



Government of the Republic of Trinidad and Tobago  
**MINISTRY OF FINANCE**

OFFICE OF THE PERMANENT SECRETARY

**MF: DPS 1/2/2**

April 11, 2017

Ms. Jacqui Sampson-Meiguel  
Clerk of the House  
Parliament  
Level G-8, Tower D  
The Port of Spain International Waterfront Centre  
1A Wrightson Road  
Port of Spain

Dear Ms. Sampson-Meiguel

**Re: Sixth Report of the Public Accounts Committee (PAC) on the examination of the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the financial years 2014 and 2015 with specific reference to the Ministry of Finance**


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Reference is made to your letter dated March 22, 2017 wherein you requested comments on the Issues and Recommendations in the Sixth Report of the PAC based on the Auditor General Reports on the Public Accounts for financial years ended 2014 and 2015.

**Question 1**

**The Implementation of Integrated Financial Management Information System (IFMIS)**

The current outdated financial system continues to be ineffective and plagued by inefficiency thus allowing corrupt practices to easily occur. The IFMIS programme would play an important role in fighting corruption in our public finance system by promoting greater comprehensiveness and transparency of information across government institutions. The MOF indicated that a loan agreement with the Inter-American Development Bank (IDB) had been agreed to in March 2016.

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**Recommendation:** The MOF should continue to make strides in the implementation of the IFMIS. There must be “clear commitment of the relevant authorities to financial reform objectives, ICT readiness, sound project design, a phased approach to implementation, project management capability, as well as adequate resources and human resource capacity allocated to the project.

**Response:**

**A. Clear commitment/adequate resources/HR Capacity/Project Management:** This is evidenced by an IDB loan which was signed in December 2016 which secures adequate resources, the staffing of the Project Unit in the Ministry of Finance (PFMMU) to hire of long and short term consultants to meet expected operational needs of the project. Also, the demand in the Request for Proposal for the IFMIS, that the vendor has to establish a Project Team to be located domestically for the duration of implementation period, to work together with the PFMMU on overall implementation.

**B. ICT readiness:** The preparation of the defined set of Technical Specification in the RFP, based on leveraging current systems with any potential new software/hardware systems that an IFMIS may bring.

**C. Phased approach:** There must be a phased approach. The system has to be tested at each stage, beginning with initial testing of hardware and software with test data, then tested within pilots, and only after all acceptance tests in the pilots have been satisfactorily completed, will the system then be rolled-out to individual ministries, with acceptance tests at the end of each specific roll out. The overall system will only be introduced and made fully functional, when all the functional modules are in place and all final acceptance tests are completed.

**Question 2**

**Relationship between the MOF and the Auditor General’s Department (AGD)**

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 accuracy of the audits. 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 the conflict of interest.

**Response:**

The Ministry of Finance will pursue amendments to the Regulations with the Office of the Attorney General

**Question 3**

**Non-Adherence to Financial Instructions and Regulations**

According to the 2014 and 2015 Auditor General Reports, the Inland Revenue Division, Customs and Excise Division and Comptroller of Accounts had difficulty in adhering to financial Instructions and Regulations. It was highlighted that the majority of these non-adherences are as a result of persons in particular positions not adequately carrying out their duties or making errors in such.

**Recommendations: The MOF and all its Divisions should take the necessary steps to be more proactive in ensuring that they discharge their duties more effectively and efficiently. For example, in the Departments where the most issues arise, the various managers can have briefing sessions with employees so that they know exactly what are their roles and functions.**

**Response:**

Briefing sessions were held in February 2016 with accounting staff of the Treasury Division and subsequent in-house training. There is also on the job training by supervisors of all three (3) Divisions. Desk manuals have been created to compliment on the job training. Further, constant supervision, monitoring and coaching of staff is ongoing in the Ministry.

**Question 4**

**Poor Internal Audit function at the Inland Revenue and Customs and Excise Division**

The Internal Audit function is an important mechanism in assuring that there is accountability and transparency in organizations. According to the Auditor General Reports 2014 and 2015, the Inland Revenue and Customs and Excise Divisions showed little signs of internal audit checks. This is particularly worrisome seeing that the MOF is supposed to be the "Model Ministry" and also sets the financial accounting standard for the entire public service. The MOF did indicate that the internal audit departments have vacancies and some persons who are involved in internal audit may not have the necessary qualifications.

**Recommendations: The Inland Revenue and Customs and Excise Divisions and by extension the MOF, should conduct training sessions with the staff engaged in internal audit so as to better**

**equip them for the task. The MOF should also take the appropriate steps to equip the internal audit departments in all its divisions with the requisite number of qualified staff.**

**Response:**

The Internal Audit Units have their full complement of staff. However, given the scope of work that is required the current level of staffing and skill set is inadequate. A Note for Cabinet is proposed to create one post of Auditor II at the IRD. The Customs and Excise Division is in the process of reviewing their structure.

In financial year 2015, the Ministry of Finance engaged a consultant 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 recommendations on the path forward which included a revised Internal Audit. Structure. The Consultant prepared an Internal Audit Charter, Draft Internal Audit Practice 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 will be hired by September this year to continue the Internal Audit Reform process.

Also, the Comptroller of Accounts is currently liaising with the Ministry of Public Administration and Communications (MPAC) in planning relevant training courses for all Internal Auditors in the Public Service. There are very few professionally qualified auditors in the Public Service. The Comptroller of Accounts is also liaising with the Chief Personnel Officer (CPO) on revised job descriptions and the Director of Personnel Administration (DPA) and MPAC on relevant training to have persons professionally qualified.

**Question 5**

**Overdraft of Exchequer Account**

The Exchequer Account is the bank account for the Consolidated Fund. The Account has been in overdraft since fiscal 2003. The Exchequer Account is in overdraft of approximately TT\$33 Billion. However, this overdraft is not included in the public debt of Trinidad and Tobago notwithstanding the fact that it is a loan that generates an interest rate which government has to repay.

**Recommendation: According to a response received from the Central Bank, authorization for these overdrafts are 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 and instances which require an overdraft of the Exchequer Account.**

**Response:**

Section 20 of the Exchequer and Audit Act Chapter 69: 01 allows for a fluctuating overdraft on the Exchequer Account. Further, Section 46 (2) of the Central Bank Act allows the Bank to provide an overdraft facility to Government up to 15% of the Government's Estimated Revenue for each financial year.

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.

**Question 6****Overpayments**

The Committee recognizes that overpayments continue to be a pervasive issue. These leakages of public funds have other spill off effects. According to the Auditor General, as a result of overpayments, resources are spent on accounting, recovery, reporting and auditing as well as, at times, emotional factors involved in the recovery process. The Ministry of Finance informed the Committee that sometimes the terms and conditions of employees are determined after the contract has expired, Ministries and Departments submit late, incomplete and inaccurate information to the

Pension Branch. In financial years 2014 and 2015, overpayments totaled approximately TT\$54.4 Million while approximately TT\$34 Million (or 62%) was recovered.

**Recommendation:** 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. 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.

**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;
- (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 the overpayment.

**Question 7****Pensions and Gratuities**

The Committee noted that there is a major delay in the amount of time it takes for persons to receive their pension. According to the 2015 report of the Auditor General, there were delays by Ministries and Departments in responding or addressing queries promptly and Pension and Leave records were not signed or stamped by an authorized officer and/or not certified by Internal Audit.

**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.

**Response:**

In February 2017, Accounting Officers were requested to identify a liaison officer to work with the Treasury Division on pension matters. This point of contact would assist in resolving all pension queries in a timelier manner. To date, responses have been received from 22 Ministries/Departments. A meeting is scheduled in April 20, 2017 to sensitize Accounting Officers on the issues experienced by the Pensions Management Branch with respect to submissions, which result in delays in the processing of pensions and gratuities.

IGP/IHRIS

**Question 8**

**Secrecy Provisions of Board of Inland Revenue**

Limited access to relevant data, hampers the effectiveness of the Auditor General's Department (AGD). 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 with the AGD indicating to the Committee that the Attorney General has given his assurance that he will look into an amendment for the Income Tax Act.

**Recommendation: The Ministry of Finance should liaise with the Office of the Attorney General to develop an amendment to the Income Tax Act which would allow the Auditor General to access relevant data and thereby carry out a more accurate audit of the public accounts of Trinidad and Tobago. One notes the need to balance privacy rights and public interest.**

**Response:**

The Auditor General currently has access to all financial statements presented by the BIR that do not include taxpayer names.

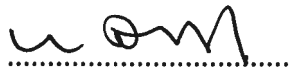
- Statement of Receipts and Disbursement
- Green Fund Levy
- Return of Arrears of Revenue

Specific reports are also generated upon request by Auditor General's Department. The collection of taxes is based on voluntary compliance. Taxpayers may have security concerns in filing returns as a result of any disclosure of personal information knowing that it may be in the public domain (as would the Auditor General's Report); which would impact the collection of taxes.

The Ministry of Finance will engage in stakeholder consultations with a view to amending Section 4 of the Income Tax Act.

Should you need additional information, please contact me.

Respectfully

A handwritten signature in black ink, consisting of a series of loops and a final vertical stroke, positioned above a horizontal dotted line.

Permanent Secretary