a lot of the concerns of the Committee and the lack of the information that the Committee would require would be because of the accounting framework. That is why we have raised it as the first step towards improvement.

Ms. Pujadas: I just want to add too that throughout the region, majority of the Auditors General or departments of audits, directors of audits, the type of account that is prepared is called a Treasury single account, and it is prepared on a cash basis. Within the region, there are only two regional bodies or countries that I know that actually prepare accounts on the accrual basis and that is the Cayman Islands and Barbados.

Now, the standards are speaking to the fact that there is a need for states to move towards the accrual base but the cash basis generically has always been the basis in which accounts were presented. To supplement the deficiencies that were based in the cash basis, this is why the Exchequer provides for memorandum-style accounts. So this is why the Exchequer says that you need to prepare a statement of public debt, you need to prepare a statement of contingent liabilities, a statement of loans. So it attempts to abridge the deficiencies.

Now, it is not a perfect system and of course, there is a need legislatively for us to try and see where we want to go and how far we want to go, because the implementation of an accrual system will, of course, mean many things. You will need to be able to have your assets properly valued, you would need to determine what your asset base will be included. So there is a lot of things moving towards that and of course, the Ministry of Finance and the Treasury will best serve to determine whether or not we will move there and how fast we will move there.

11.00 a.m.

Ms. Pujadas: The other question, I just wanted to go to Dr. Mahabir's question. You had asked about—just to reiterate, I do not think we had quite gotten it. There was something you had asked, Dr. Mahabir. Could you repeat it?

Dr. Mahabir: With respect to the Exchequer account?

Ms. Pujadas: Yes.

Dr. Mahabir: I had asked, with respect to whether it is included in the public debt. I was told no; whether any law has been broken with respect to this significant overdraft. I was told that is unclear. And the authority, I was told, comes from some nebulous entity that ranges between the Central Bank and the Treasury.

Ms. Pujadas: Well the Central Bank is the banker. The Exchequer Account is an account that is lodged in the bank. So, obviously, they administer the banking rules with respect to that. But according to the Exchequer and Audit Act the Exchequer Account is administered by the Treasury and the definition of the Treasury, as enunciated in the Act, is the Minister of Finance. So, therefore, the Exchequer, if it is silent, in terms of whether or not you can or not, then I would go on to say that, perhaps, on the basis of the Exchequer, no rules have been breached. So the Exchequer Account is defined in this particular Act and it subscribes to all the rules that go along with that.

Dr. Mahabir: Okay. But very interesting and Mr. Chair, I do not want to monopolize, but is it that there is then no upper limit to the amount by which the Exchequer Account could be overdrawn? Because I have seen $32 billion. Could it go to $64 billion, $108 billion? There must be a limit.

Ms. Rampaul: The Exchequer does not speak to that. The Exchequer and Audit Act does not give a limit, with respect to the overdraft of the Exchequer Account. It just states that the Exchequer Account can go into overdraft.

Dr. Mahabir: Thank you very much. That is a very important point you have made. Thank you very much.

Mr. Chairman: From my information though, the Central Bank does have limits on what you can overdraw. You wanted to follow up with something? I would let you do that first.

Mr. Mitchell: I just wanted to ask two questions. What is the international best practice with respect to the basis of accounting?

The second question goes back to the submission of financial statements and the failure by accounting officers, et cetera, to submit the financial statements by the stipulated time, and whether there are any sanctions that are attached to that failure? What happens in that event?

Ms. Maharaj: The international best practice would be the International Public Sector Accounting Standards issued by the International Federation of Accountants. So these have been recognized internationally as best practice for public sector entities. We call them IPSAS for short. There is actually an IPSAS relating to cash-basis accounting, which allows you to present certain information that is needed, even though you have cash-basis accounting.

The second question was?

Ms. Mitchell: The second question relates to failure by accounting officers, et cetera, to submit their financial statement by the stipulated time.

Ms. Maharaj: Yes, there are no sanctions.

Mr. Chairman: I think we explored that last time and we found that they can persuade, they can write but they cannot really enforce any penalty. Okay? Sen. Gopee-Scoon, you are free to ask your questions.

Mrs. Gopee-Scoon: Thanks. I am not sure if I am jumping ahead of the schedule which you wanted but I would have to because you know that my time here today is limited.

There is something that I noticed right through the commentaries that seems persistent and that relates to contracts not produced. There seem to have been many instances of these. For instance, if I can go to page 95, with regard to construction of the National Oncology Centre, where a copy of the contract between the executing agency and construction company relating to payments totalling $51 million was not seen.

And then in 61, contracts to support expenditure of $2million on the refurbishment of Queen's Hall, not seen again. And if go to 55—I cannot go to all of them so I am just mentioning a few. But it just seems to be a string running through the document; 10 contracts, again, which were payments totalling $5million not found again, and this is in the Ministry of Tourism. What are we doing about that? It just seems to be a consistent and pervasive issue now.

Ms. Maharaj: This is an issue we have been raising year after year. We also have it listed as a pervasive issue on page 29. What we have been doing is trying to encourage the Ministries to perform their monitoring role over the projects. So we would like to see some evidence that they have been looking at the projects that are being done and ensuring that they are being done to standard and quality and time and all of that. So we look for the documents that they should have available to enable them to do it. Those incidences we report here.

Mrs. Gopee-Scoon: Do you think this is a question of error-making or fraud or so? Because here you have the absence of contracts to support expenditure.

Ms. Maharaj: I do not believe we can impute any fraud or error into it. It does deserve some further investigation by the persons responsible. That is why we raised it in the report and we asked the Permanent Secretaries to perform their monitoring role.

Mrs. Gopee-Scoon: Again, many instances of documents not produced. It is alarming when you go to, for instance, page 91, again expenditure totalling $17million in the Ministry of the Environment and Water Resources. Supporting documents not provided, so that the projects could not be verified.

Again, if you go to page 69, again, with regard to the establishment of the COSTAATT Campus in Chaguanas, schedules of accounting, $7 million; documents to support a payment of $5million, again, not presented for audit examination. So these are quite large amounts. Again, sometimes you wonder. Again, $3.7million for the police service, documentation not presented. These are very, very serious problems throughout many of the Ministries and to just say that further investigation is being taken, I think sometimes the question arises again. Is it just a question of error-making or fraud? It is alarming, the magnitude of the problem.

Mr. Chairman: Would you like to respond?

Ms. Maharaj: The Auditor General is very concerned about this. There is not much more we can do than report and encourage the entities to do what they are supposed to be doing. I suppose the Committee can call these relevant entities and could follow up.

Mr. Chairman: One of the problems here is that the Minister has jurisdiction and authority and is meant to monitor, but the executing agency is some other entity and that there is a problem of who the contract is signed with and who is the project executing agency accountable to. Is that part of the problem? I just want to ask.

Ms. Maharaj: That may be part of the problem but I cannot really say. What I can say is that one of the issues we raised was that the monitoring units in Ministries and Departments are not properly staffed and they have not—

Mrs. Gopee-Scoon: Or they do not exist?

Ms. Maharaj: Those that exist. Even the staff that would normally monitor the execution of projects, they would not probably be available at the Ministry, if you understand. So the Ministry itself has to get those things strengthened to be able to monitor whatever work is done by an executing agency.

Mr. Chairman: Okay. All right.

Mrs. Webster-Roy: Taking into consideration the fact that evidence is not produced in most instances, how then is the Auditor General's Report a true reflection of the financial status?

Ms. Maharaj: Now, the Auditor General's Report, which you would see at the first few pages of this booklet, is the report on the public accounts. These accounts are prepared on the cash basis and we would have other audit techniques that we would use to ensure that the expenditure statements actually reflect what was expended, the revenue statements actually reflect what was collected, but we do have issue with whether the moneys were spent for purposes intended by Parliament and whether value for money was achieved. We do have issues with revenue collectability. Now those issues are raised in these chapters to the report. But the main opinion is given on just the cash-based accounts. So these figures represent what we have seen to have been expended or received. So it is a different function.

Mrs. Webster-Roy: What attempts are being made to ensure that the entities comply to ensure we get a true reflection of what is happening in the Ministry?

Ms. Maharaj: Well, again, we follow up on the points with the entities to see that things have been strengthened. But all the Auditor General can do is examine and report. The actual action needs to be taken by the other bodies that are responsible.

Mr. Samuel: Thank you very much. On page 12, under the "limitation on scope", you reiterated an existing issue, with regard to access being denied by the Inland Revenue Division. On page 14, you also stated that it has not been resolved. What is the present status of it? What has been done thus far to rectify the problem? And if this is not rectified, what issues and problems are you seeing down the road, as a result of it not being rectified?

Mr. Ali: If I may say, this matter is being addressed by the Attorney General at the moment and he is making certain amendments to bring forward to Parliament to deal with this issue of the restriction of access.

Mr. Samuel: I have another question. How difficult has it been for your department, with the rapid changes in Ministries, accounting officers and stuff like that? Within one year, departments or a Ministry may shift to another Ministry and then two years after it shifts again and it keeps going all over the place. What are your recommendations to make it effective? I just want to hear your views. How difficult has this been for you at the AGD?

Ms. Maharaj: For the year 2014, it was extremely difficult because you found that records were transferred to certain places or not transferred and staff went to different places. So explanations were also difficult to get.

We raised the issue in the report. The Comptroller of Accounts did try to make the 2015 changes more organized. We found that records were kept for us to do the audit for 2015, but again because of the changes in accounting officers, explanations were not forthcoming in a number of instances.

Mr. Samuel: So then, are you saying that your report will not necessarily reflect the trueness of what exists and what existed?

Ms. Maharaj: It will reflect what we found. Usually, we ask for explanations to verify our understanding of issues. So that is what may be missing for 2015, just the verification for our own purposes. But we would have evidence for the comments that we do make.

Mr. Samuel: Do you think that this has made your job a far more tedious one and there needs to be an adjustment or a change in how we manage Ministries, and when we need to shift departments there should be some regulations involved in this?—just to make your job easier.

Ms. Maharaj: I do not think that we should make those decisions. Those would be—I believe that the decision to move sections among Ministries would be what the Government is all about. They have to make changes as they see fit for their plans for service delivery. So I do not think that we can say that we would recommend any sort of restriction on that. What we have to come up with is probably better arrangements to ensure that the persons who were involved in the accounting would be there for our explanations when we require. As I have said, the Comptroller of Accounts did make arrangements with the accounting officers for us to have access to documents this year.

Mr. Chairman: Thank you very much. I would just like to draw to the attention of members, and also to the attention of the general public, that under the section "AUDITOR'S RESPONSIBILITY" for, and I am assuming that this is not a form/documentation of the position.

> "The Auditor General's responsibility is to audit and report on these Financial Statements in accordance with section 116 (2) and (4) of the Constitution of the Republic of Trinidad and Tobago…"—so it has constitutional authority—"and section 25 (1) of the Act."—that is the Exchequer Act—"The examination"—and this is with regard to the 2014 report—"was conducted in accordance with auditing standards which require that ethical requirements be complied with and that the audit be planned and performed to obtain reasonable assurance about whether the

> Financial Statements are free from material misstatement."

I assume you stand by that, Auditor General, in the report that you have produced?

Mr. Ali: Yes, I stand by that.

Mr. Chairman: I have a follow-up question and it is related to page 5 and later page 6. On "Submission of Financial Statements" 13, it says:

> "The following Statements were not received by this statutory deadline:"—and it says:
>
> - Appropriation Accounts from 6 Accounting Officers…
> - Statements of Receipts and Disbursements from 9 Receivers of Revenue…
> - Financial Statements from 8 Administering Officers…"

When you get that kind of situation, there is nothing that you can do except report it in your report on the accounts of the year? That is all you can do?

Mr. Ali: No, we are saying that it was not received by the statutory deadline. In fact if it is received two weeks later or a week later we still attempt and perform the audit on those accounts.

Mr. Chairman: Okay. So it might be a slippage or a non-compliance by date but it does not mean that they will never comply?

Mr. Ali: Correct.

Mr. Chairman: Okay. The second thing is on 14, page 6:

> "The examination of records and documents revealed that in many instances there was non-compliance with Financial Instructions, Financial Regulations and other directives."

Who is the person, institution or office that is non-compliant in these instances, and where do these instructions, financial instructions, regulations and other financial directives come from?

Ms. Maharaj: The Financial Regulations form part of the Exchequer and Audit Act.

Mr. Chairman: Okay.

Ms. Maharaj: The financial instructions are issued by the Treasury.

Mr. Chairman: Yes.

Ms. Maharaj: Now, the breaches that we have found are actually raised—the material breaches—are raised in the document itself.

Mr. Chairman: In the document itself? Okay. So those in the report will be identified who is the non-compliance or which office is the non-compliant office?

Ms. Maharaj: Yes, Sir.

Mr. Chairman: Thank you. Okay, I will make another round of questions again.

Dr. Mahabir: Thank you very much, Mr. Chair. I would like to focus attention on page 27. Thus far I have focused on the Exchequer Account, and in my mind we need to monitor the rate of growth of that overdraft. It has tremendous consequences for inflation and the exchange rate, and so on. That is for another matter.

Second, very interestingly, I have heard from the Auditor General that the recommendation from the Auditor General's Department is that every arm of the State must strengthen its internal audit units. I think that is something that we are coming away with, to make a recommendation on strengthening that unit, because if we do not, there will be a serious misallocation of state resources through waste and misuse and corruption.

Now, on the third pervasive issue that I am seeing, I have seen that:

> "Signed lease agreements were not produced with respect to certain properties for which rental payments were made."

And in reading the report I see a number of situations where, not only did the

Auditor General's Office not receive or see the leases, but properties were rented, rents were paid and these properties remain unoccupied for extended periods of time.

What recommendation would the Auditor General's Office make with respect to these lease agreements, which seem to be a pervasive problem across many agencies of the State?

Ms. Maharaj: Well, the Permanent Secretaries have identified the problem really to rest with the agency that deals with the rental for all the government entities, and that would be the Property and Real Estate Division.

Another thing is, with respect to the occupation and non-occupation of buildings, entities have identified that they did not get funds for outfitting of the buildings. So they had to keep paying the rental until they got the funds or they made arrangements.

So we are not able to give a solution to that. It is something that needs to be dealt with by the Ministries themselves, basically to come together and get a solution—what is the most efficient way to have the leases arranged and have all the properties outfitted in time for use.

Ms. Pujadas: Dr. Mahabir, a point, to just add to what Ms. Maharaj was saying. In terms of the lease agreement and in terms of—it is a process and, therefore, a process has been defined that this particular agency is vested with having to negotiate with the rentals, having to do the evaluation and having to also do the contracts. So, because it is being disaggregated and removing it from the responsibility, in a sense, from the accounting officer and vesting it with this sort of centralized body, it can create a backlog and that backlog has an impact on the individual Ministries in themselves being able to effect the contracts or the lease agreements.

So, in terms of recommendations, what we can recommend, and I think we have recommended in certain instances, is that the process be looked at. And the process being looked at, in terms of improving it from an efficiency point of view, as Ms. Maharaj indicated earlier, in terms of service delivery and in terms of what is the most effective, as well as ensuring that we have safeguarded the assets of the State as well. So it needs to be looked at as a whole. We are not the body that necessarily has to look at it but we have raised it as a flag so that those bodies that are responsible for it will take the necessary action.

Dr. Mahabir: A follow-up question for me is this: when I read a report which says that a lease agreement was not produced, I read that to mean that it was not produced because it does not exist and therefore from a public interest point of view, I simply would like to know, despite the problems of preparing these lease agreements, that lease agreements actually do exist, they simply were not forwarded to you. And I would like to see in the 2015 or subsequent reports that when you ask for these lease agreements, they do exist and you have been able to see the terms and conditions of the rental. Because it is highly unsatisfactory, from my angle, for you to ask for a lease agreement and it is not produced, not because it is difficult to produce but because it does not exist. In your opinion, what is the problem? Is it the problem that it is difficult to produce or that they do not exist and these rental agreements are being made without due process?

Ms. Rampaul: I think the problem is lease agreements were not executed in the first place, so no agreements exist. So they were not executed. No agreements exist. There are no terms and conditions.

Dr. Mahabir: Okay, but that raises another issue and the issue is, we have accounting officers, permanent secretaries and accounting officers in Ministries. Are you saying that they can actually enter into an agreement with a landlord or a real estate agent without producing a lease agreement that I can scrutinize or you can scrutinize, and they have the power to enter into that arrangement; the rental, the terms and conditions not being scrutinized by any external agency, and that they have the authority to so do without a check and a balance?

Ms. Maharaj: I would just like to answer that question. No, we would not say that. What we would say is we believe that the process is very bureaucratic. So there is a big—there is actually a very good process but it is a very long process, and that is what needs to be looked at.

So you may have negotiations going on but if you do not enter the building you lose it. So basically the entity that is responsible would say to the Ministry: "Well okay you all go ahead, we are making arrangements." So the Ministry would only go into the building or rent the building or pay for the building based on the representation from the Property and Real Estate Division.

Ms. Rampaul: I would just like to add to that please. I think as long as Cabinet approves the rental of a property the PS normally gets into that kind of arrangement. Most of the times the agreement is not executed and sometimes agreements have been terminated and just continued on a month-to-month basis.

Dr. Mahabir: Mr. Chair, this is so nebulous and vague and fluid. You ask for a lease agreement. The accounting officer says: well I do not have it or it does not exist, or it is difficult to obtain. They tell you that there was a Cabinet approval. Do you not at least ask for the Cabinet Note, which will provide the testimony to you that there is something in process, which gives the accounting officer the authority to do?

You see, my concern is: Are the accounting officers acting outside the authority granted to them? Okay. So, therefore, when you say the lease agreement was not produced, is it that you are telling me that, okay you were able to see a

Cabinet Note, which gave the authority to the accounting officer?

Ms. Rampaul: Yes.

Dr. Mahabir: Okay, very well. Thank you.

Mrs. Gopee-Scoon: Just adding to that, you can say with certainty that there is no dereliction of duty or anything like that in these instances?

Ms. Maharaj: Yes. We would not say that there is dereliction of duty. We just say the process itself for getting the lease agreements and for the Ministry to be informed properly of the terms and conditions are not there.

Mr. Chairman: Is it not a situation in which Cabinet agrees that such and such a property can be leased, and then you are then caught between the person who is leasing, the Ministry or the institution that is leasing and property development and real estate division, which does all of the negotiations and the Ministry or the entity has an urgent need to occupy, and that is where the problem arises? Is that correct?

Ms. Maharaj: Yes, that is what we are saying.

Mr. Chairman: Do you have any more questions Sen. Gopee-Scoon?

Mrs. Gopee-Scoon: I do. I had a concern about contract employment and the pervasiveness of this throughout the system and I want to know what kind of recommendations the Auditor General is prepared to make, so that we can see a reduction of these? I know that it is necessary in many instances, but as well as there is a suggestion, from what you have written up, that something needs to be done to arrest the situation. What are your suggestions?

Ms. Maharaj: We actually realize that the use of contract employment was widespread and that is why the Auditor General asked for the information to be able to provide it here for decision-makers for you all to use to better further the work of the Ministries and departments. We just raise the information for decision-making purposes. We have not identified it as a concern.

Mrs. Gopee-Scoon: Is it not rising?

Ms. Maharaj: It appears to have been increasing in the Ministries and Departments.

Mrs. Gopee-Scoon: That is right, so then it is a concern. Is it not a major concern for you?

Ms. Pujadas: When we speak of this, we are not human resource auditors and therefore it would be, I think, ill-spoken of us to make a pronouncement on it. But what we were attempting to do is that we did a survey and out of that survey, I believe we did 49 Ministries and Departments, and I believe 37 of them responded.

We did a comparison between those that responded last year and we had noted that the number had increased but we did not go further beyond that to make an assessment because, as you know in certain instances because of the changing times, especially in terms of IT and if organizations are going further, in terms of—to use what Dr. Mahabir proposed the last time—a more IT-driven, then you would need certain skills and competencies which do not exist on the establishment at present time, and you would need to use contracted workers.

11.30 a.m.

So we would not want to sit here without having done the proper work and the proper resources, to really comment on that, but what we—we just wanted to draw it to the attention of the Public Accounts Committee and the large, that in the public service right now, the service is buoyant, in terms of what you have established posts, in terms of which even in our instances some of those established posts have not been filled, and then you also have contracted posts. We have not analysed whether those contracted posts in all instances were necessary or not necessary. So I think it would be unfair of us to make a pronouncement on that at this point.

Mrs. Gopee-Scoon: So that, then the business of human resource auditing, is not for the Auditor General's Department?

Ms. Pujadas: We were advised by the Chief Personnel Officer that that is their role and function. That is their role.

Mr. Chairman: I think the Acting Auditor General cleared that up at the last meeting too. Do you have further questions? Okay. Member for San Fernando East, you had a question?

Mr. Mitchell: Yes, sorry. I need to go back to the lease agreements. I thought I would have been next so I just wanted to stay on that. Being the Minister of Public Administration, I can assure you that we are looking at the process of lease agreements with Ministries, but I just wanted to bring out—and you can correct me if I am wrong—the reason for the backlog or the reason that no lease agreements are seen, is because the office charged with executing these leases on behalf of the Government, is the Commissioner of State Lands, and for the past year or more, there has not been a Commissioner of State Lands in the office.

And secondly, I know that you have made a statement of fact, you have not seen the lease agreements but, of course, in property and real estate division you would have seen a process, a process that is evidenced by documentary proof. You would have seen commissioner of valuation's documents. You would have seen written correspondence identifying the criteria needed to be met by landlords. You would have seen evidence of offer and acceptance, as well as a Cabinet Note. Would you have seen those things?

Ms. Maharaj: We may have seen it during the process, but again, we did not see it where the moneys are being expended which would be at the Ministries. So, basically what we are saying is that the Ministries need to have—

Mr. Mitchell: A copy.

Ms. Maharaj:—a certified copy of the agreement, so that they would know the terms and conditions of whatever they are paying for.

Mr. Mitchell: Okay. So it is a deficient process and not any malfeasance?

Ms. Maharaj: Yes, we have not imputed any improper—

Mr. Chairman: Do you have a follow up? No? Okay. Member for Tobago East.

Mrs. Webster-Roy: On page 24, it says:

> "Comptroller of Accounts Circular No. 16 dated August 22, 2014 provided detailed instructions with respect to the preparation and submission of Appropriation Accounts for the year ended 30th September, 2014."

It went on to note there were errors/omissions and also:

> "…a number of statements submitted did not bear original signatures of the Accounting Officers as required by financial directives."

In that context, how would the Auditor General's Department differentiate between errors and fraud?

Ms. Maharaj: Basically what we are speaking about here, is the processes for bringing together the financial statements. So you would find that we would have evidence of certain figures when we go to do the audit, but the figures are not properly reflected in the financial statements, because the care and attention was not taken to put the correct figures from the records. That is basically what we are reporting here. So we need the accounting officers to ensure that when they provide financial statements, that they are accurate and fairly reflect what is in the accounting records of the entity.

Mrs. Webster-Roy: But it still goes back, how can we really tell if it was a legitimate error or an instance of fraud?

Ms. Maharaj: Well, the audit test that we do, is supposed to detect material areas of fraud and other sort of irregularities.

Mrs. Webster-Roy: Okay. In instances where there were errors and omissions, what advice would have been given to the various Ministries or Departments, in order to improve the process going forward?

Ms. Maharaj: Well, in a lot of instances we allow them to submit corrected pages within a certain time frame from the submission date. They are given four months after the end of the financial year to produce accounts. We are given really three months to audit and come to bring this report together. So we give them a short time, maybe a few weeks to a month to submit amended statements, which we include in the collated public accounts document.

Mrs. Webster-Roy: And they comply?

Ms. Maharaj: In a number of instances, yes; some may not. Where there are material errors, they would be reflected in the report. Where there are immaterial errors, we would discuss with them again, and we would ask them to ensure that they check the documents properly next time they submit.

Mrs. Webster-Roy: Okay, thanks.

Mr. Chairman: Sen. Samuel.

Mr. Samuel: On page 17 of the report and paragraph 129, there are significant amounts of responses not received on that page. How is the AG's report a true representation of the status of the public service, the finances, when so many entities do not produce documents for audit?

Ms. Maharaj: The information at page 17 relates to surveys that the Auditor General has done. We have asked for certain information for our own analysis to assist us in the audit. So we would ask for an entity profile, which would give us overall information on the entity. We would ask for information on whether they are updating pension and leave records, even occupied or unoccupied buildings; things like those. So this is what this sheet represents. Where we do not get responses, when we are doing the audit we will actually look for the information where necessary.

Mr. Samuel: But have you found that there is a consistency of unresolved questions from year to year, from Ministry to Ministry, and if it is a consistent pattern, how or what recommendations have you made to resolve or to solve those problems? If there is a consistency, if you have been in a department for years and you recognize that particular Ministries or Departments have a consistent problem year in year out, where is that reported and how is it being resolved?

Ms. Maharaj: Well, again, we follow up each year, the points that we have raised in the year before, and we again discuss with the entities and we raise it when it is material and it is a long standing problem, we will raise it under the individual entity in the report.

Mr. Samuel: But raising it is one thing, solving it is another. So I am talking about what mechanisms are put in place for the solving of the problems, if it is a consistent problem from department or entity, year in year out?

Ms. Maharaj: Well, our role is actually to examine and report and provide information for decision makers, and the people who can actually change the problem.

Mr. Samuel: But then if you are reporting the same thing over and over, it means that the people who are supposed to be dealing with the problems are not dealing with them, and then you will report it again next year. I see that as a [*Laughter*] reoccurring issue that is, you know, if it was a medical problem, you could die. [*Laughter*]

Mr. Chairman: I think we took the step in this Committee to engage the Auditor General's Office in this way. I think a lot has come out in the dialogue both for us and for the general public to know. I think if we did a cogent report coming out of this dialogue, and made specific, pointed recommendations for action, and identified the institutional framework that was required for execution and, in fact, for dealing with the issues of sanctions, that matter would have to be discussed by Parliament. I think we might have some progress made in the process, and I am hoping for that. But related to that though, under the Exchequer and Audit Act, you have certain powers. So in 10(1) for instance, and this is—I am taking from your report on page 12, reading from 10(1):

> "In the exercise of his duties under this Act the Auditor General shall be entitled—
>
> (a) to call upon any officer for any explanations and information which the Auditor General may require in order to enable him to discharge his duties;
>
> (b) to authorise any officer on his behalf…"

That is to say, the Auditor General identifying an officer—

> "…to conduct any inquiry, examination or audit, and such officer shall report thereon to the Auditor General;
>
> (c) to send for and have the custody of any books, accounts, vouchers or papers under the control of any officer relating to or in any wise concerning the public accounts, and to keep such books accounts, vouchers or papers for such time as he may require them;"

And 10(2):

> "In the exercise of his duties under this Act the Auditor General, or any person duly authorised by him in writing, shall have access to all records, books, vouchers, documents, cash, stamps, securities…" et cetera

Now, I just want to ask a simple question, have you ever exercised this power?

Mr. Ali: That is a normal exercise that we do when we go—

Mr. Chairman: So you do this all the time?

Mr. Ali: Yes, we do that all the time.

Mr. Chairman: But the limitation is that you can only report after examination? Is that correct?

Mr. Ali: Correct.

Mr. Chairman: Okay. Yes, Senator.

Mrs. Gopee-Scoon: Thank you. Relating to Overseas Mission, I note that that is one of your responsibilities as well, the auditing of the Overseas Missions, and also the labour branch—the labour liaison branch of the Ministry of Labour and Enterprise Development as well. And your decision to audit is based on assessed risk at the time since they were last audited, and so on, and funds, of course, were approved by Parliament. But I am noting that there are a number of Missions that have not been audited for, let us say, more than five years. So I wanted to find out what is the regularity with which you actually—yes, you said based on a risk, an assessed risk, but is there a period of time when you would actually do these visits?

I note that Parliament—you had made a request sometime in June 2014, but it was never approved by the Cabinet until 2015. So, therefore, these Missions remain unaudited for a long time, and this is of concern to the public. So when next would you be doing your auditing assignment in these Missions, and also what is the regularity with which you tend to do these, separate and apart, you know, from if there is an apparent risk and you need to act immediately?

Mr. Ali: Okay. We get funds every year to do these audits, but in certain cases we do it every three to five years. We do the risk analysis to see which one is a more risky one. We liaise with the Treasury to get reports from them on the Missions abroad, and then we perform our analysis and choose these entities according to that risk profile.

Mrs. Gopee-Scoon: Okay, so you have not done an audit for—is it that you do these annually?

Mr. Ali: We do it annually, correct.

Mrs. Gopee-Scoon: Okay, but I understand there has been an outstanding one in five years?

Mr. Ali: There is so much that the funds are limited. We do not get the total funds, to examine all the Missions. So we do it every three to five years on a rotational basis.

Mrs. Gopee-Scoon: And, of course, based on the risk assessment?

Mr. Ali: Yes, of course.

Mrs. Gopee-Scoon: Okay, but when next are you going out?

Mr. Ali: We are supposed to be out there in July of this year.

Mrs. Gopee-Scoon: And to which Mission?

Mr. Ali: We have to determine that after our appropriation accounts. We will sit together and see which Missions we will be attending to.

Mrs. Gopee-Scoon: Okay, thank you.

Mr. Chairman: Okay, anybody? Does anybody have questions?

Ms. Pujadas: I just want to add that just in terms of what Sen. Gopee-Scoon has said, you do realize that because our accounts are on a cash-based basis, therefore, we did go out in June 2015 to a number of the Missions and thereinafter. Therefore, the accounts that we would have been looking at, we would have looked at their control features at that point, but also anything that we have looked at would have had an impact on the 2015 accounts going forward, because we are on a cash-based basis. So that the old Missions that we looked at in that period, the financial aspect of them would impact on the 2015 accounts going forward, but also we would have looked at the internal control issues that surround those Missions as well.

Mrs. Gopee-Scoon: Okay.

Mr. Chairman: Do you have a question? Go ahead please, Senator.

Dr. Mahabir: Okay. On page 33, you referred to the problem of overpayments. You said:

> "Overpayments continue to be a major concern..."

Not a minor concern, not a neutral concern, it is a major concern. My view in doing business with the Government and the State, has always been, that goods and services are supplied, invoices are prepared and produced, stating clearly how much is owed by the various arms of the State, and then a certified cheque is produced for the amount on the invoice. Please indicate and clarify for me, exactly how in the process that we have come to understand in dealing with the State, overpayments of this magnitude can occur?

Mr. Ali: These overpayments are mainly salaries. For example, a person might take sick leave, but they would not get the approval, for say, two months, but their pay continues. When they do assess the medical condition, and see that it is not really a case to be full-pay leave, they allow them no- pay leave and, as such, overpayment occurs.

Dr. Mahabir: So it just only salaries, not for goods and services?

Mr. Ali: Mainly salaries.

Dr. Mahabir: Very well. Thanks.

Mr. Mitchell: On the overpayments and the next items, cases of theft and losses reported. In the case of theft, does the Auditor General's Department need to satisfy itself that the Ministry or entity makes the necessary report to the police and that investigations have occurred?

Mr. Ali: Yes, we do look for the reports that are made to the relevant authorities, and from there it is—from there we would follow it up.

Mr. Mitchell: Okay. Do you further report on any recovery?

Ms. Maharaj: No, that is left up to the police and the Ministry.

Mr. Mitchell: I am looking again at the overpayments. I am seeing overpayments for $3million, and a little over half was recovered.

Ms. Maharaj: What page?

Mr. Mitchell: We are on page 34, the table: Undiscovered cheque, $3million.

What action is taken with respect to the moneys not recovered in the case of contracts or even in the case of employment? What happens in that case? Are the persons or the contactors, the service providers penalized? Are the matters reported to the police? I mean, there is a limitation period here with respect to the recovery of the moneys to the State.

Ms. Maharaj: Could you please clarify if it is the overpayments on page 34 you are referring to?

Mr. Mitchell: Yes.

Ms. Maharaj: Yes. What the Auditor General was saying a short while ago, is that a lot of these relate to salary overpayments. So the Ministries themselves are responsible for recovering the salary overpayments from the relevant officers.

Mr. Mitchell: In the case of the—let us say, service providers, contactors, providing services to the Government, what happens in that case, do you also need to satisfy yourself that appropriate steps are taken to recover the moneys in the courts, for example?

Ms. Maharaj: Well, in the few instances that we have seen, yes, we have been asking questions and reporting and following up.

Mr. Chairman: Okay. A couple of issues here, page 43. On page 43 you have the Tobago House of Assembly Appropriation Accounts:

> "The Appropriation Account was not submitted within the statutory deadline January 31st, 2015 to enable inclusion in the Public Accounts."

So it was not included, and then across the page 44, as you turn the page:

> "A difference of $59,348,310.48 was noted between the amount of $2,095,932,197.00 disclosed as Current Transfers to Statutory Bodies and the balance of $2,036,583,886.52 shown in the Vote Book. Over-expenditure of $41,211,630.50 was also disclosed for this vote."

So this is an over expenditure, and then when you look again on page 91, Financial Statement 4.16:

> "A Financial Statement was not received from the Ministry of Works and Infrastructure in respect of the Tobago House of Assembly.
>
> Records show that $18,986,938.90 was expended from the Unemployment Fund release of $19,000,000.00. Further expenditure on the Unemployment Relief Programme amounting to $49,416,337.00 were funded by releases from the Contingencies Account of the Tobago House of Assembly. This contravenes the Tobago House of Assembly Financial Rule No. 34 which stipulates that "*…moneys shall not be withdrawn from the Contingencies Account other than for the purpose of meeting urgent or unforeseen expenditure*…"."

How do you deal with something like that where you basically said: "Look, there has been a breach"?

Mr. Ali: Well, that is—I think that is for the Committee to call the entity to ask these questions.

Mr. Chairman: Okay. So, you are saying basically you have done your work, and it is up to the PAC now, to take some kind of follow up action. Is that correct?

Mr. Ali: Yes.

Mr. Chairman: Okay, I understand.

There is another matter which I want to raise. It has to do with two institutions that are kind of, in my view, connected to serious issues that arise in the society. One is the Chief Immigration Officer in the Ministry of National Security—not the person, I am talking about the office, the institution—and the other one is the Comptroller of Customs, okay? I do not have the page here, but I looked at it last night when I was going through these things. I may find it still. Under Chief Immigration Officer, it says:

> "Statements of Revenue from 16 Collectors of revenue were not produced for audit examination. Comptroller of Accounts Circular No. 15 dated August 22, 2014 is relevant. As a result, the total revenue of $43,554,545.10 and total disbursements (deposits to Treasury) of $43,517,695.10 were not verified. Non-receipt of these Statements was also reported in the prior year.
>
> A difference of $1,675,437.68 was noted between the total disbursements of"—43-whatever, and 45—"and the amount of"—45—"shown in the Treasury Statement of Revenue.
>
> As stated in the prior year, proper maintenance of subsidiary records and regular reconciliation and control information with the Comptroller of Accounts is a critical aspect of the revenue control towards mitigation of related risks. Urgent attention needs to be paid to strengthening the accounting controls..."

Now, the reason I ask is, I mean, these are revenue generating things. These are—and revenue is a big issue in this country, and the Immigration Department and the Customs Department are also at the heart of many, many issues that require police attention in this country. I want to ask, what do you recommend in relation to this? And if I can find the one with customs, I will draw it to your attention. Yeah, I have it here it is on page 79:

> "The internal audit function at the Customs and Excise Division was assessed to be weak. There was no formal policy with respect"—anyway—"High risk areas such as revenue and procurement were not included in the internal audit scope."

So what did they do, all right?

> "*Revenue control*
>
> During a visit to one outstation, computer generated revenue receipts for 2 days in May…were not presented for audit. The amounts recorded in the Cashier's Daily Summary could not be verified. Controls were therefore deficient and completeness of Revenue could not be ascertained.
>
> *Statement of Receipts and Disbursements*
>
> The total Revenue figure of"—$4 million plus—"disclosed in the Statement of Receipts and Disbursement was understated by"—so and so.

Now, some of this could just be carelessness, lack of attention or whatever it is but, I mean, does this not raise issues on the revenue side for the country, that are very important to address in a very serious way? Can you help us with this? What should we do?

Ms. Pujadas: I think as the Auditor General was just speaking to me, he was saying, well, there are a number of issues here and I think it is raised in particular at page 17, when it made reference to the internal audit, and you asked what do they do?

The internal audit function is, if you look at it there should be an internal audit function in the exchequer. It does not define what that internal audit function is. At present, many of the internal audit units in a lot of the Ministries and the

Departments, one, continue to be understaffed; two, lacks professionalism; and three, are required to do what I would call a lot of administrative things. So they are required to do, yes, check staff type functions. They are also required to do a lot of the pension and leave records, the annual pension and leave records. They are required to audit those annual pension and leave records.

So a lot of their time in a sense, a lot of their scope of work is taking up on what I would presume to be a lot more of these administrative type issues, than rather on looking at the leakages and possible breaches that can occur particularly in areas like customs, and all those revenue generating areas, because we would have—licensing is another issue.

So in a sense, it comes back to what Ms. Maharaj and Mr. Ali had spoken to earlier, about strengthening the internal audit function, because the external audit has "a function", and an internal audit has "the main function", because they are there as we managements too.

We all know that in a cash-based society, cash is something that can be easily misappropriated and, therefore, there always needs to be a greater scrutiny in terms of the collection and depositing of that cash into the Consolidated Fund at Treasury.

So, I think it comes back to looking at the whole structure and strengthening the control features, and also strengthening the internal audit function, and prescribing a proper role for the internal audit function, because at present, there is no really defined role for the internal audit. I mean, we speak back to our first report that we did way back in 1987, that continues to exist today.

Mr. Chairman: Would anybody like to ask any questions? We are at 11.58.

Mrs. Gopee-Scoon: With regard to the IDF, the Infrastructural Development Fund, do you all audit those as well, every project, or do you choose some? I just note as well, with regard to a specific project, the Whitehall restoration, that you had said that there were things that were not adequately secured and protected, antique furniture and fittings and so on. I know we are talking about big money, but these things are also important to us as a society. You said that they could not be found and those that were—things that had been there on the premises before the start of the project, you just cannot find them. Every year you go back—is that happening as well? Have these things been found? But also answer me, as with regard to the selection of the projects or do you do all of the projects under the IDF?

12.00 noon

Ms. Maharaj: Administering officers of all the funds are required to submit financial statements on the fund, how they have used the money. Those financial statements we receive by January 31. Based on our risk assessment we would choose which projects we would be looking at, but we do audit the statements and we look for material errors. They are included in the public accounts.

With respect to the Whitehall restoration. Of course, we go back, not every year, but we would go back and check whether our recommendations have been implemented, whether the assets have been secured or not. But, again we could only raise the issues and the action lies with the decision makers and the persons in place.

Mrs. Gopee-Scoon: So the fittings, the antique furniture and so on has not yet been found?

Ms. Maharaj: Well, we cannot say.

Mrs. Gopee-Scoon: That is what one of the checks has shown.

Ms. Maharaj: Yes, we have not gone back in a while to check.

Dr. Mahabir: Again, page 45, and I want to take up upon—there is an issue I want to raise subsequently and that is with respect to tagging government property. I see that seems to be a pervasive issue, but really I see on page 45—on something that the Chairman has raised on customs and excise:

> "Two vouchers totalling"—$1.5 million—that is 2.86 on page 45—"were seen to be authorised by an officer whose delegated authorisation limit was $50,000.00."

So here it is we have an officer who has a limit of $50,000, and he or she has authorized payments of $1.5 million. Something has gone wrong here. Here is someone signing a cheque. Now, my question is: who is culpable? Is it the Permanent Secretary for allowing this officer to sign cheques worth $1.5 million when the law says he has a limit of $50,000? What is the sanction for a senior officer allowing a junior officer to do something that he is not authorized to do with respect to the preparation of such expenditure documents?

Ms. Maharaj: The responsibility is that of the accounting officer, and also the follow-up or any sanctions would be that of the Minister of Finance.

Dr. Mahabir: Do you not think that there is a role here for public administration to look at? It may very well be that the accounting officer is not present and, therefore, someone has to make a payment, but really we ought to know what gave this junior officer the authority to sign these cheques in an emergency or something. Is there a scope then for public administration to ensure that there is always a documentation to protect the junior officer in case he is doing something outside what he is supposed to do?

Ms. Pujadas: Dr. Mahabir, the role of the accounting officer is pecuniarily responsible for the management and the safeguarding of the assets and, therefore, the question of authority limits have been set and those authority limits have been set by the Central Tenders Board. Therefore, the accounting officer is responsible for ensuring that he puts proper internal control procedures in place that would mitigate against these authorization limits being breached.

Again, we come back to the issue of internal audit, because if you had a proper functioning internal audit then the internal audit would have spotted this at one time and brought it to the attention of the accounting officer. But if you have the internal audit doing things that are not necessarily helping minimize the risk of leakages taking place and they are doing other activities which they are required to do, then it of course increases the risk of these sorts of things happening. So, it continues to speak to the weakness that Mr. Ali drew to your attention that there is a strong need for the internal audit function to be improved and properly formalized.

Mr. Samuel: I am glad the issue with regard to internal audit was raised, because on page 79 in your visit dealing with Customs and Excise and the Ministry of Finance and the Economy internal audit, you said that there was no evidence that staff had received formal training in internal auditing or in IT auditing or have access to sensitive data. Is this one of—from your professional standpoint—the reoccurring problems over and over? It appears if it is a reoccurring issue, nobody is taking you on. Is this one of the consistent problems that you have over the years, year in year out? In every report you have the same issue arising and you keep highlighting it and flagging it, but nothing is being done.

Mr. Ali: Well, I think the Ministry of Finance is in the process of dealing with the problem of internal audit. I think they have a consultant on board trying to see how best they can get qualified internal auditors on board. We are just waiting to hear how that process is going.

Ms. Pujadas: I also note that the Public Service Academy, while they cannot possibly do intense training, they do have that as a subject matter on their agenda and they do request Ministries and Departments to send their staff to attend these courses. But, of course, these courses are ad hoc and they are not totally continuous, but it is helping. For our own internal audit staff, for example, their exposure to that has opened their eyes and helped them to better understand what they are supposed to report and how they are supposed to report. So there is a whole holistic thing that is taking place that we hope in the near future would have a significant impact.

Mr. Chairman: A couple of things. One, what is the relationship between the Auditor General and his Department and the *Review of the Economy*? Is there any connection at all? Specifically, what I am asking is in the section here, that is section 6, Chapter 6, where you have the accounts of the Treasury and you have some very, very valuable information up to the end of the fiscal year 2014, the *Review of the Economy* would generally do a document which would be laid with the budget at the end of a fiscal year. Do they get their information before you audit the accounts that you have audited here or do you audit after they—in other words, does the documentation that they produce, is it based on part of the audited accounts that you do or do you do your audit irrespective of them, independent of them, unattached to them, et cetera, and do they then get their information from you?

Mr. Ali: Well, we do not get involved in that process with the *Review of the Economy*.

Mr. Chairman: Okay. You proceed with your work. You finish your work by April after the year under review, so the *Review of the Economy* would have the benefit of your report after it is laid in the Parliament, because they do not produce until August.

Mr. Ali: We had hoped so.

Mr. Chairman: Yes, okay. I just wanted to clarify that process because it is very important for authentication of the information. Having said that, I want to look at a couple of things, one is on page 123. It has to do with Chapter 6. Chapter 6, you see, really gives the national accounts in a way, because you deal with public debt, you deal with loans, you deal with revenue, and you have revenue compared with expenditure. So, basically, you are saying that the information you have here on page 123, for instance, would be a true and accurate reflection in Table 10 of what was the revenue for this country in 2010, 2011, 2012, 2013 and 2014, and what was the expenditure in 2010, 2011, 2012, 2013 and 2014 and what was the deficit in each of those years, and this is the accurate records of the state of the economy in each one of those years. Certainly, the state of the budgetary side of the economy in any one of those years. That is correct?

Mr. Ali: Yes.

Mr. Chairman: Thank you very much.

Mrs. Gopee-Scoon: Just going to page 66, with regard to the Ministry of Sport and Non-Profit Institutions, it is recorded here that:

> "Controls over payments under this vote"—"Non-Profit Institutions"—"continued to be weak."

So that there is a requirement that these institutions which receive financial assistance from the Ministry of Sport are required to account for expenditure in accordance with policy. It is noted here. The question I am putting to you is: what amounts are we speaking of here? Are these large sums? I want to know if it is a situation that is out of control and for which there are no checks and balances in terms of moneys extended to non-profit institutions in the Ministry of Sport.

Ms. Maharaj: What we have actually raised here is the control issue. We have not really found like real discrepancies with large sums. It may have been with various figures larger, smaller, a mix, but the controls are important to ensure that the Ministry monitors the funds that are being used for intended purposes, the purposes intended by Parliament. This is the issue we are raising here.

Mrs. Gopee-Scoon: So what you are saying is that there is no mechanism in place to ensure that the funds have been used for the purposes intended.

Ms. Maharaj: There is a mechanism. It is that the sample that we chose, we did not see implementation of that mechanism for the sample.

Mrs. Gopee-Scoon: Well, if the samples you chose did not show that the mechanism was implemented, are you not going to dig deeper?

Ms. Maharaj: Well, again, our purpose is to provide an opinion on the financial statements. The Auditor General also reports on breaches to financial regulations and instructions. That is the role of the Auditor General, to examine and report. Now, remember we have very constrained resources and we have to use risk assessment when we apply those resources. So, basically, we cannot audit 100 per cent of anything. We will always do samples, we would always do follow-ups and we would always consider these issues in our next risk assessment to see which are the areas that we need to look at further.

Mrs. Gopee-Scoon: But it is conclusive that there has been no reports submitted to the Ministry to satisfy that the expenditure was used for the purpose intended. Yes?

Ms. Maharaj: We would say there may have been reports, but we have assessed that the overall control is weak in this area and needs to be strengthened.

Mr. Chairman: Thank you very much. Are there any other questions? Do you have a question? I would try to close up now.

Mr. Mitchell: Yes. Where the Auditor General finds discrepancies under the accounting officer's charge, do you simply report it in here or do you take the further step to let us say write to the head of the public service or write to the Public Service Commission advising them of the discrepancies? Are you aware of any action taken by the head of the public service or by the Public Service Commission with respect to these discrepancies? Of course, all having regard to the accounting officer's letter that they would receive from the Ministry of Finance.

Ms. Maharaj: When we find a discrepancy, we would discuss it with the accounting officials, we would discuss it with the accounting officer and we would issue a management letter. In certain instances we may also inform the Minister of Finance or the Comptroller of Accounts, depending on the relevance of the issue and then we also report it in the Auditor General's Report for further action by the Public Accounts Committee, by the Ministry of Finance in that respect.

Mrs. Gopee-Scoon: With regard to the Ministry of the Environment and Water Resources, there is a property which was secured since 2011 in Tobago for the office of the Green Fund Executing Unit at $16,000 a month since December, 2011. I understand that this building remained unoccupied up until the time of audit. So, you are speaking of $464,000 was paid and no one occupied the building and, of course, that is in contravention of the Financial Regulation No. 34. Again, this is not the best use of public funds. What is done in a case like this to arrest it? We are going to be getting the accounts for 2015, and I would like to think we would not see another report that this building remains unoccupied and that another 16 by 12—$16,000 by 12 is being wasted again on this building. Has this been arrested?

Ms. Maharaj: Again, we may or may not have followed up on this issue in 2015, because it would have formed part of our risk assessment, but other things may have taken priority, so those questions we are yet to ask the relevant accounting officer.

Mr. Chairman: Is there an explanation for it? Are you aware?

Ms. Maharaj: I am not sure right now.

Mr. Chairman: Is there an explanation for why the building was unoccupied.

Mrs. Gopee-Scoon: And rent continues to be paid.

Ms. Maharaj: There would have been an explanation, I cannot say right now. We could get that information.

Dr. Mahabir: Thank you very much, Chairman, and I assure you this shall be my last question for this morning. Auditor General, there is a major social problem that you have highlighted, and that is on page 46, pensions and gratuities. We keep hearing anecdotal evidence and also hard evidence that citizens in the country sometimes have to wait for more than two years for their pension cheque, their gratuity cheque to be prepared and sometimes their monthly pension payments are delayed.

I see that you have some recommendations, of course internal audit, in my mind, would not solve that problem. But could you, for the benefit of the Committee and the benefit of the public, indicate what recommendations from your perspective you would make to the Comptroller of Accounts so that when an individual retires his or her gratuity cheque will be available say within 90 days of leaving the service and he will begin to collect his monthly pension forthwith? Thank you.

Mr. Ali: This problem does not start with the Comptroller of Accounts, it starts in the Ministry. If you have updated pension and leave records then it should be processed within a short period, but when you have records moving from one Ministry to the next, then the problem exists and the employee is at a risk of not getting his pension and leave records up to date and as a result this matter does exist.

Dr. Mahabir: Recommendations, we need to solve this problem. What recommendations would you make to expedite that process? Is it better communication within Ministries? Is it that there needs to be an officer, a salary officer, pension officer within each unit so that a year prior to someone leaving the service his file would be started so that when he leaves the file is completed? There must be some positive recommendations emanating, given your experience with this problem, that you could make so that we could solve this problem.

Mr. Ali: Well, computerization would be the best issue as to how to solve this problem in that if they are on the IHRIS system then it should be automatically flowing, and at the end there should not be a problem in getting that pension.

Ms. Pujadas: In terms of the IHRIS system that we have here which is the Integrated Human Resource Information System, it is our understanding, because we recently did an IT audit on it, but we are not quite finished with that yet, so I do not want to go completely into that information, but from our understanding, preliminary understanding, not all the features of that particular electronic system is in place. Now, apparently that system can accommodate even the putting out of your pension and leave records. So that your pension and leave records which is required to be updated on an annual basis by the Ministries would actually be able to be done because everything would be integrated and it would be a natural flow of process.

As it stands now, a lot of the pension and leave records—and there are particular Ministries in which this occurrence occurs—are delayed and so that by the time it reaches the Treasury—and Treasury does have a thing where they send out when it is two years close to your retirement, they issue you a letter and advise you to make sure that your pension and leave records are up to date and that they have been actually lodged. So they do actually have something in place but, however, many of the Ministries have not been able to keep up with the annual requirement of pension and leave records. So sometimes when the officer goes, a pension and leave record might be 10 years due to him, and that record actually specifies where you are supposed to be, what your salary point is supposed to be. It takes into consideration your incremental point, your promotion points, all of those sorts of things. If there is any problem with any one of those areas, that could cause a keep back because that record would now have to go back to the source Ministry to find out whether—so it is a very cumbersome system.

So, if in fact we start looking at the existing IHRIS—I do not know what is the capacity—system and looking at the features that it has and maybe on a phased basis starting to implement that system, I think maybe in the longer term we would reach where we want to reach, and that is when you retire, you receive what is due to you on the day of your retirement.

Dr. Mahabir: Thank you for that positive recommendation.

Mr. Chairman: Thank you very much. In this report you mentioned—what can I say?—certain flaws, discrepancies and bad habits. You also mentioned non-compliance and so on, but you do not, from what I can see in your writing of the report, suggest in any way that there has been fraud or misappropriation of funds or anything of that sort. Am I correct?

Ms. Maharaj: Where we see instances that there may have been fraud, we would look to see whether those instances were reported to the police and whether action has been taken in those instances.

Mr. Chairman: You have identified those in here?

Ms. Maharaj: We would identify weaknesses in internal controls that may lead to fraud.

Mr. Chairman: What do you then do when you identify them in the report?

Ms. Maharaj: Once they are referred to the Fraud Squad then we have no further action in that respect.

Mr. Chairman: Okay. But who does that?

Ms. Maharaj: In certain instances you may find that the Ministry itself or the Permanent Secretary would have reported it.

Mr. Chairman: So this is something—in the report you would flag whatever is an issue of concern, and the appropriate officer in the Ministry would then take action on this matter including referring the matter to the Fraud Squad?

Ms. Maharaj: Well, in a lot of occasions the accounting officer would have already referred the matter.

Mr. Chairman: Done so?

Ms. Maharaj: Yes.

Mr. Chairman: Okay.

Ms. Maharaj: But the majority of the issues here, we cannot say would have had any incidence of fraud or anything like that. There would just be a few instances.

Mr. Chairman: It is just a matter for clarification really to make sure that we understand what the Auditor General's accounts and the writing up of the report is about.

I want to thank you very, very much for the contribution that you have made to public education over these last two sessions. I am very, very happy to have engaged you, and I am sure that I can speak for all members here that we have found this enlightening, we found this educational, informative and I am sure that the public probably would make the same kind of assessment in addition to other things that they may think of the engagement. So I want to thank you for that.

In looking at these things, one of the things that I would raise with you which other members raised on the last occasion is that we need to have a continuing working relationship with the Auditor General's Office, both to help you to strengthen yourselves and to assist you in the areas that you need assistance and support in, but also to assist us in doing our work properly in basically playing the role of watchdog over the public funds, public accounts and public moneys of the taxpayers of Trinidad and Tobago. If we can build that relationship over time, I would be very grateful.

As I said, this has been very useful and I think very enriching. I want to thank you, Mr. Majeed Ali, Auditor General; Ms. Lorelly Pujadas, Deputy Auditor General; Ms. Gaitrie Maharaj, Assistant Auditor General; Ms. Gale Serville, Audit Executive II; Mr. Kenneth Barton, Audit Executive II; Ms. Kumari Rampual, Audit Executive I; Ms. Nicole Cockburn or is it Cockburn, Legal Officer—I know that there are two pronunciations—and Mr. Brian Caesar, Audit Assistant I. I want to thank all of you for attending.

I want to also thank my colleagues Sen. Gopee-Scoon, MP Ayanna Webster-Roy, Sen. Rodger Samuel, MP Randall Mitchell and Sen. Dhanayshar Mahabir and also Ms. Bhagaloo and Ms. Keiba Jacob who have supported us throughout this exercise. I want to thank you very, very much.

I want to thank also the members of the media for attending. We think this is an important Committee. We think that this is an important engagement of the Auditor General's Office, which I think has happened for the first time between the PAC and the Auditor General's Department and, therefore, it is historic in nature and it really sets the tone for addressing the other issues and the other entities that we are going to examine.

I also want to thank the members of the public gallery, who are present here today, for coming. You know, democracy is a very important thing that really depends on public information and public participation, citizen participation, and we thank you for being present here today.

We will now at this point suspend this session, and we will go into an in-camera session with just this group of members of the PAC. Thank you very, very much, and my congratulations on your hard work and your diligence.

Mr. Ali: Thank you very much.

12.27 p.m.: *Meeting adjourned.*