Government of the Republic of Trinidad and Tobago

MINISTRY OF FINANCE

INVESTMENTS DIVISION

OFFICE OF THE PARLIAMENT JAN 07 2022 COMMITTEES

F: (I): 1/105/33

December 28, 2021

Ms. Bridgid Mary Annisette-George
Speaker of the House
Public Accounts (Enterprises) Committee
Office of the Parliament
Parliamentary Complex
Cabildo Building
St Vincent Street
PORT OF SPAIN

Dear Ms. Annisette-George

Re: Fourth Report of the Public Accounts (Enterprises) Committee on the Examination of Audited Financial Statements of the National Information and Communication Technology Company Limited (iGovTT) for the financial years 2015 to 2019

I refer to correspondence from the Public Accounts (Enterprises) Committee, which requires the Minister with responsibility for the Ministry/Body reported on by a Joint Select Committee to present to each House, a paper responding to the recommendations/comments contained in the Report.

Attached is a written response to the recommendations raised by the PA(E)C on oversight by the Investments Division, Ministry of Finance of the National Information and Communication Technology Company Limited.

Yours sincerely

Minister of Finance

Encl. 1

PARLIAMENT RECEIVED JAN 07 2022 SPEAKER'S OFFICE TRINIDAD AND TOBAGO

Written response to the Fourth Report of the Public Accounts (Enterprises) Committee on the Examination of the Audited Financial Statements of the National Information and Communication Technology Company Limited (iGovTT) for the Financial Years 2015 to 2019

Question 1. *The MOF should develop standard operating procedures for the treatment of debts unpaid by state entities that have either been dissolved or realigned. This is a common issue this Committee has identified in many of the state enterprises this Committee has financially scrutinized. The MOF should provide a status update on the write off of bad debts to the Committee by September 6, 2021.*

Response

The Ministry of Finance has operating procedures for the treatment of debts unpaid by State entities whether or not they have either been dissolved or realigned. These procedures are accommodated in the annual budgetary process and every Minister of Finance and Call Circular advises Accounting Officers that the first claims on upcoming Year's Estimates are commitments of the previous years. Information on the reassignment of entities is published in the Gazette and the Estimates of Expenditure which provides estimates under each Head of Expenditure where allocations are further classified in accordance with the Chart of Accounts. State Enterprises should be guided by these documents to assist in the settlement of debts. State Enterprises are to communicate with their respective Line Ministry and seek assistance in recovering outstanding debts from realigned or dissolved entities. The Line Ministry is to communicate with the appropriate Head and that debts of dissolved/reassigned entities are included in that Ministry's budgetary allocations to settle the debts.

In addition to the budgeting process which includes allocations to all State entities and the responsible Ministries, whenever Government realigns Ministries/Departments, upon realignment, the Treasury Division issues a Circular informing of the accounting procedures to be followed relating to payment to and from the Business Units including the responsible Ministry/Department and also provide training to the Ministries. **Attached are copies of the Treasury Division Circular 1 of January 4, 2016.**

With respect to dissolved or realigned State Enterprises, on the receipt of a decision of Government to wind-up a State Enterprise, a Board of Directors, comprising public officials is appointed to oversee the winding-up. This Board undertakes pre-liquidating activities to settle all the liabilities of the company prior to appointing a Liquidator. The procedures for winding-up is enshrined in the Companies Act Chapter 81:01. More specifically Section 435 of the Companies Act Chapter 81:01 which advise that in the winding up of a company, there shall be paid in priority to all other debts as follows:

(a) all rates, charges, taxes, assessments or impositions, whether imposed or made by the Government or by any public authority under the provisions of any Act, and all contributions due and payable to the National Insurance Board under the National Insurance Act;

(b) all wages or salary (whether or not earned wholly or in part by way of commission or for time or piece work) of any employee, not being a director, in respect of services rendered to the company during four months next before the relevant date;

(c) all severance benefits, including terminal benefits, not exceeding the equivalent of two months' basic wages or salary, due or accruing to an employee, not being a director, whether retrenched by an employer, a receiver, a liquidator or some other person; and

(d) unless the company is being wound up voluntarily merely for the purposes of reconstruction or of amalgamation with another company, or unless the company has at the commencement of the winding up under such a contract with insurers as of the Workmen's Compensation Act, rights capable of being transferred to and vested in the workman, all amounts that in respect of any compensation or liability for compensation under the said Act accrued before the relevant date.

The Ministry ensures that all the obligations of the company is settled and that the process is transparent. The Ministry notes that as part of the liquidation exercise, the Liquidator is obligated to give Notice of the Final Meeting in the Daily Newspaper which signals that the company would be Struck Off the Companies Registry. This provides a final opportunity for creditors to recover debts from the Liquidator.

The Ministry discourages write-off of debts and notes that the write off of debts by State Enterprises are guided by robust policies established in accordance with International Financial Reporting Standards. Further, the entity must demonstrate that every effort to recover unpaid debts were made prior to seeking the approval of the Board of Directors for debt to be considered for write off.

The Ministry of Finance is cautioned that provisions for write off of debts could lead to bad decisions and the Ministry does not support or encourage such actions. In instances whereby State Enterprises have no alternatives but to write-offs, the Ministry considers it prudent for the Enterprise to inform the Minister of Finance (Corporation Sole). Such proposals are considered in the context of the mandate of the company.

To that end, the Ministry sought and in 2019, Government granted approval for iGovTT to write off $396,573.77 for outstanding sponsorship for the 2010 and 2012 ICT Symposium for various entities as well as for preliminary works completed in respect of an agreement to provide Strategic Business, Management Services to the National Schools Dietary Services Limited for 2014. The Ministry advised iGovTT to implement measures to avoid future occurrences of that nature that have the features of inflating the income of the company. This amount was written off in Fiscal 2019.

iGovTT informed that there is still outstanding debts due from the former Ministry of Science and Technology in the amount of $6,894,318.00; $194,132 from the Ministry of Gender Youth and Children Affairs and $158,060.00 the former Ministry of Justice and that the company continues to pursue recovery from the relevant entity.

Question 2. *The MOF and the MPADT should write to the Committee by September 6, 2021 to explain the reason for the shortfall in budget allocation to the iGovTT and the increased ICT department allocation to MDAs and how it intends to assist iGovTT in improving its sustainability and management of its finances.*

Response

The Ministry of Finance suggests that the Committee reserve the word "shortfall" for circumstances where a contract sum is owed but only partially paid.

The Budget should not be viewed as a contract between Ministry of Finance and Heads of Expenditure. Rather, the allocations are Estimates. As may be observed the term "Estimates" is the name that is printed on all the documents with allocations for both Revenue and Expenditure. With that understanding, the Ministry of Finance will consider a number of factors proposing allocations to the Parliament and conveying approval for Release of Funds. Proposing allocations is determined by the Fiscal Policy stance and policy on sectoral priorities as well as revenue projections. Conveying approval for the Release of Funds, after the Budget is approved by Parliament is determined by a number factors. This includes the quality of the supporting documents submitted by the Line Ministry and the revenue available the point in time.

In the case of iGovTT, the company's requests were analysed and the records revealed a substantiated amount of cash and cash equivalents over the period 2015 to 2019 in its audited Financial Statements as shown in the table below:

	2015 $	2016 $	2017 $	2018 $	2019 $
Cash and Cash Equivalents	135.4 million	133.5 million	124.2 million	114.9 million	108.8 million

The company appeared to be in a financially stable position to manage its operations with its current ratios exceeding 3 times. Further, iGovTT's cash and cash equivalents balances as at June 30, 2021 was in the sum of TT$93,641,707.89 and US$926,495.63, and the company reported Retained Earnings of $109,131.89 as at September 30, 2020.

The Committee should note that the latter part of the recommendation needs to be clarified. Ministry of Finance promotes the efficient use of resources. However, from the discussion in the Report from which the recommendation emerged, the Committee seems to be suggesting that the Ministry of Finance seek a positive correlation both the proposed allocation earmarked for iGovTT and the proposed allocations to MDA's (Section 7, P.22 of the Report). If that interpretation is correct, the Ministry of Finance humbly suggests to the Committee that budgeting for the two groups are mutually exclusive.

FM: 3/1/102

COMPTROLLER OF ACCOUNTS CIRCULAR NO. 1 DATED JANUARY 04, 2016

TO:
PERMANENT SECRETARIES AND HEADS OF DEPARTMENT

SUBJECT:

ACCOUNTING ARRANGEMENTS TO BE ADOPTED IN VIEW OF RESTRUCTURING OF MINISTRIES

Your attention is drawn to the changes to the Ministerial portfolios which were published in the Trinidad and Tobago Gazette (Extraordinary) Vol. 54 No. 97 dated September 23, 2015. These changes necessitated the abolition of ten Ministries as well as the establishment and/or the restructuring of several others.

2. Cabinet by Minute No. 59 of October 01, 2015 agreed inter alia:

a) to an interim adjustment to the Staff Establishment of Ministries in the Public Service, including the transfer of permanent and temporary positions;

b) to the transfer of the contract positions with effect from the date of the establishment of Ministries to the end of their original contract periods, on the previous terms and conditions determined by/negotiated with the Chief Personnel Officer and to be approved by the relevant Ministries; and

c) that the effective date of implementation of the staffing proposal with respect to the adjustment to the Staff Establishment referred to above coincide with the date of the passage of the 2015/2016 Appropriation Bill.

Further, Cabinet by Minute No. 452 of December 17, 2015 agreed to further adjustments to the structure of the Public Service.

3. In accordance with Gazette (Extraordinary) Vol. 54 No. 97, the changes to the Ministerial portfolios took effect from:

• Office of the Prime Minister	September 08, 2015
• Ministry of the Attorney General and Legal Affairs	September 09, 2015
• Ministry of National Security	September 09, 2015
• Other affected Ministries	September 11. 2015

However, Accounting Officers are reminded that no adjustments were made to the Appropriations for the period up to September 30, 2015 due to the cost, volume of work, effort required and the impact on the materiality of the accounts for the Financial Year (FY) 2015.

4. Ministries/Departments are advised on the impact of these changes as well as the administrative arrangements to be implemented for the transition to be effected smoothly. This Circular serves to

/2. provide .....

provide guidance on the procedures to be followed in respect of the accounts and records of the affected Ministries.

Funding

5. For Financial Year 2016 all budget allocations were done in accordance with the new structure.

Transfer of Employees

6. Accounting Officers should examine the adjustments in Cabinet Minute No. 452 of December 17, 2015 and liaise with the Director, Public Management Consulting Division (PMCD), Ministry of Public Administration if there are any discrepancies.

7. Where positions have been transferred from one Ministry to another, the surrendering Ministry must carry out the following:

a) **Establishment Positions**

Identify the persons attached to the relevant positions and forward a recommendation to the Director of Personnel Administration (DPA) for the transfer of the officers to the new/restructured Ministries with effect from October 01, 2015.

b) **Contract Positions**

Identify the persons attached to the relevant contract positions and submit a list to the receiving Ministry. This Ministry will submit a Note to the Minister for a variation of the contract to reflect the change in Ministry and remaining contract term.

Preparation of Salaries

8. It is not possible to process the payment of salaries on the IhRIS System in the absence of the necessary authorizations to transfer employees to their new Ministries.

i. Where Positions/Units/Division have been transferred from one Ministry to another, the payment of salaries/wages to employees from the beginning of the financial year 2016 must be made by the receiving Ministry. As a result the Ministry must take steps to ensure that all employees under its establishment are transferred and paid.

ii. The former Ministry must forward to the Project Manager, IGP/IhRIS Office details of all officers to be transferred, including the authority and the name of the receiving Ministry. The new Ministry must update employees year to date totals held on the IGP/IhRIS System upon acceptance of the records.

/3. iii. The IhRIS…..

iii. The IhRIS can be used to initiate the preparation of paysheets. This will have to be carried out by a designated Ministry on behalf of the new Ministry until the necessary authorities to transfer employees are in place. The Ministry responsible for payment must manually adjust the name of the Ministry on the paysheet as well as on any supporting documents, since the paysheets cannot be finalized on the System.

Transfer of Positions

9. The procedures to be carried out by the relevant Ministries after the personnel have been transferred by the DPA are as follows:

a) **The Surrendering Ministry**

- Forwards to the receiving Ministry: Salary Particulars (including year- to-date totals) of employees being transferred, together with copies of records necessary to effect salary payment such as Pay Record Cards, ledger cards etc. All documents must be sent under cover of a memorandum signed by the Accounting Officer;

- Where Ministries have ceased to exist, all original documents must be submitted to the receiving Ministry.

b) **The Receiving Ministry**

- Ensures that Salary Particulars and other relevant documents are received to facilitate the preparation of paysheets;

- Ensures that the necessary approvals for the transfer of all officers from the various Ministries are obtained before payment of salaries to employees;

- Follows up to ensure that all necessary approvals for the transfer are obtained from DPA;

- Maintains IGP Records, Pay Record Cards and supporting ledgers for all employees transferred;

- Deductions made from employees in respect of motor vehicle loans are to be credited to the Ministry's Advances Fund Sub-head and cross referenced to the previous Sub-head under which deductions were made.

Payment of Arrears (Increment, acting allowance etc.)

10. The receiving Ministry is responsible for payment of all arrears of salary/wages and related allowances. You are reminded that where allowances are to be paid to employees holding substantive positions in other Ministries, amended Salary Particulars must be requested. **Failure to observe this instruction can result in unauthorized payment/overpayment of salary and the responsible officer may be surcharged in accordance with Section 27 of the Exchequer and Audit Act, Chapter 69:01.**

/4. Transfer...

Transfer of Functions

11. Where the functions of one Ministry have been transferred to another in the form of Business Units/Departments, the Human Resource Unit of the surrendering Ministry must ensure that the Pension and Leave Records are updated and all files e.g. Registry, Personnel and Policy, relating to those Units/Divisions, are transferred to the receiving Ministry. An audited copy of the Pension and Leave Records must be sent to the Pensions Management Branch of the Treasury Division.

Changes in Ministerial Portfolios which affect Receivers of Revenue

12. Where the changes in Ministerial Portfolios affect Receivers of Revenue, the Ministry of Finance (Budget Division) should be advised by the surrendering Ministry.

Statements detailing the documents that are to be handed over

13. In all cases where records (including Personnel records) have to be surrendered, it is the responsibility of the Accounting Officers of those Ministries to ensure that these records are properly documented. Ministries are therefore required to prepare statements in quadruplicate, detailing the documents that are to be handed over. These statements are to be distributed as follows:-

- Original – Receiving Ministry together with the documents;
- Duplicate – Treasury Division (Financial Management Branch);
- Triplicate – Auditor General;
- Quadruplicate – Surrendering Ministry.

All relevant Registers must be updated to reflect the handover and takeover of documents.

Handing Over of Cheque Stock

14. In the case of unused cheque stock on hand, the surrendering Ministry must liaise with the Head of the Accounting Unit of the receiving Ministry to arrange for the transfer of cheque stock.

The process for handing over of cheque stock is as follows:

i. Prepare a transfer memorandum detailing the number of cheques and stock numbers being handed over to the receiving Ministry;

ii. The cheque stock must be verified by both Ministries in the presence of a witness (Internal Auditor) of receiving Ministry;

iii. All parties must sign the transfer memorandum certifying the transaction, and

iv. The surrendering Ministry must notify the Counterfoil Unit, Treasury Division of the transaction and attach a copy of the signed memorandum.

Handing Over of Purchase/Invoice Order Stock

15. In the case of unused Invoice Order stock on hand, the Administrative Officer of the

surrendering Ministry must liaise with the Administrative Officer of the receiving Ministry in accordance with the process outlined at paragraph 14 above.

Appropriation Accounts for the Financial Year 2015

16. Only one Appropriation Account is to be submitted for each Head of Expenditure. Appropriation Accounts are to be prepared, certified and submitted in the normal manner as guided by Comptroller of Accounts Circular No. 10 dated August 18, 2015.

17. For Ministries affected by the realignment, the Accounting Officer as at September 30, 2015 is responsible for certifying the Accounts. This includes Ministries that ceased to exist and Ministries that retained the same Head of Expenditure but whose name was changed. Where an Accounting Officer who was responsible for a Ministry as at September 30, 2015, has since been reassigned, this officer is still required to certify the Accounts.

18. In the cases described above, the Accounting Officer will sign the certificate at Section E of the Appropriation Accounts as **"Permanent Secretary as at September 30, 2015"** and date same on the day the Appropriation Account was certified.

19. Where an Accounting Officer, may have retired after September 30, 2015 the current Accounting Officer of the Ministry to which the majority of Business Units were re-assigned, will certify the Accounts.

Deposit Accounts

20. Ministries and Departments should ensure that all Deposit Accounts are in accordance with Financial Instructions 1965, Paragraphs 211-214 as amended by Minister of Finance Circular No. 7 dated November 18, 2009 which requires all Accounting Officers or Heads of Departments responsible for Deposit Accounts to prepare and submit statements, reconciling the balance on each Deposit Account.

a) The surrendering Ministries affected by the changes, must reconcile their Deposit Accounts and close off these accounts and transfer the balances to Revenue where necessary;

b) The new Ministries must request the opening of a new Deposit Account (if necessary) from the General Ledger Services Section, Treasury Division.

TD4s

21. All Accounting Officers are responsible for the timely and accurate preparation of TD4 Certificates.

a) Where officers were transferred to other Ministries:

/6. i. The information…

i. The information for the production of TD4 Certificates for the relevant period of the tax year (January 1, 2015 – September 30, 2015), is the responsibility of the surrendering Ministries, except in the case where Ministries ceased to exist, the receiving Ministry is responsible for the production of the TD4s.

ii. The information for the production of TD4 Certificates for the relevant period of the tax year (October 1, 2015 – December 31, 2015) is the responsibility of the receiving Ministries.

b) All Pay Record Cards must be reconciled with the Personnel Emolument Statement before the employees' information is forwarded to the receiving Ministries.

c) Ministries and Departments should liaise with the IGP/IhRIS office to ensure that they received the correct "year to date" figures for those employees affected by the realignment of Ministerial Portfolios.

22. **Government Payment System**

a) The Treasury Division must be notified immediately of any changes to be made on the Government Payment System.

b) Ministries must advise of the changes to the digitized signatures and these must be submitted on the prescribed form in accordance with Regulation 18 (1) of the Financial Regulations to the Exchequer and Audit Act. *It should be noted that the requirement for the signatures of the two most senior officers in the Ministry is still applicable.*

c) All replacement cheques will be done at the Treasury Division, Financial Management Branch, Level 19, Eric Williams Finance Building.

Storage of Documents

23. Accounting Officers of Ministries that are responsible for the preparation of Appropriation Accounts, arrears of salaries, TD4 Certificates etc. for surrendering Ministries are to ensure that the Accounting records are properly maintained and stored in a manner consistent with the Financial Instructions 1965. They must be available for scrutiny by the Internal Audit Units of the respective Ministries and the Auditor General's Department before being released for storage by the new Ministry. Proper documentary evidence must be kept so that these records can be accessed for future reference.

24. All Accounting Officers, Permanent Secretaries and Heads of Departments must ensure that the contents of this Circular are brought to the attention of the relevant personnel in their Ministry.

CATHERINE LABAN
COMPTROLLER OF ACCOUNTS