



Government of the Republic of Trinidad and Tobago

MINISTRY OF FINANCE

INVESTMENTS DIVISION

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



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**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.