

April 03, 2017

**FIRST REPORT OF THE PUBLIC ACCOUNTS COMMITTEE**  
**First Session of the 11<sup>th</sup> Parliament**  
**Examination of the Report of the Auditor General on the**  
**Public Accounts for the Financial Years 2014 and 2015**  
**ISSUES AND RECOMMENDATIONS**  
**Responses from the Treasury Division**

During the examination of the Reports of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the financial years ended September 30, 2014 and September 30, 2015, the following issues were identified and recommendations proposed:

**i. The AGD's Backlog of Reports**

In 2004 and 2009 the Auditor General submitted Non-submission Reports to the Parliament, which highlighted all the entities that had failed to meet their statutory requirements of producing annual financial statements. This resulted in an influx of financial statements for several years. The already understaffed Department was further burdened with the audit of the backlog of financial statements.

The solution to this problem requires the intervention of the Public Service Commission and the Chief Personnel Officer (CPO) to hire staff with adequate qualifications and provide appropriate compensation packages to the professionals working in the Department. This will serve to boost the staff compliment and increase the productivity of the AGD. Adequate staff is imperative to ensure accountability and transparency when performing such important duties. The Public Service Commission and the Chief Personnel Officer should make the outfitting of the AGD with proper staffing a priority because the AGD's function is a critical part in ensuring accountability and transparency.

**Recommendation:**

- *The Auditor General should consult with the Public Service Commission, in accordance with section 121(1) and (8) of the Constitution of Trinidad and Tobago, to make appointments and transfers if necessary to ensure the additional staff for the AGD are obtained March 30, 2017.*
- **A letter should be sent to the Public Service Commission to reinforce this position.**

**ii. The Late Submission of Financial Information**

Audited reports are replete with incidents of financial records being submitted to the AGD after the statutory deadline. Entities were reminded of this deadline stated within the financial regulations which is January 31<sup>st</sup> of every year. The Accounting Officer is ultimately responsible for ensuring the completion and timely submission of the financial report. Emphasis must be placed by the Permanent Secretaries to ensure that they make it a priority to have financial statements ready by the deadline.

**Recommendations:**

- *The penalty for breaching the financial regulations should be increased to boost compliance with the regulations. For e.g. once a submission is more than 2 months late, the Accounting Officer could be fined \$1000 for each month thereafter.*
- *The Auditor General should liaise with the Office of the Attorney General to pursue legislative options in this regard.*

*Response*

*Penalty should be effective February 1<sup>st</sup> (immediately after the statutory deadline) to encourage compliance.*

*The Ministry of Finance is the responsible party for pursuing legislative amendments to the Exchequer and Audit Act and not the Auditor General's Department.*

**iii. Audit of State Enterprises**

State Enterprises are not by practice audited by the AGD. The Companies Act Chap. 81:1 governs the audit of State Enterprises whereas the Exchequer and Audit Act which outlines the duties of the Auditor General including his duties of conducting the audit of Ministries and Departments.

**Recommendation:**

- *The Minister of Finance in accordance with section 159 of the Companies Act, should appoint the Auditor General as an auditor of companies which would allow him to oversee the audit of State Enterprises. Through this, the Government will have greater oversight over operations of State Enterprises with regard to the allocation of state funds distributed to them.*

iv. **Common infractions observed, pertaining to the procurement of goods and services in Ministries and Departments**

The breach of regulations in the procurement of goods and services was identified as a pervasive issue in the Ministries and fifty-eight (58) Statutory Bodies under the purview of the AGD. This stemmed largely from weak internal controls.

**Recommendations:**

- *The Auditor General, should enlist the assistance of the Public Service Academy and the Comptroller of Accounts in providing training for the relevant officers in the public service to ensure that the proper procedure is followed when procuring goods and services.*
- *Improvements need to be made to the Ministry of Finance's Standard Procurement Procedures. It should be updated to ensure that value for money is observed during the procurement process and tailored to be responsive to evolving and expanding markets, and higher stakeholder expectation.*
- *To improve the procurement process serious consideration must be given to the implementation of the Public Procurement and Disposal of Public Property Act, No. 1 of 2015, as amended in 2016. A procurement regulator stands to be appointed. The AGD should ensure that the implementation of the amendments proposed for the Act operate optimally, and as intended by the legislation. With this update, the Treasury should ensure that all Accounting Officers and Procurement Units are briefed and aware of steps to be taken during the procurement process to eliminate any instances of error.*
- *Proper and effective training in alignment with the Procurement Legislation of 2015/2016 is essential.*

## Response

*The role of the Comptroller of Accounts under the Procurement Act is yet to be established.*

*Discussions are to be held with the Permanent Secretary, Ministry of Finance with respect to the responsibility for training the Procurement Units of all Ministries and Departments in the new processes.*

v. **Access to relevant information required for audit**

Limited access to relevant data, hampers the effectiveness of the Auditor General. One example highlighted to the Committee was that of the secrecy provisions of the Income Tax Act. Section 4 of the Act makes it an offence for employees at the Board of Inland Revenue to reveal information to persons not involved in the administration of the Act. This secrecy provision limits the access of the AGD to specific data which may be crucial to its investigation.

Both the AGD and Board of Inland Revenue have sought legal advice on this matter, but to date there has been no positive resolution. Nonetheless it is clear an amendment to the Income Tax Act is required to allow the Auditor General to access critical information on the collection of revenue.

**Recommendation:**

- *The Auditor General should formally write to the Attorney General in relation to the amendment of Section 4 of the Income Tax Act so that the issue can be rectified before the beginning of the 2016 audit.*
- *In the short term, however, the AGD can continue with the alternative methods currently being utilized to produce the report on revenue production.*
- *The Issue of citizen privacy v. public interest needs to be carefully balanced here.*

vi. **Storage of documents**

Appropriate storage of documents has become a challenge within the Public Service given the physical restrictions to store all documents belonging to the entity. The Ministries and Departments currently follow the Exchequer and Audit Act which does not provide for updated amenities and different or more efficient ways of storage. Even though computer technology now provides more efficient ways to maintain records and documents in electronic form, the financial regulations were crafted on a paper-based system. This requires the maintenance of records in hard copy for significant periods of time and thus adequate physical storage space.

**Recommendation:**

- *The Auditor General should liaise with the Minister of Finance on the matter of amendment of clauses 135 – 137 of the Financial Regulations Act to include the ability to store data electronically. This will greatly assist with the current issue of storage. This is a simple amendment which can be actively pursued within the next 12 months by eliminating the paper clutter while also facilitating easy access to relevant information.*

## **Response**

*The recommended amendment to Regulations 135 – 137 of the Financial Regulations to the Exchequer and Audit Act, Ch. 69:01 to include the ability to store electronic data cannot be done independently since it is aligned to the provisions of other relevant legislation such as:*

- (a) *the Electronic Transactions Act, 2011, Part VII Government and other Public Bodies which is not yet proclaimed, and*
- (b) *the Data Protection Act PART II Office of the Information Commissioner Section 9 (2) (f) which gives the Information Commissioner powers to authorize data matching by a public body or public bodies. An Information Commissioner is yet to be appointed.*

### **vii. The role of the AG in strengthening internal audit**

The effective conduct of the internal audit function within Ministries and Departments has been identified as a recurrent challenge throughout the Public Service. The role of internal audit is to provide independent assurance that an organization’s risk management, governance and internal control processes are operating effectively. The public service has been found to possess weak internal audit divisions which require training and a reevaluation of duties. With the assistance of the Treasury, proper training can be provided and adequate personnel placed in the respective positions. The Auditor General’s report clearly outlined steps to combatting the issue of Internal Audit controls. Emphasis should be placed on these steps along with more present day suggestions which will be better applicable to other facets of the issue.

#### **Recommendations:**

- *In the short term, training must be provided for the existing staff to ensure that duties can be fulfilled effectively. Internal Audit Units must expand their portfolios and audit all areas of the entity’s operations, and programmes at regular intervals.*
- *In the longer term, The Minister of Finance in conjunction with the Public*

*Service Commission should seek to establish a Central Internal Audit Authority to ensure the compliance of Internal Audit Divisions within the Public Service and to support the strengthening of internal audit units across the system.*

*Response*

*The Comptroller of Accounts is currently liaising with the Ministry of Public Administration and Communications (MPAC) in planning relevant training courses for Internal Auditors in the Public Service which the MPAC will undertake to do.*

*There are very few professionally qualified auditors in the Public Service. The Comptroller of Accounts is currently collaborating with the Chief Personnel Officer (CPO) on revised job descriptions and Director of Personnel Administration (DPA) and MPAC on relevant training to have them professionally qualified.*

*Currently not all of the Internal Audit vacancies in the Public Service have been filled. The DPA is working on having these vacancies filled so that there would be sufficient audit staff in Ministries to effectively carry out their functions at regular intervals.*

*In financial year 2015 a consultant was engaged by the Ministry of Finance to examine the robustness of the Internal Audit Function of the Public Service. The Consultant's report identified the weakness of the Internal Audit and made recommendation on the path forward which included a Central Internal Audit Unit and a revised Internal Audit Structure. The Consultant prepared an Internal Audit Charter, Draft Internal Audit Practices Guide (Manual) and Internal Audit Standards which were circulated to all Permanent Secretaries for comments.*

*The IDB loan contract for the continuation of Public Financial Management (PFM) reform was signed in December 2016 and a consultant is expected to be hired later this year by the Public Financial Management Modernization Unit (PFMMU), Ministry of Finance, to continue the Internal Audit Reform process.*

**viii. Identification of issues for Special Audit**

The Auditor General's Department (AGD) has a separate division whose sole purpose is to conduct Special Audits. The AGD will usually identify issues within entities which require further research and through this, they determine whether a special audit is needed. An analysis is performed on the issues highlighted, and based on the outcome of that analysis, a priority list is formulated. The availability of the requisite staff (numbers and capacity) can influence the decision of the AGD, to embark upon certain special audits. .

**Recommendation:**

- *By strengthening its staff compliment, the AGD will be able to execute more special audits. This will allow for detailed scrutiny of public expenditure in areas that may remain unexamined in a general audit of the Public Accounts. The AGD is encouraged to pursue proposals with the Public Service Commission to increase its staff compliment to 20 qualified persons by March 2017.*
- *The Committee will write to the Public Service Commission to reinforce this position.*

**ix. The relationship with the PAC and AGD in the scrutiny of accounts**

The PAC and AGD together perform a critical role in the financial scrutiny of the Executive. In order to strengthen financial oversight, a close relationship must be maintained between both parties. The AGD adds the technical expertise to the process and flag and highlight pertinent issues in public finances, while the PAC has the parliamentary authority and influence to pursue the implementation of recommendations to improve financial management within state entities.

**Recommendation:**

- *Through a proper communication strategy, both entities will be able to achieve greater goals through the financial scrutiny of the Executive branch and the Public Service. The Minister of Finance can provide the AGD with much needed funding to complete and execute their proposed communication plan. This communication plan should include the improvement of communication between the PAC and the AGD e.g. having weekly/monthly meetings to update each other on issues that are being dealt with or those issues where another party can assist. The communication between PAC and the AGD may not necessarily be a cost item but the AGD also needs to communicate with the Public about its work.*

**x. Issues based vs Entities based**

The AGD's scrutiny of the Executive has become more entity based instead of being issues based. Like the UK Parliament, issues based reports can give the decision makers a better idea of each entity's standpoint with regard to a specific issue instead of producing a report trying to highlight different issues within every entity. The need for expansion in the area of Value for Money was expressed in order to regularize an issues based strategy but the 1959 public financial framework does not allow for issues based reporting. The Comptroller of Accounts has started a project to replace the archaic regulations with public sector accounting standards.

**Recommendation:**

- *The Comptroller of Accounts should request the assistance of the Attorney General for the initiative to adopt Public Sector Accounting Standards. With the adoption of the Accounting Standards, entity based reporting will eventually be transformed into issues based reporting. Updated regulations will allow the work produced by the Government of Trinidad and Tobago to be in line with the international standard. This is important to ensure that the image of Trinidad and Tobago is one of an enlightened, progressive State adopting modern approaches and practice.*

*Response*

*This initiative has commenced with technical assistance missions since 2014.*

*Currently the 2014 and 2015 Financial Statements were restated by the Treasury Division in accordance with International Public Sector Accounting Standards (IPSAS) using the already published Public Accounts.*

*The IPSAS compliant Consolidated Statement of Receipts and Payments for the financial year ended September 30, 2016 will be laid in Parliament by the Honourable Minister of Finance together with the Auditor General's Report on the Public Accounts at the end of April 2017. This is a parallel run of the new IPSAS compliant statement, which is a re-statement of the statutory Exchequer Account.*

*Further, the IPSAS compliant Consolidated Statement of Receipts and Payments for the financial year ended September 30, 2017 and onwards will be included as the new presentation format of the Exchequer Account in the Public Accounts.*

**xi. Responsiveness of Ministries to recommendations**

Within each report of the AGD, recommendations are outlined to help rectify specific recurring issues in each entity. It is the responsibility of each respective entity to ensure that they adhere to each recommendation suggested and also find ways to fix each issue highlighted throughout the report. The members of the AGD, however have stated that changes are beginning to be seen and some issues are being dealt with. The constant change of Accounting Officers has caused difficulties throughout the Public Service including the hindrance of the progress of mechanisms introduced. Stability should be fostered in this area to lessen the frequent movement but when there is a change, there should be a smooth handover process where the upcoming Accounting Officer is made aware of the measures in place and will ensure that it is continued.



**Recommendation:**

- *A handover period should be introduced to train the succeeding Accounting Officer and also inform them of issues being addressed so that the work started can be continued. Aggressive monitoring and follow up should be done by the Treasury to measure the Ministry or Department's progress.*
- *The Public Service Commission and the CPO should also look at the frequent changes of the Accounting Officers and put measures in place to ensure that this becomes a more stable position with rotations/promotions in 3 year cycles. This can be made attractive by incentives for such post holders.*
- *Ministers should also take into consideration the problems shifts within Ministries and Departments cause with regard to the records and take this into account in the management of Ministries in collaboration with Permanent Secretaries.*

**Response**

*The Treasury Division will conduct a training for Accounting Officers this year.*

*Aggressive monitoring will require additional staffing to accomplish the objectives.*

**xii. Types of audits**

Definitions were provided for Financial Auditing, Compliance Auditing; Value for Money Auditing; Special Auditing; and Forensic Auditing. Compliance and Forensic auditing was not done by the AGD due to the lack of training and qualified personnel. A reason for this was the lack of incentive for persons to apply to the AGD. Payment plans should be negotiated so that properly trained persons can be properly compensated. The acquisition of trained personnel will in turn widen their scope and allow the AGD to provide more in-depth information to the decision makers of the country so they can make well-informed decisions.

**Recommendations:**

- *The Minister of Finance, the Public Service Commission and the CPO should revisit the payment plans for more skilled auditors including more competitive wages to attract them to the AGD.*
- *The Public Service Commission can also make it a priority to fill the vacancies within the AGD with qualified persons for each position.*
- *The PAC will write to the Public Service Commission to reinforce this position.*

**xiii. The auditing of the Auditor General’s Department**

In accordance with the Exchequer and Audit Act, the auditing of the AGD’s accounts should be done by the Comptroller of Accounts of the Treasury. This causes a conflict of interest because the Treasury is audited by the AGD. The regulations should be amended in an effort to rectify this issue, allowing an external auditor to audit the accounts of the AGD as a way of eliminating all bias when performing the audit.

**Recommendation:**

- *Through the amendment of the regulations by the Attorney General, the appointment of an external auditor who is not influenced by any local entities can be facilitated. It has been noted that the AGD is audited by the Treasury and based on the IAS 10 there should be a separation of powers to ensure not just accuracy of the audits but perception of the possibility of compromise. An update of the legislation must be done and changes made to ensure general autonomy. An external auditor should be hired to audit the AGD to eliminate any conflict of interest or any perception of political interference.*

**Response**

*The Treasury Division will hold discussions with the Attorney General before the end of this financial year with a view to amending the Regulations to allow an external auditor to audit the accounts of the Auditor General’s Department.*

**xiv. Identifying and Correcting Issues raised by the Public and the Whistleblower Protection Bill (Whistleblowers)**

The Whistleblower Protection Bill is an act to combat corruption and other wrongdoings by encouraging and facilitating disclosures of improper conduct in the public and private sector, to protect persons making those disclosures from detrimental action, to regulate the receiving, investigating or otherwise dealing with disclosures of improper conduct and to provide for other matters connected therewith.<sup>3</sup> It is important to encourage public participation in different areas of the Public Service. Some persons of the Public may be able to alert the AGD to issues that they may have missed during the investigations of the AGD or they may be privy to information that the AGD auditors may not. Although their submissions are welcomed, persons should also have the comfort of knowing that they can do so privately maintaining their confidentiality.

### **Recommendations:**

- *Firstly, the Attorney General should ensure that the Whistleblower Protection Bill, 2015 becomes law by years' end.*
- *Secondly, the AGD should advertise opportunities for the Public to submit issues to the AGD which will in turn help them identify problems that they may need further investigation e.g. Special Audits. The Whistleblower Protection Bill gives persons the opportunity to produce information that may potentially help improve the functioning of the Public Service and they will be able to do so safely.*

### **xv. Circumstances that infringe the independence of the AGD**

The AGD is currently attached to the Ministry of Finance who governs their activities and the Public Service Commission provides the department with staff. The AGD should be allowed to function as an entity totally separated from the State. The AGD should operate as a single, independent entity so that they can be free to perform their duties without political interference. This will allow for completely unbiased investigations and also only the AGD will fully understand their needs and they will be able to deal with them as they see fit giving them more flexibility in turn improving their productivity.

### **Recommendation:**

**The financial regulations should be amended to include the financial and human resource independence of the AGD. The Attorney General can ensure that these amendments are done so that the AGD will be able to improve their performance and also perform on the level of other Supreme Audit Institutions internationally. The amendment of these regulations will allow the AGD to stand on its own without any conflict of interest or perception of political interference.**

### **xvi. Staffing at the AGD and how it can be ameliorated**

Staffing has been highlighted as an issue within the AGD which currently operates with less than the required staff compliment. It currently seeks to fill 45 entry level positions and are also dealing with the issue of outstanding promotions. Based on the current workload of the AGD, they are severely understaffed and help has been sought from the Public Service Commission to rectify the issue. There has also been instances where there was a lack of competency of the current staff and in these areas training must be provided and qualified staff acquired eventually.

### **Recommendation:**

- *The Public Service Commission should have the additional, qualified*

*staff provided to the AGD appointed by March 31, 2017. Areas where the staff lack in competency, the AGD and the Treasury can provide the required training to strengthen the staff in weak areas as well as expand the scope of the AGD.*

**xvii. Ideal framework envisioned by the AGD to assist with the improvement of its operations**

The members of the AGD outlined the ideal framework by which they will be able to enhance their current operations. One of their main points was the need for financial and human resource autonomy which will greatly assist with the performance of their duties giving them the flexibility they need to properly outfit the Department. The need for experts to assist with various topics that the AGD may not be versed in, also the need for oversight, the Public Accounts Committee will act as the person to oversee the AGD and ensure that money is being spent wisely and accountability and transparency is observed.

**Recommendation:**

- *The Attorney General, in consultation with the Public Service Commission and the Minister of Finance, should take steps to amend the regulations to make provisions for the introduction of financial and human resource autonomy. This type of autonomy will give the AGD total control over its operations allowing them to ensure they are performing at the highest capacity.*
- *In the short term, the acquisition of additional staff and better facilities would greatly improve the operations of the AGD. Arrangements should be made with the Public Service Commission to ensure this is done by March 31, 2017.*

**xviii. Overdraft of the Exchequer Account**

In accordance with Section 18 the Exchequer and Audit Act, no limit suggested but an overdraft can be done through the advice of the Treasury. A \$31 billion overdraft was reported by the AGD which the Central Bank clarified to be a net overdraft of \$9 billion at the end of the financial year 2015. This, notwithstanding the Ministry of Finance initiative within the proposed revised legislation to prevent the country from sinking into deeper debt and future problems. Provisions should be made within the updated regulations to curb this habit and the Ministry of Finance should form ways of producing revenue to replace the money in the Exchequer account. The Central Bank provided information which indicated the amount Central Bank overdrafts each year dating back to 2006 until 2015.

**Recommendation:**

- *According to a response received from the Central Bank, authorization for these overdrafts is given by the Minister of Finance through the Treasury. More transparency should be integrated into decisions made to curb the instances of such large overdrafts. Within the updated regulations which will be introduced by the COA and soon to be adopted, limitations must be set on the amount of overdraft that should be permitted in instances which require an overdraft of the Exchequer Account.*

**Response**

*Please note that the statement about the updated regulations to be introduced by the COA and soon to be adopted is incorrect.*

*As part of Public Financial Management Reform and the introduction of the International Public Sector Accounting Standards (IPSAS) the overdraft on the Exchequer Account would be included in the relevant statement and shown in the Public Accounts of Trinidad and Tobago.*

*The Exchequer Account is the bank account for the Consolidated Fund. Section 20 of the Exchequer and Audit Act allows for a fluctuating overdraft on the Exchequer Account. The Exchequer Account is one of the accounts that make up the Consolidated Fund. There are other accounts which constitute the Consolidated Fund and therefore the overall net overdraft at the Central Bank is based on the balances (both positive and negative) of these accounts, netted off.*

*Currently there is no regulation that places a 'cap' on the overdraft of the Exchequer Account.*

*The Central Bank calculates the overdraft limit on the Consolidated Fund as 15% of the Government's Estimated Revenue for the financial year in accordance with the Central Bank Act Section 46 (2).*

*It should be noted that actual expenditure was curtailed during financial year 2016 by approximately 15.5% over the Budgeted figures, which resulted in an overall reduction of the overdraft on the Exchequer Account of \$3,784. Mn. or approximately 11% from \$33,367,515,723.84 in 2015 to \$29,583,071,135.81 in 2016.*

**xix. Cash Audit vs Accrual Basis Accounting**

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, which is prepared on a cash basis. Only two countries within the region practices accrual accounting thus far which are the Cayman Islands and Barbados. Cash basis accounting has been used by the Public Service since the adoption of the financial accounting principles in 1959 which has been noted to have many shortfalls but the switch to accrual accounting is currently being looked at and in due course should be adopted. If the move to accrual accounting is made assets will have to be properly valued and an asset base would need to be determined. The Ministry of Finance, especially including the Treasury, should do their part to speed up the process to ensure that Trinidad and Tobago performs at an internationally acceptable level and ensure a smooth transition into accrual basis accounting.

**Recommendation:**

- ***Through the assistance of the Attorney General, Ministry of Finance and the Treasury, the AGD can make its request known about the immense need for updated financial regulations to include a change from cash to accrual basis accounting. With this update we would be able to catch up to the Cayman Islands and Barbados who are currently using accrual basis accounting. This change can be factored in by December 2016 also giving time for Ministries and Departments to train Accounting Officers and others involved to ensure that records are properly maintained.***

**Response**

***It took many years for Barbados to achieve modified accrual status and the Cayman Islands to achieve full accrual status. Other countries', such as Belize, Antigua and Jamaica, progressive move to Cash Basis International Public Sector Accounting Standard (Cash Basis IPSAS) is continuing even after more than six (6) years to achieve partial compliance.***

***With support from the Inter-American Development Bank (IDB), the Public Financial Modernisation Management Unit (PFMMU) of the Ministry of Finance was established in 2012. The reform process was retarded by the absence of the Project Co-coordinator whose engagement on contract ended in 2015. He was subsequently re-engaged in December 2016 when the loan contract from the IDB was signed for the continuation of PFM reform.***

***Treasury pursued the accounting reform initiative based on training hosted by the Caribbean Regional Technical Assistance Centre (CARTAC) during 2014, 2015 and 2016.***

***Accounting Officers were informed of the introduction of Cash Basis IPSAS in July 2016 as well as in November 2016.***

***Also refer to response at question (x).***

*The introduction of Cash Basis IPSAS is a progressive move toward full accrual accounting.*

**xx. Contracts not being Produced**

For many years, contracts have not been produced for audit posing a serious issue throughout the Public Service and has been listed as a pervasive issue, has. Proper maintenance of Contract Registers need to become a priority in Ministries and Departments to ensure that proper records are being kept of contracts executed and with whom. When registers are properly maintained this will in turn make it easier for entities to provide their information on time.

**Recommendations:**

- *Accounting Officers need to put more emphasis on keeping record of executed contracts. Regular checks should be made to ensure that every contract entered into, was properly stored and accounted for within their contract registers.*
- *Proper training should also be provided by the Treasury, for persons responsible for maintaining these registers also. In the amended regulations being processed by the Attorney General, provisions will be made for the usage of electronic data instead of hard copy.*
  - i. *The electronic storage will also make it easier to be accessed, tracked and updated which will in turn prove to be a major advantage to both the entity and the AGD because information will be presented in a timely manner.*

**Response**

*The Treasury Division provides training to Ministries and Departments in the Accounting function.*

*We can collaborate with the Public Service Academy in providing training for Administrative staff whose duty it is to maintain many of these Registers.*

*The recommended amendment to Regulations 135 – 137 of the Financial Regulations to the Exchequer and Audit Act, Ch. 69:01 to include the ability to store electronic data cannot be done independently since it is aligned to the provisions of other relevant legislation such as:*

- (a) *the Electronic Transactions Act, 2011, Part VII Government and other Public Bodies which is not yet proclaimed*

- (b) *the Data Protection Act PART II Office of the Information Commissioner Section 9 (2) (f) which gives the Information Commissioner powers to authorize data matching by a public body or public bodies. An Information Commissioner is yet to be appointed*

*The format of the Contract Register will be reviewed with a view to standardisation prior to the implementation of electronic storage.*

**xxi. Challenges faced with Changes to Ministerial Portfolios**

During previous years many Ministries or Accounting Officers have shifted. Through changes in the Government it required Ministers and Permanent Secretaries to change and along with their objectives. This also posed difficulties on the auditors when they request information. The COA, acknowledging the issues being faced through the changes of Ministerial Portfolios tried to make things easier for the 2015 investigation. Progress can be continued to be made involving the cooperation of the Accounting Officers, Ministers and the COA.

**Recommendation:**

- *With changes experienced within the Public Service, persons in each Ministry or Department must ensure that proper records are maintained so that even with the constant shifts in ministerial portfolios, information and records are still easily accessible and ready for audit. Accounting Officers and Ministers, should liaise with each other to ensure that everyone is fully aware and able to achieve the mandate of each Ministry.*

**Response**

*Frequent changes to Ministerial Portfolios (which occur whenever Governments change, sometimes more than once) is not recommended. This causes many administrative challenges particularly in the movement of records for officers which can have long-term negative impact on the processing of Pensions benefits to Public Officers.*

**xxii. Documents not Produced by the Statutory Deadline**

A statutory deadline of January 31, 2015 for the submission of financial reports has been set by the Comptroller of Accounts which was stated in the Auditor General's Circular, Memorandum No. 4.



**Recommendation:**

- *The Minister of Finance should make it possible for accounting officers to be penalized for failure to adhere to the Statutory Deadline for the submission of financial statements. Accounting Officers should be made to pay a specific fine. Legislation needs to be prepared to bring this into effect.*

**Response**

*Penalty should start February 1<sup>st</sup> (immediately after the statutory deadline) to encourage compliance.*

*The Ministry of Finance is the responsible party for pursuing legislative amendments to the Exchequer and Audit Act and not the Auditor General.*

**xxiii. Non-Compliance with Financial Instructions/Regulations**

Some Accounting Officers that were not carrying out their duties in accordance with the financial regulations were identified. The Exchequer and Audit Act should be observed throughout carrying out all financial obligation within the Public Service and these standards were not met. Transactions were made/approved that were not in accordance with the Financial Regulations. Accounting Officers (AO) should be properly trained with the execution of their duties in accordance to the Financial Instructions/Regulations.

**Recommendations:**

- *The AGD or the Treasury should lend assistance to officers to ensure that all regulations are adhered to and understood in an attempt to minimize any mistakes. Purposeful non-adherence to the regulations should be punishable by law, making each AO legally responsible for any discrepancy observed.*
- *Training sessions should be organized by March 2017 for all Accounting Officers to assist with any areas of concern and to ensure that issues that may be recurring thus far are not repeated in the future.*

**Response**

*Training of Accounting Officers was done in 2015. Another training will be held this year.*

**xxiv. Lease Agreements not produced**

Lease agreements were not produced for properties being leased and the non-occupation of specific buildings.

**Recommendations:**

- *Since it has been indicated that the issue originated with the Property and Real Estate Division, proper communication should be maintained between the Property and Real Estate Division and the respective Ministries.*
- *In cases where there is a shortage of funding this should be indicated to the Ministry of Finance so that additional funding will be given and the appropriate approval received before proceeding with the lease agreement.*

**xxv. Contract Employment**

Contract Employment was originally introduced in an effort to rectify a vacancy issue which was rampant in the year 2000. Throughout the years a steady increase has been observed throughout the Public Service. Although it was initially intended to be a temporary solution to a prevalent problem, some persons are being left on contract for as long as 15 years.

**Recommendation:**

- *The Public Service architecture and structure has to be rethought and redesigned. Trinidad and Tobago needs a Public Service system and structure that can support creativity, competitiveness and sustainable development in an ever changing 21<sup>st</sup> century world. Within such a framework the issue of public service appointees and contract workers can be rationalized differently.*

**xxvi. Errors and Omissions within the Appropriation Accounts**

Errors and omissions were noted within the appropriation accounts by the AGD was asked to explain the difference between an error and fraud.

**Recommendation:**

- *Adequate training must be provided by the Treasury to the responsible Accounting Officers to ensure instances of errors or omissions are drastically reduced. Accounting Officers should be*

*instructed that Appropriation Accounts be prepared without mistakes and given the training, tools and staff to allow them to comply.*

#### **Response**

*Training in Expenditure Reconciliation (which identifies errors and omissions in the financial statements) was provided to Ministries and Departments in 2016 and continues to be provided on a one on one basis. However, frequent staff turnover at the Ministries poses a challenge in retaining the knowledge base.*

#### **xxvii. Unresolved Issues**

Through the Report of the Public Accounts particular issues are highlighted within each entity. There have been cases where the issues highlighted return under the same entity indicating that the issues may not have been resolved. Instances where issues outlined by the AGD are not addressed by the respective entity. Monitoring and evaluation should take place to keep abreast of the progress of particular entities and their attempts to rectify issues. Accounting Officers should make it a priority to ensure that issues highlighted are dealt with and progress should be seen in every following report.

#### **Recommendation:**

- *The responsibility would be on the Ministers and the relevant Accounting Officers to ensure that each issue outlined is dealt with as soon as possible once the resources available permit. The Treasury's Monitoring and Evaluation Unit can keep a close check on Ministries and Departments with recurring issues and proper action should be taken. Management Letters can be issued or penalties can be introduced so that if an entity has an issue recurring within more than two (2) reports, they will be required to pay a fine.*

#### **Response**

*The Financial Management Branch of the Treasury is responsible for Systems Audit of Ministries and Departments to determine the effectiveness of the Internal Controls and issues Management Letters highlighting weaknesses and recommendations. Follow up surveys are usually conducted every 6 months.*

*However, for more aggressive monitoring and evaluation, additional staffing will be required.*

#### **xxviii. Powers of the Auditor General**

The duties and powers of the Auditor General are outlined in Part III of the Exchequer and Audit Act which is currently used as a guideline for the

performance of his duties. The Auditor General is only able to report on his findings but cannot force entities to adhere to his advice or comply with terms that may be set out.

**Recommendation:**

- *Greater influence should be afforded to the AGD to make the work done more effective throughout the Public Service. The work of the AGD should have a legal aspect to it which will force entities to implement their recommendations and comply with their requests during audits. Entities need to understand that there can be repercussions for their failure to cooperate. Even though they are currently able to exercise their powers indicated within the Exchequer and Audit Act, with the amendments to be made by the Attorney General this can also be factored into the updated regulations. The Auditor General needs to be able to enforce compliance by Government institutions under its jurisdiction rather than report recurring issues in its reports year after year.*

**xxix. Audit of Overseas Missions**

The audits of Overseas Missions are conducted on a rotational basis, which results in audits being conducted at each mission approximately every three years. The Auditor General reported a delay in the Cabinet approval for the Official Overseas Travel required for the audit of Overseas Missions.

**Recommendation:**

- *The Public Service Commission can provide the AGD with staff to create a unit dedicated to overseas missions solely to the audit of overseas departments. Annual checks should be made to ensure there is transparency and accountability where the money allocated to these departments from the Government is concerned. Provision should also be made to ensure adequate resources can be afforded to the AGD to facilitate these travels.*

**xxx. Overpayments**

Overpayments pertaining to salaries has been a problem identified and investigated within entities under the AGD's purview.

**Recommendations:**

- *Ministries and Departments need to have stringent checks which will*

*closely monitor overpayments. Monthly checks should be performed by the entity's accounting department so that there can be early detection of overpayments and it can be dealt with immediately.*

- i. Steps can be implemented to ensure that repayments can be collected within two (2) months after the overpayment has been discovered. The amount and the date of the overpayment should be available and the person involved should be notified and arrangements made for the recovery of the funds.*
- ii. An effective automated system with effective Human Resource disclosure will minimize the opportunities for errors.*

### *Response*

*The main reasons for overpayments are as follows:*

- (a) Late receipt and non-receipt by Accounting Units of notifications of resignation, transfer, termination of employment, no-pay leave, maternity leave etc. of officers;*
- (b) Incorrect adjustments of incremental points;*
- (c) Incorrect calculation of salary payable;*
- (d) Officers employed in one position and erroneously paid in a higher post;*
- (e) Lack of co-ordination between the Personnel and the Payroll Section in respect of changes in salary;*
- (f) Failure of certifying officers to carry out the due checks in the performance of their duties.*
- (g) Failure to prepare and submit to the Accounting Unit in time the necessary Returns of Personnel, and*
- (h) Payment for extension of sick leave which is subsequently classified by the Chief Personnel Officer as no-pay/half-pay leave.*

*Several instances of overpayments arise as a consequence of the failure of the Human Resource Section to communicate payroll information promptly to the Accounting Unit. Closer liaison is therefore needed between the Human Resource Section and the Accounting Unit of Ministries/Departments. Further, from the reasons stated above, it is clear that CPO and DPA will also play a crucial role in seeking to address the problem.*

- It is agreed that overpayments should be recovered in the least possible timeframe. However, Financial Regulations 85 provides for agreement on the terms of repayment. The period for recovery must take in to account the quantum of overpayments.*

- *With full and proper use of the existing Integrated Human Resource Information System by HR units, the number of overpayments will be curtailed.*

**xxxii. Cases of Theft or Lost Items**

Theft and the loss of items has been an issue within the Ministries and Departments but solutions are being sought to help formulate an efficient plan for the retrieval of these items.

**Recommendation:**

- *The Administration Unit can make proper checks throughout Ministries and also keep an updated log of the items in the Ministry. Proper surveillance throughout Ministries and Departments will also assist with the recovery of stolen items.*

**xxxiii. Breaches of the Financial Regulations**

The financial regulations form the basis by which institutions operate efficiently and effectively and it has been found that many entities have not be operating in accordance with the set financial regulations.

**Recommendation:**

- *A letter notifying the individual about each mishap should be issued, but depending on how many regulations breached, a penalty can be introduced for each breach.*

**xxxiiii. Problems within Revenue Generating Divisions**

Revenue generating divisions should be placed as pinnacle importance they monitor the finances accumulated by the country but proper records are not being maintained within these departments.

**Recommendation:**

- *Training must be provided by the Public Service Academy for the Immigration Division and the Customs and Exercise Division in each division's weak points. This training should be provided by March 2017 to ensure that the country's revenue is properly maintained and every dollar is accurately managed.*

## *Response*

*Training was conducted by the Treasury Division for Revenue Generating Units of Ministries and Departments in 2015 and the Immigration Department in 2016. We will liaise with the Public Service Academy in continuing to provide training.*

### **xxxiv. Infrastructure Development Fund Projects**

Money allocated under Infrastructure Development Fund should be monitored and the process by which this is done by the AGD was under question and the entities' accountability for money spent for each project.

#### **Recommendation:**

- *Monitoring and Evaluation Units need to closely monitor every project under the Infrastructure Development Fund. Value for money should be ensured in every decision and every project which is chosen to be done. When this is done projects will finish within the given time and also it will decrease the funds and time wasted.*
- *Ministries and Departments should perform a SWOT analysis before proposing certain projects keeping their objectives in mind and only those that will enhance the performance of their duties will remain a focus.*
- *The PSIP Unit of the Ministry of Planning and Development needs to rationalize and enforce a policy of development projects only which can be properly monitored and evaluated for results.*

### **xxxv. Authorization of Officers**

Each officer on different levels are given specific guidelines governing the extent of their influence and decisions they are able to influence. The authorization of payments beyond the level of the specific officer is prohibited. Officers should be informed of their duties to prevent any situations being reported again.

#### **Recommendation:**

- *Each officer needs to be informed of the terms and conditions of their employment in specific positions. This should be done to ensure that there is no misunderstanding with the performance of roles. When any officer operates out of his/her jurisdiction, the person will be penalized accordingly.*

## *Response*

*With respect to officers in the Civil Service the Permanent Secretary must delegate in writing the authorized limits of expenditure for specified officers. The Sub-Accounting and the Accounting Units must keep this information on file to be referenced in the processing of payments.*

## **xxxvi. Internal Audit**

Internal Audit has been identified as an ongoing problem of major concern within the Public Service and many solutions are being sought to rectify the issue.

### **Recommendation:**

- *Training sessions should be held by the Treasury and also adequately qualified persons should be hired by the Public Service Commission to perform the duties of the Internal Audit Unit appropriately. The Public Service Commission should carefully screen persons who will be hired for the specific jobs to eliminate the possibility of inadequate persons being hired for these positions.*

## *Response*

*The Comptroller of Accounts is currently liaising with the Ministry of Public Administration and Communications (MPAC) in planning relevant training courses for Internal Auditors in the Public Service which the MPAC will undertake to do.*

*There are very few professionally qualified auditors in the Public Service. The Comptroller of Accounts is currently collaborating with the Chief Personnel Officer (CPO) on revised job descriptions and Director of Personnel Administration (DPA) and MPAC on relevant training to have them professionally qualified.*

*In financial year 2015 a consultant was engaged by the Ministry of Finance to examine the robustness of the Internal Audit Function of the Public Service. The Consultant's report identified the weakness of the Internal Audit and made recommendation on the path forward which included a Central Internal Audit Unit and a revised Internal Audit Structure. The Consultant prepared an Internal Audit Charter, Draft Internal Audit Practices Guide (Manual) and Internal Audit Standards which were circulated to all Permanent Secretaries for comments.*

*The IDB loan contract for the continuation of Public Financial Management (PFM)*



*reform was signed in December 2016 and a consultant is expected to be hired later this year by the Public Financial Management Modernization Unit (PFMMU), Ministry of Finance, to continue the Internal Audit Reform process.*

**xxxvii. Non-Profit Organizations**

Non-profit organizations are set up to mostly to perform duties that are mostly focused on the welfare of a specific group without expecting a profit. These organizations are sometimes funded by the Government which means they should be able to be accountable for the funds expended.

**Recommendation:**

- *A closer relationship should be maintained between the Head Ministry and the Non-Profit Organizations under its purview. Checks should be done to ensure that their expenditure is in line with the purpose of the organization and also the funds are allocated appropriately.*

**xxxviii. Pension and Gratuities**

Pension and gratuity is usually afforded to public servants after their years of service. Problems have been identified based on the relevant Ministries and Departments' inability to pay former employees their pension or gratuity in a timely manner.

**Recommendation:**

- *Proper records should be maintained by the respective Ministries and Departments to ensure timely submission to shorten the time persons wait for their payment. Ideally, pensions and gratuity should be available to persons within a maximum of six (6) months.*
- *Operationalization of an effective automated system can resolve a lot of these issues.*

**Response**

*Accounting Officers were requested to delegate a liaison officer on pension matters in February 2017. This point of contact would assist in resolving queries in a timelier manner. Responses have been received to date from 22 Ministries/Departments.*

*A Meeting is being scheduled for the month of April 2017 to sensitize Accounting Officers on the issues experienced by the Pensions Management Branch with respect to submitted documents, which result in delays in the processing of pensions and gratuities.*

**xxxix. Recommendations to improve the efficiency of the AGD**

It is acknowledge that the AGD is consistent in its effort to fulfill its constitutional mandate. However, there are areas where improvements can be made with the assistance of other state agencies. The following were identified by the AGD as the areas of support required in improving the efficiency of the Department:

**Recommendations:**

- a. the Comptroller of Accounts should request the assistance of the Attorney General for her initiative to adopt Public Sector Accounting Standards;*

*See Response to x. above*

- b. Ministries and Departments with the assistance of the Treasury and the AGD, should strengthen Internal Audit function;*

*See Responses to vii. and xxxvi. above*

- c. an Integrated Financial System to be introduced by the Comptroller of Accounts;*

*The IDB loan contract for the continuation of PFM reform was signed in December 2016. The co-ordinator of the Public Financial Management Modernization Unit (PFMMU) was since hired. The Request for Proposal (RFP) for the IFMIS is expected to be sent out in June 2017. Expressions of Interest have been evaluated and the Report is currently being sent to the IDB for their non-objection and to the Central Tenders Board.*

- d. the Chief Personnel Officer can help speed up the process for the acquisition of adequate accounting staff and training throughout the Public Service; and*

- e. the Chief Personnel Officer can also assist in the introduction of performance indicators and implement ways to monitor and report on these performance indicators, which would better assist with the production of value for money type special audits. This will be done to show whether Ministries and Departments are achieving what they set out to achieve with the funds that they have received from Parliament.*

- f. The Public Service Commission need to respond in a more proactive way to the Human Resource needs of a modern Auditor General's Department in the current context.*

- g. The Auditor General's Department needs to be given autonomy and authority through appropriate arrangements to guarantee financial*

*independence and independent recruitment of technically competent personnel. The Auditor General must be given the legislative basis not only for financial and human resource independence but also for enforcement of compliance by offending Government entities.*

## **PAC**

The Public Accounts Committee has written to all entities under the jurisdiction of the Auditor General's Department who have outstanding accounts to be submitted to the Auditor General Department to immediately comply with their obligations to the AGD by submitting all outstanding accounts and bringing them up to date.