

# Ministry of Community Development, Culture and the Arts (MCDCA)

## Audit of NCBA operations - Final report

13 April 2018





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# 1. Introduction

## 1.1 Background

## 1.2 Scope of work and approach

The Ministry of Community Development, Culture and the Arts (MCDCA) engaged Ernst & Young Services Limited (EY), by Agreement Letter, and Statement of Work dated 7 June 2017 (SOW #3), to conduct reviews of the three special interest groups, including the National Carnival Bands Association (“NCBA” or “the Association”), in the following areas, for the period October 2013 to September 2016:

- Governance and Executive oversight
- Internal control environment
- Executive recruitment and compensation
- Analysis of revenue and expenditure

Our approach on this engagement was completed in the following phases:

### Phase I - Identify

- Refined planning activities
- Identified a project sponsor and key points of contact
- Agreed on project objectives, scope and schedule
- Agreed on communication and engagement protocols

### Phase II - Diagnose

- Held discussions with the following key personnel to obtain an overall understanding of NCBA's major operational and administrative processes.

Name	Job title
David Lopez	President
Nicole Scott	Accounting Clerk
Wrenwick Brown	Secretary
Nigel Chinapoo	Rolley Holdings Limited
Mark Superville	PKF Chartered Accountants & Business Advisors

Table 1 - NCBA's key personnel interviewed





Obtained and reviewed the following documents pertaining to the areas under review:

Category	Items reviewed
Governance	<ul style="list-style-type: none"> <li>▼ NCBA Constitution (also referred to as "the Constitution" within this report)</li> <li>▼ Cabinet minute No. 2007-8/7/97</li> <li>▼ NCBA Act of Parliament No. 27 of 2007</li> <li>▼ Executive Committee (Board) meeting minutes (2013 - 2016)</li> <li>▼ Parade of the Bands Committee meeting minutes (2013 - 2015)</li> <li>▼ Annual General Meeting minutes (2014 - 2015)</li> <li>▼ Specific vendor contracts</li> <li>▼ NCBA marketing initiatives (2013)</li> <li>▼ Strategic Plan Retreat Report (2014 - 2017)</li> </ul>
Internal Policies & Procedures	<ul style="list-style-type: none"> <li>▼ Draft Accounting Policy and Procedure Manual (Version 1)</li> <li>▼ Rules and Regulations (all categories of bands) (2014 - 2015)</li> </ul>
Human resources	<ul style="list-style-type: none"> <li>▼ Employee files, including job descriptions, offer letters and resumes</li> <li>▼ Organizational charts (Head Office and Mas Academy)</li> </ul>
Finance	<ul style="list-style-type: none"> <li>▼ Audited Financial Statements (2013 - 2014)</li> <li>▼ Budgets (2013 - 2016)</li> <li>▼ Signatory listing for RBL account</li> <li>▼ Bank statements for RBL account (2013 - 2016)</li> <li>▼ Receipt books (2014 - 2016)</li> <li>▼ Revenue supporting documentation (2013 - 2016)</li> <li>▼ Deposit books (2013 - 2016)</li> <li>▼ Expenditure supporting documentation (2013 - 2016)</li> <li>▼ ACH payroll documentation (2013 - 2016)</li> <li>▼ Executive and staff monthly remuneration files (2013 - 2016)</li> <li>▼ Reports from Sage: General Ledger, cheque log; Invoice Receipt Report (2013 - 2016)</li> <li>▼ Carnival prize listings (Juniors and seniors) (2013 - 2015)</li> <li>▼ PKF Management Letter (2014)</li> </ul>

Table 2 - NCBA documents reviewed

### **Governance and Executive Oversight**

- Reviewed NCBA's key governance guidelines, such as the Act and the Constitution to understand and evaluate NCBA's existing governance framework
- Reviewed the minutes of the Executive Committee (Board) to identify significant issues and key decisions
- Requested available formal complaints received from members in order to assess NCBA's responses in terms of transparency, consistency and impartiality



## **Executive recruitment and compensation**

- Reviewed the available human resource documentation in relation to key Executive Board members to:
  - Validate that members were recruited in accordance with the established policies, procedures, guidelines and applicable legislation
  - Validate that payments were issued in accordance with their respective contractual agreements
  - Validate that contracts and job descriptions were aligned to the entity's Constitution and Rules
  - Identify any potential gaps between the resumes and qualifications of members and the requirements of the role
  - Identify any potential conflicts of interest or related party affiliations

## **Analysis of revenue and expenditure**

- Obtained manual and electronic source data in relation to all revenue and expenditure over the period October 2013 to September 2016
- Performed data analytics on electronic source data obtained for the period under review to identify the following:
  - Sources of revenue
  - Expenditure categories
  - Purpose of expenditure
  - Trends, anomalies and indicators that will inform the areas for further review
- Based on our data analytics, we selected a sample of revenue and expenditure transactions for further in-depth review and testing
- Conducted vendor searches and performed other investigative techniques to identify any suppliers that were potentially related or affiliated to Executive Board members or other key officers
- Identified and documented any anomalies, irregular transactions or policy breaches observed during our review

## **Internal control environment**

- Evaluated the key processes under review in order to:
  - Identify and document any weaknesses or gaps within the control design of the processes reviewed
  - Validate that the accounting policies and procedures are aligned to the applicable accounting standards and identify any deviations
  - Validate, on a sample basis, that key reconciliations, accruals and prepayments were completed and approved in accordance with established guidelines and conducted in a timely manner
- Reviewed available audit reports and Management Letters to verify that requisite changes were made based on the issues and concerns identified by the auditors
- Developed high-level recommendations to mitigate the major control risks identified during our review



## 2. Limitations

This report is intended solely for the information and use by the Ministry of Community Development, Culture and the Arts (MCDCA) and is not intended to be and should not be used by anyone other than these specified parties. EY therefore assumes no responsibility to any other user of the report. Any other persons who choose to rely on our report do so entirely at their own risk.

In conducting this engagement, we have relied on both the documented evidence provided and the verbal statements made by the MCDCA and National Carnival Bands Association (NCBA) Management and staff. We wish to point out that while we have relied on representations made by the Management and staff, the persons interviewed are solely responsible for the integrity of their responses to our enquiries.

During this review, we relied on the system information extracted from NCBA's financial system, Sage; however, we noted that several key transactions have not been entered into the system to date, as NCBA is in the process of updating its accounts, and, therefore, we cannot confirm the accuracy and completeness of the information provided.

As at the date of our report, a number of key documents requested during the course of our review are still outstanding. This has limited our ability to conclude on our observation/findings in some areas (these are further discussed in the 'Detailed findings' section of our report). Specifically, the following documentation is still outstanding for our review:

- Financial data sets, including adjustments, from Rolley Holdings to supplement/support the NCBA financial data received to date
- Bank reconciliations for fiscal years 2014 to 2016
- P&L data for fiscal years 2014 to 2016
- San Fernando receipt reports
- Updated employee listing

Following the unauthorized publication of media articles in relation to the NCBA draft audit report on 22 and 23 October 2017, the NCBA wrote to the MCDCA Permanent Secretary, Ms. Angela Edwards, on 20 February 2018 stating:

*"In light of the aforementioned (media articles), legal letters have been dispatched to various parties including the Ministry of Community Development, Culture and the Arts dated November 2 2017 (copies enclosed for ease of reference) which we are currently engaged, and, in these circumstances, we would not be able to meet with Ernst & Young to the proposed close off meeting."*

In light of the above, the MCDCA responded to the NCBA on 26 February 2018 stating:

*"The intended purpose of the close off meeting was to facilitate a discussion between Ernst & Young, The National Carnival Bands Association ("NCBA") and the Ministry so that the parties could review and discuss the findings of the Draft Report and provide the NCBA with an opportunity to respond to any errors and/or omissions in the Draft Report prior to its finalization. This course of action was communicated to the NCBA at the kick off meeting and during the audit itself."*

*As the NCBA has indicated its unwillingness to attend the close off meeting and to engage further, we are therefore constrained to finalise the Draft Report without your prior input and review."*

In keeping with this correspondence, our report was finalized on 5 March 2018.



Within this specific engagement scope, we have no obligation to update the final report or to revise the information contained therein because of events and transactions occurring that may come to light subsequent to the date of the final report.





### 3. Executive summary

Ernst and Young Services Limited ("EY") was engaged by the Ministry of Community Development, Culture and the Arts ("MCDCA") to review the operations of the National Carnival Bands Association (NCBA) as follows:

- Governance and Executive oversight
- Internal control environment
- Executive recruitment and compensation
- Analysis of revenue and expenditure

In addition to the review of key documents such as Executive Committee minutes, the Act, NBCA's Constitution, Accounting Manual, staff job descriptions and contracts, budget submissions to NCC etc., we selected a sample of transactions, over the period October 2013 to September 2016, to test the operational effectiveness of the controls within the various processes. Our review revealed an environment with a very low level of control consciousness characteristics, with limited oversight or monitoring, and little or no emphasis on financial controls or accountability.

We also noted that the NCBA is an entity with proprietary technology (such as its Carnival Events Management System (CEMS) software system) in relation to the management and adjudication of various masquerade competitions/parades. However, there is a significant and immediate need for the Executive of the NCBA to be supported by professional expertise in relation to its accounting and financial management in order to mitigate key risk exposures and support optimal decision-making.

#### Financial summary

A high-level summary of NCBA's main forms of revenue and expenditure for the period October 2013 to September 2016 is shown in the Table 3 below. During our review, we encountered several inconsistencies and irregularities in relation to the data held on NCBA's financial system (See Section 4.1). Consequently, we have relied on the data contained in NCBA's cheque logs and Invoice Receipt Reports to estimate and analyze their revenue and expenditure for fiscal years 2015 and 2016. This information does not include any reconciling adjustments that may be required in order to produce financial statements.

We have requested the adjusted and reconciled 2015 and 2016 financial data from Rolley Holdings and NCBA; however, as at the date of our draft report (28 September 2017), the process of loading and reconciling this information onto the financial system was still incomplete.

Description	2014	2015	2016
<b>Revenue (\$TT)</b>			
Subvention - Carnival	11,423,460	14,268,722	2,171,452
Sponsorship	719,000	925,000	125,000
Ticket sales	740,002	704,771	48,200
Subvention - Rent & operating expenses	-	267,444	734,888
Membership	20,970	12,810	22,180
Other/miscellaneous	141,434	97,787	101,582
Unclassified*	56,090	-	-
<b>Total revenue</b>	<b>13,100,956</b>	<b>16,276,534</b>	<b>3,203,302</b>



Description	2014	2015	2016
<b>Expenses (\$TT)</b>			
Prizes	6,799,650	6,651,050	-
Production of Big Friday	2,327,000	1,850,000	100,000
Media & Production	2,397,001	560,956	306,148
Payroll	1,121,534	1,215,777	968,594
IT services	550,241	769,051	320,784
Rent- Building	76,900	725,382	746,362
Events Management	54,956	970,853	334,189
Other/miscellaneous	2,195,339	1,415,659	735,695
Unclassified*	(3,785,340)	1,518,362	607,102
<b>Total expenses</b>	<b>11,737,281</b>	<b>15,677,090</b>	<b>4,118,874</b>

Table 3 – NCBA revenue and expense summary

\*Note: Unclassified items include estimated adjustments to reconcile information provided to the financial statements

As shown in Table 3 above, there was a significant decline in NCBA's revenue and expenditure in 2016. This decline coincided with a significant reduction in NCBA's responsibility for the management and judging of the Port of Spain carnival parades and competitions.

### **Key findings and recommendations**

Our assessment of the NCBA's control environment is based on the NCBA being accountable for levels of revenue and expenditure consistent with its responsibilities as defined in Cabinet Minute No. 2007-8/7/97. However, if NCBA's role was to be permanently reduced to responsibility for just the Mas Academy, the quantum of our related recommendations may be reduced, as this decision will directly impact the nature and magnitude of the risks to be mitigated by the NCBA in future.

Our key findings are summarized below and discussed in detail in Sections 4 to 8:

1. **Inaccurate accounting entries are held within the financial system, Sage, which can lead to erroneous financial reporting, possible misappropriation of funds and significant financial loss.**
  - There are no mechanisms in place to determine and verify whether all payments made are also posted to the General Ledger (GL) within the finance system. Based on EY's sample, TT\$3.2m was found as duplicate entries within the GL out of a sample totalling TT\$18.2m.
  - A difference of TT\$7m was calculated when comparing the cheque log to the corresponding entries within the GL. These differences were due to inaccurate posting of dates, duplications and/or omissions.<sup>1</sup>
2. **Policies and procedures are not formally approved, are inadequate and/or do not align with current practices. This can lead to increased fraud risks due to a disruption in the segregation of duties and a lack of proper accountability.**
  - Approximately TT\$11.2m of service contracts were awarded to key NCBA vendors without evidence of a formal tendering process being undertaken as stipulated in the draft Accounting Policy and Procedures, including sole select contracts that were awarded without Board approval.

<sup>1</sup> Subsequent to the completion of our fieldwork, the reconciliation and updating of the 2014 GL data onto NCBA's finance system was completed on 21 September 2017. However, the reconciliation and updating of fiscal years 2015 and 2016 is still outstanding.



- Executive Committee members were paid gross stipends and allowances of TT\$1,084,200 over the period 1 October 2013 to 31 December 2015 without the deduction of PAYE and NIS charges. To date, these payments have not been retroactively been paid and thus have accrued interest and penalty fees to the total of TT\$1,008,429 as at 22 September 2017.
- 3. Bank accounts, receivables accounts and payables accounts are not periodically checked and reconciled, which increases NCBA's exposure to losses from irregular and potentially fraudulent transactions.**
- NCBA does not currently perform any monthly or quarterly reconciliations of its financial data.
  - Approval of petty cash vouchers by the Secretary was not seen for 13 of the 53 sampled vouchers
  - No supporting documentation, including cheques, receipts and deposit slips found for TT\$5,500 of ticket sales and membership fees sampled
- 4. Regular financial monitoring and reporting is not undertaken, which can result in sub-optimal decision-making, inaccurate budgeting, and ineffective cash management, along with an increase exposure to fraud risks.**
- Financial reports are not currently prepared and submitted by the Accounting Clerk, nor are quarterly financial positions discussed at Executive Committee meetings.
  - In contradiction to its Constitution, a Finance Committee does not currently exist at NCBA.
  - External audits in relation to the fiscal years 2015 and 2016 have not yet been undertaken.
  - Annual budgets are not revised once subventions are received, and hence, payments of expenses may not be prioritized as needed or matched with the corresponding expenditure.

EY's overarching recommendations are as follows:

- 1. NCBA must make an immediate payment to the Board of Inland Revenue**
  - All outstanding PAYE and NIS amounts owed in relation to stipends and allowances should be paid as soon as possible, as these amounts are continuing to accrue interest and penalty charges.
- 2. Migration of complete and accurate financial data into Sage must be expedited in order to make certain that NCBA's finance/accounting system can be fully utilized and relied upon.**
  - The current Accounting Clerk is in the process of updating financial data entries from fiscal year 2015 to date. NCBA should complete the financial data entry and reconciliation for fiscal years 2015 and 2016 as soon as possible in order to commence the financial audits for these years. This will also assist NCBA in moving towards real time accurate reporting of financial information.
- 3. A regular financial reporting cycle must be established, inclusive of information requirements for discussion and approval at Finance and Executive Committee meetings.**
  - NCBA should allocate resources to develop (or recruit) professional expertise to support its management of key risk areas, especially in the area of accounting and/or approach NCC directly for accounting and auditing support.
  - A checklist should be developed listing all key financial reconciliations that must be completed on a monthly or quarterly basis, prior to preparation of the financial reports. These reconciliations should be adequately documented as prepared by the Accounts Clerk or Accountant and signed as reviewed by the Treasurer or Assistant Treasurer.



- ↳ Consistent and comparable monthly/quarterly financial information, including variances to budgets/anticipated subventions and forecasted positions with sufficient explanations must be presented at Executive and Finance Committee meetings.
- 4. The Accounting Policy and Procedures must be updated to include step by step processes that align with leading practices, and must be formally approved and communicated.**
- ↳ NCBA's Accounting Policy and Procedures should be amended to include specific details of each procedure within, as well as, the actions and duties of staff members responsible for the processes, to allow for proper accountability and transparency. The amended policy should be tabled at Executive Committee meetings and formally approved.
  - ↳ Conformance to the approved Policy should be regularly monitored and appropriately enforced.





## 4. Detailed findings - Internal control environment

The findings of our assessment of the NCBA's internal control environment over the period 2013 - 2016, point to the existence of an extremely weak financial control environment. Such weaknesses in the control environment, combined with an inadequate segregation of duties, can allow errors to occur or deliberate breaches of controls to be committed and remain undetected for long periods of time. This increases NCBA's exposure to the inaccurate recording/processing of information, along with the risk of irregular and potentially fraudulent transactions.

NCBA has developed a Constitution and a draft Accounting Policy and Procedure Manual (dated 20 April 2013) with rules and guidelines to govern its financial reporting and safeguard the accuracy of its financial data. However, it appears that the application of these guidelines are not currently being conformed to or monitored.

Based on discussions with the NCBA Secretary, we have created the diagram below to illustrate the current organizational structure of NCBA's administrative function.

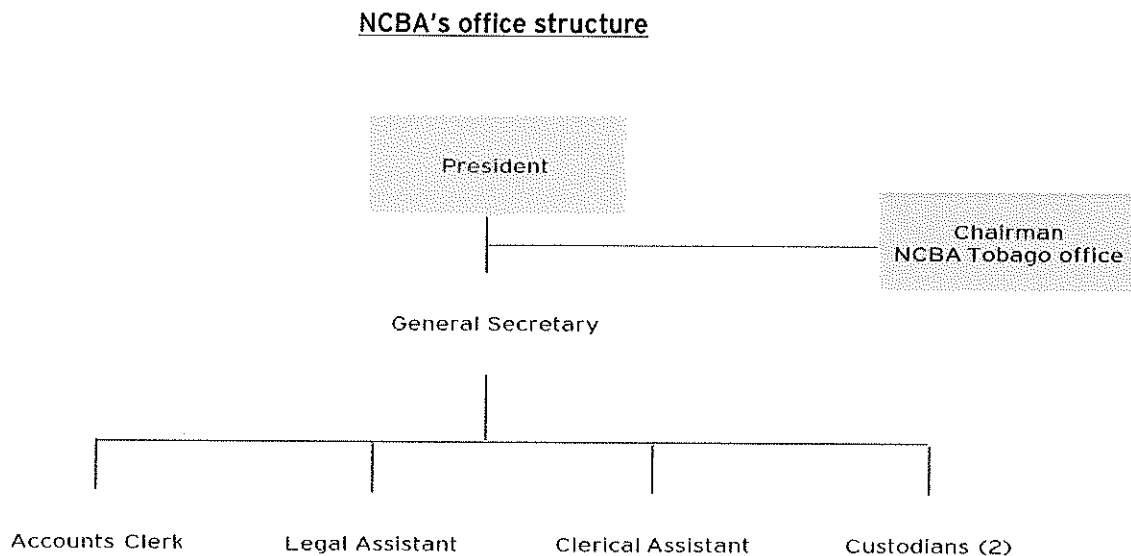


Figure 1 - NCBA's Head Office organization structure

We were informed by the NCBA Secretary that due to the reduced level of subventions and responsibilities assigned to the NCBA by the NCC, the size of the NCBA's organizational structure had been scaled down in recent years.

### 4.1 Financial reporting

#### Accuracy of financial data held on the finance system

On 12 May 2011, the NCBA entered into a contract with Rolley Holdings for the implementation of the Peachtree accounting system; however, we noted that the Financial Statements for the years ended 30 September 2013 and 30 September 2014, were largely based upon information from NCBA's manual (written) ledgers. The NCBA Accounting Clerk, Ms. Nicole Scott, represented that this was due to the fact the former NCBA Accountant (Ms. Althea Ramos) did not fully use the accounting system and that the data within the finance system held was still incomplete.



The current NCBA Accounting Clerk, Ms. Nicole Scott, is in the process of posting NCBA's receipts and payments from 1 October 2014 to date onto the Sage accounting system (formerly Peachtree). However, we noted that several anomalies still exist within the data currently held on NCBA's finance system, such as duplicate and missing entries.

### **Financial close process/key financial reconciliations**

As shown in Table 4 below, we also noted significant differences between the balances posted to the GL and the total value of cash disbursements listed on NBCA's cheque logs for the financial years 2014 to 2016.

The NCBA Accounting Clerk, represented that NCBA is currently in discussions with Rolley Holdings for further support on these issues. This was confirmed by Mr. Nigel Chinapoo of Rolley Holdings who indicated that they have been engaged to review and amend (as required) the GL balances posted by NCBA Accounting Clerk, Ms. Nicole Scott. However, they are awaiting the completion of NCBA's data input process before they commence their review and reconciliation of the finance system for the financial years 2014 to 2016.

Period	Cheque Log (\$TT)	Cash Disbursements Journal (GL) (\$TT)	Variance (\$TT)
Oct 2013 - Sep 2014	16,263,646.48	16,263,646.48	-
Oct 2014 - Sep 2015	15,677,094.28	24,304,385.25	(8,627,290.97)
Oct 2015 - Sep 2016	3,941,895.21	2,347,441.72	1,594,453.49
<b>Total</b>	<b>35,882,635.97</b>	<b>42,915,473.45</b>	<b>(7,032,837.48)</b>

Table 4 - Variances between GL and cheque log

NCBA's draft Accounting Policy and Procedure Manual stipulates that all bank accounts should be reconciled within 15 business days of receipt of the monthly account statement (with copies of the bank reconciliations provided to the Board at quarterly meetings) and that the Accountant and Treasurer /Assistant Treasurer shall reconcile the accounts receivable ledger to the GL on a quarterly basis.

We were provided with one financial reconciliation, however, it is unclear what was reconciled as the balances did not correlate to any specific totals within the GL or the monthly bank statements. The NCBA Accounting Clerk, indicated that she keeps track of revenue and expenditure via the cheque log report and system receipts/deposit books; however, she does not currently perform any other monthly or quarterly reconciliations of NCBA's financial data. She further represented that the NCBA's former Accountant, Ms. Althea Ramos, performed reconciliations and stored the information on a Universal Serial Bus (USB) drive; however, this drive was not handed over to NCBA when Ms. Althea Ramos resigned and migrated to the U.K.

Failure to perform timely reconciliations may result in errors and inaccuracies not being detected. This increases NCBA's exposure to the risk of inaccurate financial information being produced, as well as the potential for fraud opportunities due to the lack of control totals being verified on a regular basis.

Subsequent to the completion of our fieldwork, we noted that the reconciliation and updating of the 2014 GL data onto NCBA's finance system was completed by the NCBA/Rolley Holdings on 21 September 2017. However, the reconciliation and updating of fiscal years 2015 and 2016 are still outstanding.



## **Recommendations**

A checklist should be developed listing all key financial reconciliations that must be completed on a monthly or quarterly basis, prior to preparation of the financial reports. These reconciliations should be adequately documented as prepared by the Accounts Clerk or Accountant and signed as reviewed by the Treasurer or Assistant Treasurer. This financial close checklist should then be incorporated into NCBA's existing Accounting Policy and Procedure Manual and adherence to this policy should be regularly monitored and robustly enforced.

## **Reporting and review of NCBA's financial position**

NCBA's Constitution specifies the following responsibilities of its Treasurer in relation to financial reporting:

### ***"8.5 The Role of the Treasurer***

*iv) keep a full and accurate account of all money and obligations received and paid or incurred on account of the Association*

*x) chair the Finance and Fund Raising Committee (which is responsible for preparation of the Association's budget of operating expenses and anticipated revenues).*

*xi) at each Annual General Meeting, present an audited annual report setting forth in full the financial conditions of the Association showing the receipt and expenditure of all money of the Association for the previous financial year under review."*

Additionally, NCBA's draft Accounting Policy and Procedure Manual stipulates that a detailed Financial Report (covering receipts, disbursements, receivables, and payables) be provided to the Board at its statutory monthly meetings, along with the inclusion of budget comparisons in periodic financial reports to the Treasurer and to the Board with referenced explanations for any and all budget variances of 10% (or more).

During our review of the 2013 - 2016 Executive Committee minutes, it did not appear that any specific NCBA financial reports were being tabled and discussed. Furthermore, the NCBA Secretary, Mr. Wrenwick Brown, represented that NCBA does not have a Finance Committee to monitor and manage the entity's financial position.

Consistent and comparable financial information, including reports on month-on-month variances to budgets/anticipated subventions and forecasted positions with sufficient explanations are not available to NCBA's Executive Committee and membership. This may inhibit effective decision-making, cash management and strategic planning, along with the exposure to increased fraud risks due to the lack of available financial information for independent review.

## **Preparation of audited financial statements**

NCBA's Constitution stipulates the following in relation to the purpose/conduct of the annual general meeting and the presentation of financial statements:

### ***"17. Annual General Meeting***

*"The Annual General Meeting shall be held during the first (1st) quarter following the close of the financial year 30th September*

#### ***17.1 Purpose of the Annual General Meeting***

*(e) to receive and consider the written account (circulated prior to the meeting) of the Association for the previous year. This shall include a report from the Treasurer as to the*



*Association's financial position and, when approved, the adoption of the Auditor's report on the accounts"*

However, the Financial Statements for the year ended 30 September 2014 were not completed until 11 August 2015, (11 months after year-end) and, as at the date of our draft report (28 September 2017), the Financial Statements for the year ended 30 September 2015 and 30 September 2016 have not been prepared.

NCBA's External Auditor, Mr. Mark Superville of Pannell Kerr Forster Chartered Accountants & Business Advisors (PKF), confirmed that PKF has been engaged to produce audited financial statements for the 2015 and 2016 period; however, they (PKF) are still awaiting completion of NCBA's migration of their financial data onto the Sage Finance System in order to commence these audits. Given the current challenges regarding the accuracy/completeness of the data held on the finance system, it is uncertain when the audits in relation to the preparation of these Financial Statements will commence.

During our review, we also noted that in a Management Letter from PKF to the NCBA President, Mr. David Lopez, dated 6 November 2015, PKF raised a number of key issues and concerns that have not been addressed to date including:

- Non-preparation of monthly bank reconciliations
- Inadequate information on Fixed Assets Register
- Stale dated cheques listed in reconciliations and GL
- Unrecorded liabilities and extinguished liabilities held on system
- Reliance on manual accounting system

### **Recommendation**

NCBA should allocate resources to develop (or recruit) a dedicated accounting role within the organization. This individual should be suitably experienced/qualified in the preparation of financial and management accounts. This role should be specifically responsible for the development of processes and appropriate reports to facilitate the provision of up-to-date and accurate financial information to all of NCBA's key stakeholders and its external auditors. Given the size and scope of NCBA's operations, this duty could be effectively provided via a part-time accountant role.

NCBA may also consider the possibility of approaching the NCC directly for accounting and auditing support, in accordance with the roles and responsibilities detailed in Cabinet Minute No. 2007-8/7/97, dated 7 August 1997.

## **4.2 Policies and procedures**

Based on the information provided and our discussions with the NCBA Secretary, NCBA currently has a draft Accounting Policy and Procedure Manual (dated 20 April 2013) in place. NCBA's Accounting Policy and Procedure Manual includes the following items:

- Computer controls (including data backups)
- Financial reporting
- Internal controls and accounting procedures ( including cash receipts)
- Operating procedures
- Procurement procedures
- Petty cash
- Bank reconciliations
- Replacement of checks





- Safeguarding assets
- Billing and receivables
- Financial statements
- Fixed assets and inventory control
- Other information
  - Support, program fees and revenues
  - Donated material, facilities and services
  - Contract compliance

During on our review of the 2013 - 2016 Executive Committee minutes, despite being drafted in April 2013, it does not appear that NCBA's Accounting Policy and Procedure Manual has been finalized or formally approved by the Executive Committee.

### **Recommendation**

Policies and procedures must be finalized, approved by the Executive Committee and effectively communicated to all officers acting on behalf of the organization. Conformance to these polices should be regularly monitored and robustly enforced.



## 5. Detailed findings - Revenue analysis

### 5.1 Revenue highlights: October 2013 - September 2016

As discussed in Section 4.1 (financial reporting), throughout our period of review, we discovered various anomalies within the financial information held on the general ledger (GL). As a result, we could not rely on the information within the GL for an accurate analysis of NCBA's revenues and expenses.

We were also provided with an Invoice Register report, generated in Sage, which provided details of the Association's receipts. When sample receipt entries in this report were compared with transactions in the GL and other hardcopy supporting documentation, the Invoice Register report appeared to be more complete and accurate than the information provided from the GL. We, therefore, used this report as the basis of our analysis for NCBA's revenue.

Based on the receipt transaction descriptions recorded in Sage, the main sources of revenue fell within the following categories:

- NCC carnival subventions
- NCC subventions for rent and operating expenses
- Membership registration/renewal fees
- Sponsorship
- Carnival ticket sales

Revenue categories estimated from the Invoice Register report, for the period October 2013 to September 2016, are shown in the chart below:

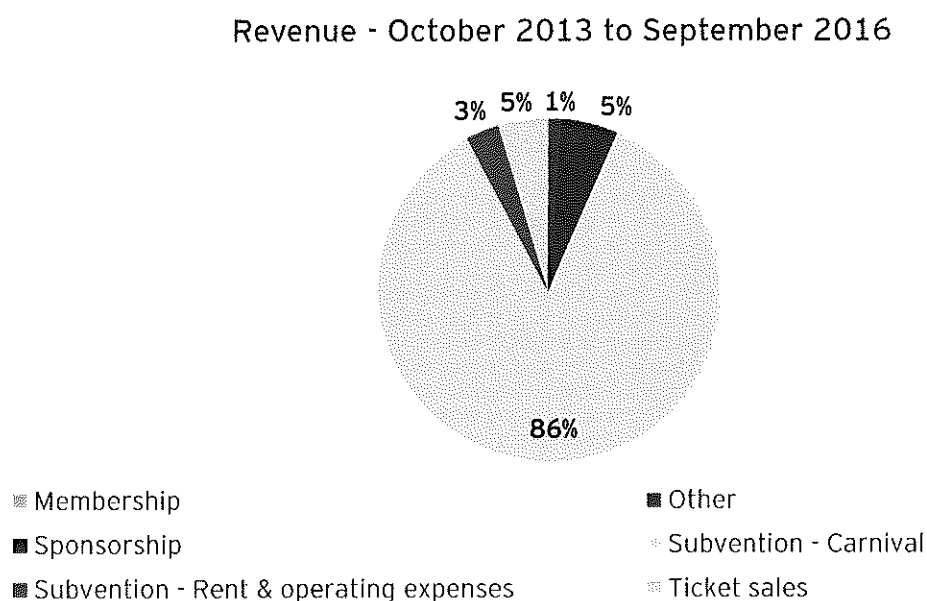


Figure 2 - High-level NCBA revenue analysis



Total revenue, according to the Invoice Register report, for each fiscal year is detailed as follows:

Revenue category	2014		2015		2016		2014-16
	\$TT	%	\$TT	%	\$TT	%	Total %
Subvention - Carnival	11,423,460	87.57%	14,268,722	87.66%	2,171,452	67.79%	85.67%
Sponsorship	719,000	5.51%	925,000	5.68%	125,000	3.90%	5.44%
Ticket sales	740,002	5.67%	704,771	4.33%	48,200	1.50%	4.59%
Subvention - Rent & operating	-	-	267,444	1.64%	734,888	22.94%	3.08%
Other	141,434	1.08%	97,787	0.60%	101,582	3.17%	1.05%
Membership	20,970	0.17%	12,810	0.09%	22,180	0.70%	0.17%
unclassified	56,090	-	-	-	-	-	-
<b>Total</b>	<b>13,100,956</b>	<b>100.00%</b>	<b>16,276,534</b>	<b>100.00%</b>	<b>3,203,302</b>	<b>100.00%</b>	<b>100.00%</b>

Table 5 - Estimated revenue details for each fiscal year

The 'other' category accounted for about 1% of total revenue for the period, and included receipt transactions related to items such as:

- Accreditation fees
- Reimbursements
- Petty cash
- Bank interest
- Legal settlements

Our analysis of NCBA's revenue sources indicated that the Association is highly dependent on the subventions received from NCC, which accounted for 85.67% of income for the entire period under review. Sponsorship and ticket sales, were the second and third main sources of revenue, accounting for only 5.44% and 4.59% respectively. A further breakdown of the subventions is detailed in Section 5.2.

## 5.2 Subventions/budgeting

In March/April of each year, NCBA submits a budget to the NCC, which includes details of the Association's past and projected revenue and expense streams. Following this, the NCC assigns funds to each of the special interest entities, allocations being dependent on the amounts allocated to the NCC via the National Budget in October. For the period October 2013 to September 2016 (fiscal years 2014 to 2016), the NCBA received subvention amounts between TT\$2.9m and TT\$14.5m, which were distributed in tranches; however, the timing of these tranches varied throughout the period.

Fiscal year	2014	2015	2016
Budget - requested amount from NCC	\$33,500,000	\$30,100,000	\$32,800,000
Subvention - Carnival	\$11,423,460	\$14,268,722	\$2,171,452
Subvention - Rent & operating expenses	-	\$267,444	\$734,888
Difference	\$22,076,540	\$15,563,834	\$29,893,660

Table 6 - Budgeted amounts vs. subventions received



As shown in Table 6 above, from April 2015, the NCBA requested that the NCC issue separate monthly cheques for Head Office rent in the amount of TT\$44,574 and in August 2016, a decision was made to also issue monthly cheques to NCBA in the amount of TT\$100k to cover recurring expenses (e.g., utilities, salaries, advertising and office supplies).

In December 2015, the purview of NCBA was amended and no longer included the production of Carnival competitions or the distribution of prizes. Consequently, the amount received in subventions for 2016 was significantly (75% - 80%) less than in previous years. Carnival subventions of TT\$2.17m were still granted in 2016 to cover band assistance, Mas Academy programs and reimbursements for payments made by NCBA, prior to the Minister's instructions.

This change took effect from Carnival 2016; however, as the 2016 budget was submitted in April 2015, the budgeted amount for fiscal 2016 included an expense allocation for Carnival prizes. NCBA did not prepare a budget for Carnival 2017 (as they did not receive a request from NCC to do so). However, we noted that the Association has prepared a budget for Carnival 2018 of TT\$26.6m, inclusive of TT\$13.2m for prizes and competitions, although it is still uncertain if responsibility for these activities will be returned to the NCBA.

We observed that subvention tranches are not posted to the respective GL event accounts in a timely manner and all types of subvention cheques are deposited into one bank account, from which various NCBA payments are made. Consequently, it is unclear if specific expenditure is being matched and compared to the related subventions received on an event by event basis. We noted that NCBA's President requested a report from the Accounting Clerk in October 2013 detailing the allocation of the Carnival 2014 subvention; however, similar reports were not produced in the years following.

Additionally, no evidence was seen to indicate that budgets were discussed and/or formally approved at Executive Board meetings.

### **Recommendations**

Once budgets are prepared, they should be presented to the Executive Committee, discussed and formally approved prior to being submitted to the NCC.

Regular (monthly/quarterly) financial reports should be generated and presented to the Executive Committee, to monitor current revenues and expenses in comparison to budgets and re-forecasted projections.

NCBA should meet with key stakeholders in order to clarify its anticipated role for carnival 2018 and beyond. Based on these discussions, a medium term strategy and funding plan should be developed and agreed. This would improve the overall alignment of NCBA's budgeting and subvention processes.

## **5.3 Cash/cheque receipts**

As discussed in Section 5.1, apart from subventions, NCBA's other main sources of revenue were ticket sales, sponsorship and membership fees, which altogether generated revenue of approximately TT\$3.32m during our period of review. Ticket sales and membership fees were mainly cash-based, whilst sponsorship was typically received via cheque.

According to information obtained from the Accounting Clerk and NCBA's draft Accounting Policy and Procedure, once cash is received, the Accounting Clerk should complete a pre-numbered receipt, which should then be reviewed and approved by the Treasurer. If a cheque is received, the Accounting Clerk should stamp the back with a "Deposit only" stamp. Cash and cheques are then passed onto the Secretary, who would prepare a deposit slip and complete the deposit at the bank.





A monthly cash listing should be then prepared by the Accounting Clerk and compared to the GL for completeness and accuracy. Additionally, the Treasurer should conduct regular checks on receipt copies, deposit slips, bank statements and the cash listing.

EY selected a sample of 58 revenue-related entries from Sage for the period October 2013 to September 2016. The sample included monies received from NCBA's various revenue categories, a breakdown is provided in Table 7 below:

Revenue category	No. of entries sampled in Sage	Revenue recorded (\$TT)
Membership	7	\$1,600.00
Sponsorship	7	\$685,000.00
Subvention - Carnival	9	\$16,594,912.69
Subvention - Rent & operating expenses	6	\$378,296.00
Ticket sales	21	\$803,852.90
Other	8	\$134,924.35
<b>Total sample reviewed</b>	<b>58</b>	<b>\$18,598,585.94</b>

Table 7 - EY revenue sample

Although his responsibilities have not been delegated to another permanent staff member, the Treasurer does not take an active role in the daily operations of the Association. Consequently, receipts were not formally checked and approved after being prepared by the Accounting Clerk. We also noted that a cash listing is not prepared on a monthly basis and checks are not completed to match receipts, deposit slips and bank statements. As a result, we were unable to confirm that all funds received were appropriately entered in the receipt book and subsequently deposited.

Twenty-five items out of our sample of 58 (43%), totaling TT\$12.7m, did not have a corresponding record within the receipt books or files provided. However, the deposit slips and associated bank statement entries were seen to verify these 25 items. The Accounting Clerk indicated that receipts are generated on the system and may not have been printed to attach to the supporting documentation.

No supporting documentation, including cheques, receipts and deposit slips, was seen for approximately 5% (TT\$5,500) of our sample. This related to membership fees (TT\$700) and ticket sales (TT\$4,800). We were unable to determine whether these transactions were actually deposited, as membership fees and ticket sales are typically deposited in bulk, and cannot be directly matched with any particular bank statement entry.

## **Recommendations**

A cash/cheque listing should be implemented to capture all funds received, including the amount, date, payer and the category of receipt. This listing should be reconciled to the receipt books, deposit slips, bank statements and entries on Sage on a monthly basis. The cash listing should be used by the Accounts Clerk to post receipts to the income accounts in Sage, whilst the bank deposit slips should be used to post the corresponding bank account entries. The Accounts Clerk should reconcile these entries on a weekly/monthly basis and prepare a variance report for unmatched/missing entries, in order to conduct the appropriate investigations. This reconciliation should be reviewed and signed off by the Treasurer.

Segregation of duties should be properly enforced, in order to make certain that all funds received are accounted for. Ultimately, the person collecting the funds and preparing the receipt and cash listing should not also prepare the deposit slip and make the deposit, or complete the reconciliation of the cash listing.



NCBA's draft Accounting Policy should be monitored and robustly enforced in relation to the cash management responsibilities of all NCBA staff, including the Treasurer. Otherwise, the policy should be revised to delegate the responsibilities of the Treasurer to another permanent member of staff.



## 6. Detailed findings - Expenditure analysis

### 6.1 Expenditure highlights 2013 - 2016

As discussed in Section 4.1, due to a number of inconsistencies and anomalies, we could not rely on the information within the GL for an accurate analysis of NCBA's revenues and expenses. Consequently, we utilized the information within the cheque logs provided by NCBA's Accounting Clerk, Ms. Nicole Scott, to generate a high-level estimate of NCBA's expenditure for the period October 2013 - September 2016. Our estimates are summarized in Figure 3 and Table 8 below.

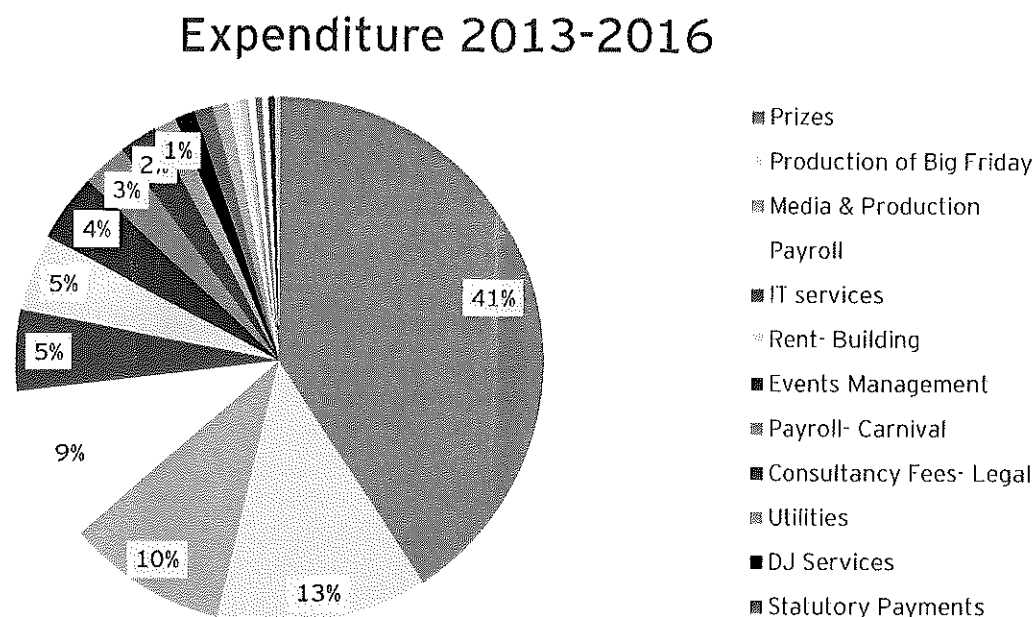


Figure 3 - High-level NCBA expenditure analysis

Expense category	2014		2015		2016		2014 - 16 Total %
	\$TT	%	\$TT	%	\$TT	%	
Prizes	6,799,650	43.80%	6,651,050	46.97%	-	0.00%	40.52%
Production of Big Friday	2,327,000	14.99%	1,850,000	13.07%	100,000	2.85%	12.89%
Media & Production	2,397,001	15.44%	560,956	3.96%	306,148	8.72%	9.83%
Payroll	1,121,534	7.23%	1,215,777	8.59%	968,594	27.58%	9.96%
IT services	550,241	3.54%	769,051	5.43%	320,784	9.13%	4.94%
Rent - Building	76,900	0.50%	725,382	5.12%	746,362	21.25%	4.67%
Events Management	54,956	0.35%	970,853	6.86%	334,189	9.52%	4.10%
Other	2,195,339	14.14%	1,415,659	10.00%	735,695	20.95%	13.10%
Unclassified	(3,785,340)		1,518,362		607,102		
<b>Total</b>	<b>11,737,281</b>	<b>99.99%</b>	<b>15,677,090</b>	<b>100.00%</b>	<b>4,118,874</b>	<b>100.00%</b>	<b>100.01%</b>

Table 8 - Estimated expense details for each fiscal year

We observed that 54% of NCBA's expenditure over the period consisted of prizes and the production of Big Friday, in the amounts of approximately TT\$13.5m and TT\$4.2m respectively, followed by media production and payroll, which accounted for a further 20% of NCBA's expenditure.



## 6.2 Inaccurate postings

We noted the following anomalies and errors, based on a sample of 142 entries totaling TT\$18.2m, posted to the GL for the period under review. The NCBA Accounting Clerk, represented that NCBA is currently in discussions with Rolley Holdings for further support on correcting these anomalies.

**Duplicate payments:** The following payments were credited to the Republic Bank account in the GL twice, for which only one physical cheque payment was found and cashed for each payee. This duplicate posting would have subsequently caused an overstatement to the expense and bank account of TT\$3.2m, as shown in the table below:

Ref#	Date	Payee	Amount
<b>FIRST ENTRY</b>			
742	31-Mar-15	CHERYL CLARKE-WILLIA	114,400.00
793	31-Mar-15	JONADIAH GONZALES	280,200.00
797	31-Mar-15	JUS WEE & FRIENDS	145,900.00
799	31-Mar-15	K2K ALLIANCE & PART	185,800.00
803	31-Mar-15	LEE ANN BAILEY	127,100.00
830	31-Mar-15	Patrick Roberts	221,500.00
841	31-Mar-15	RAYMOND MARK	242,500.00
851	31-Mar-15	ROLAND ST. GEORGE	306,750.00
855	31-Mar-15	RONALD MCINTOSH	153,000.00
871	31-Mar-15	Ted Eustace	232,100.00
874	31-Mar-15	TRINIDAD ALL STARS	317,750.00
875	31-Mar-15	TRINIDAD REVELLERS C	212,300.00
877	31-Mar-15	Varma Lakhan	369,650.00
890	31-Mar-15	ANRA BOBB	13,650.00
994	31-Mar-15	ROSALIND GABRIEL CAR	64,250.00
1017	31-Mar-15	YEASHAN FRANKLYN JAG	130,125.00
1018	31-Mar-15	Zebapique Production	95,275.00
			<b>3,212,250.00</b>
<b>SECOND ENTRY</b>			
CarnivalPrize-15-91	31-Mar-15	LEE ANN BAILEY	127,100.00
CarnivalPrize-15-87	31-Mar-15	K2K ALLIANCE & PARTNERS	185,800.00
CarnivalPrize-15-85	31-Mar-15	JUS WEE & FRIENDS	145,900.00
CarnivalPrize-15-81	31-Mar-15	JONADIAH GONZALES	280,200.00
CarnivalPrize-15-306	31-Mar-15	ZEBAPIQUE PRODUCTIONS	95,275.00
CarnivalPrize-15-305	31-Mar-15	YEASHAN FRANKLYN JAGDEO	130,125.00
CarnivalPrize-15-30	31-Mar-15	CHERYL CLARKE-WILLIAMS	114,400.00
CarnivalPrize-15-145	31-Mar-15	ROSALIND GABRIEL CARNIVAL PROD	64,250.00
CarnivalPrize-15-165	31-Mar-15	VARMA LAKHAN	369,650.00
CarnivalPrize-15-163	31-Mar-15	TRINIDAD REVELLERS COMPANY LIM	212,300.00
CarnivalPrize-15-162	31-Mar-15	TRINIDAD ALL STARS	317,750.00
CarnivalPrize-15-159	31-Mar-15	TED EUSTACE	232,100.00
CarnivalPrize-15-143	31-Mar-15	RONALD MCINTOSH	153,000.00
CarnivalPrize-15-139	31-Mar-15	ROLAND ST. GEORGE	306,750.00





Ref#	Date	Payee	Amount
CarnivalPrize-15-129	31-Mar-15	RAYMOND MARK	242,500.00
CarnivalPrize-15-118	31-Mar-15	PATRICK ROBERTS	221,500.00
CarnivalPrize-15-178	31-Mar-15	ANRA BOBB	13,650.00
			<b>3,212,250.00</b>

Table 9 - Duplicate payments in GL

**Inaccurate entries:** EY noted a net difference of TT\$7m when testing the cheque log against the cash disbursement journals (cheques) in the GL for the period October 2013 to September 2016 (Refer to Table 4 in Section 4.1). The differences were due to postings being allocated to a different financial year, duplications and/or omissions.

Based on the sample reviewed by EY, there were five instances, totaling TT\$347,304, in which cheques were posted to the GL as cash disbursements in December 2014; however, the physical cheque and the entry on the cheque log is dated December 2015.

### Recommendations

Refer to the Internal Control Environment - Financial Reporting section of our report for details of the relevant recommendations (Section 4.1)

## 6.3 Procurement procedure and allocation of contracts

NCBA's draft Accounting Policy and Procedure includes a detailed section related to procurement processes. The procurement procedure focuses on the make-up of the Tenders Committee, appeals against tendering and contract decisions, procurement unit/function and other tender-related functions. However, there was no clear guideline on the process related to selecting vendors; specifically, a monetary threshold over which the tender process should be followed, or the requirement for a certain number of quotations to be obtained depending on the value of the tender.

The top five vendors paid by NCBA during our period of review are listed in Table 10 below. We noted that there were several vendors who appeared to be sole selected to provide specific services on behalf of the NCBA. Additionally, the selection/contract awards in relation to these vendors were not all formally discussed or approved within the Executive Committee meeting minutes for the years 2014 - 2016.

Vendor	Services	Amount (TT\$)	Evidence of alternative quotes	Discussed/ Approved by Board	Contracts provided
Mas Sanctuary	Production of Big Friday	4,277,000	No	No	Contract only for 2014
Vagus MRI	Media and Production	3,264,106	No	Yes	Contract for the period July 2014 to June 2015
Marc Clarke (Cirrus Communications)	Events Management	1,360,000	No	Yes	No
Picton Properties Ltd	Rent - Building	1,151,245	No	No	Yes
Rolley Holdings	IT services	1,099,125	No	No	Contract only for 2011 services
<b>Total</b>		<b>11,151,476</b>			

Table 10 - Top 5 NCBA vendors (estimated)



Further details of the top five key vendors paid throughout the period October 2013 to September 2016 are provided below:

Mas Sanctuary Ltd. was incorporated on 12 July 2013, and held directorship by Geraldo Vieira Junior, Adrian Navarro and Melanie Navarro, who provide design, production and management of event services. For the period October 2013 to September 2016, payments totaling TT\$4.2m were made for the production of Big Friday of which EY noted a contract to provide services for 2014 Carnival in the amount of TT\$2.3m. A contract for Carnival 2015 was not provided.

We also noted that Geraldo Vieira Junior, Director of Mas Sanctuary Ltd., is the son of Geraldo Vieira Senior, who was a Board member of NCBA prior to his death in September 2012. The NCBA represented that Mas Sanctuary was sole selected because of Mr. Geraldo Vieira Jr.'s experience and involvement in the Mas community.

Vagus Limited was incorporated on 2 July 2010 and changed its name to VagusMRI Limited on 22 February 2013 through directors Hayden and Anika Aleong. We noted a contract between VagusMRI Limited and NCBA for the period July 2014 to June 2015, for the provision of social media services and website content management to the NCBA. However, no specific contracts were seen for the other services/payments provided.

VagusMRI Limited was paid a monthly retainer, as well as fees for other media and marketing services which were not part of the retainer. As shown in Table 11 below, the amount of TT\$3.2m consisted of payments made for media services, retainer fees and a payment for streaming of Carnival 2014 in the amount of TT\$1.5m.

VagusMRI	2013 - 2016	
	\$TT	%
Stream costs	1,512,315	46%
Media costs	1,231,647	38%
Production costs	369,599	11%
Retainer Fee	111,240	3%
Other	39,307	1%
<b>Total</b>	<b>3,264,106</b>	<b>100%</b>

Table 11 - VagusMRI payment details

The NCBA indicated that VagusMRI Limited presented a marketing proposal that met the needs of the organization and was later approved as a vendor by the Board. We are awaiting a copy of the Executive Committee minutes to confirm the approval date.

Cirrus Communications Limited was incorporated on 7 July 2014 and directorship is currently held by Marc Clarke, Colin Greaves and Darren Hosang-Rudder. EY noted that 95% of payments were made directly to Director Marc Clarke, rather than to Cirrus Communications Limited. Events management was the main service provided by Cirrus Communications Limited; however, no contracts were seen on file to confirm the terms and nature of services provided for the retainer or other service fees.

It should also be noted the first payment to Cirrus Communications Limited was made eight days after its incorporation date. A breakdown of the total amount paid for the period (TT\$1.3m) is shown in the table below:



Cirrus Communications Services	FY 2014 - 2016	
	\$TT	%
Event management	1,061,400	78%
Retainer fee	150,000	11%
Branding NCBA building	115,800	9%
Hotel accommodation - Tobago	32,800	2%
<b>Total</b>	<b>1,360,000</b>	<b>100%</b>

Table 12 - Cirrus Communications payment details

Representation by NCBA indicated that numerous consultations were held and a Board decision was made to engage Cirrus Communications Limited as they felt they understood the direction that NCBA was headed. We are awaiting a copy of the Executive Committee minutes to confirm the approval date.

Picton Properties Limited, incorporated 17 May 1985, directorship is currently held by Russell Kenrick Attin and Natalie Attin, the owners of its registered office at No.1 Picton Street, Port of Spain. EY noted a valid lease agreement between Picton Properties Limited and NCBA for the rental of the building at address quoted above to house the NCBA Head Office. NCBA personnel represented that the NCBA offices were approved by the then Minister of Culture and Community, Development the Honourable Mrs. Joan Yuille-Williams, based on location convenience.

Rolley Holdings Limited, incorporated 7 December 2009, held directorship by Nigel and Wendy Chinapoo, who provide IT and program software assistance to NCBA including the CEMS and Peachtree systems. EY noted a contract on file between NCBA and Rolley Holdings Limited for the implementation of a new accounting system in 2011. However, no contracts were seen for the services/payments provided during 2013 - 2016. A breakdown of these payments totaling TT\$1.1m is shown in Table 13 below:

Rolley Holdings Services	FY 2014 - 2016	
	\$TT	%
CEMS	904,500	82%
Hosting fees - NCBATT.COM	162,500	15%
Accounting services	32,125	3%
<b>Total</b>	<b>1,099,125</b>	<b>100%</b>

Table 13 - Rolley Holdings payment details

EY noted that Rolley Holdings Limited was sole selected based on representation by NCBA personnel "no other (software) company was engaged because of the uniqueness in building the Carnival Event Management Systems (CEMS)".

## **Recommendations**

The procurement section of NCBA's draft Accounting Policy and Procedure should be updated to include criteria for vendor selection and award, inclusive of details such as, mandatory number of quotations required, process for sole selection of vendors and a mandate that vendors selected for purchases in excess of agreed thresholds must be formally tabled and approved at Executive Committee meetings.

Contracts should also be in place and held on file for all major service providers.



## 6.4 Petty cash

The 'Petty Cash' section of NCBA's Draft Accounting Policy and Procedure does not include guidelines for the issuance and approval of petty cash funds. The Accounting Clerk informed us that NCBA's practice is that once petty cash is required, as the custodian, she would prepare a petty cash voucher and pass it onto the Secretary for approval. Once approved, the Accounting Clerk would issue the cash and the recipient would sign the voucher upon receiving the funds. The Draft Accounting Policy and Procedure states that petty cash is valued at TT\$3,000 with disbursements limited to TT\$500.

Reimbursements are made at the end of each month, or earlier if the float falls below TT\$1,000 during the month. The Accounting Clerk would submit all petty cash vouchers, along with a summary sheet of the transactions and the amount to be reimbursed, to the President through the Secretary for approval. A cheque in the amount of the approved reimbursement value would then be given to the Accounting Clerk in order to replenish the petty cash.

For the period October 2013 to September 2016, we selected a sample of four petty cash reimbursement packages (November 2014, January 2015, July 2015 and April 2016), which included a total of 53 petty cash vouchers, the details of which are shown in Table 14 below:

Expense type	# petty cash vouchers	Amount (\$TT)
Office/kitchen supplies	21	\$5,145.40
Travel	5	\$1,636.00
Meals	2	\$716.00
Mas Academy materials	7	\$772.18
Cleaning	3	\$325.00
Other expenses	15	\$1,555.42
<b>Grand Total</b>	<b>53</b>	<b>\$10,150.00</b>

Table 14 - Petty Cash expenditure for the period 2013 - 2016

The petty cash is stored in an unlocked drawer in the Accounting Clerk's office and random petty cash counts are not conducted by the Treasurer or any other designate. We were informed by the Accounting Clerk that in her absence, the office is locked, with access granted only to the Secretary. Failure to appropriately account for and secure cash increases the risk of theft and misappropriation of funds.

Approval of petty cash vouchers by the Secretary was not seen for 13 of the 53 sampled vouchers (approximately 25%), totaling TT\$2,698.38, whilst signatures for receiving were not seen on 31 of the 53 sampled vouchers (almost 60%), totaling TT\$7,085.01. A lack of authorization and accountability for the issuance and receipt of company funds can result in potential misappropriation of cash via fraudulent disbursements and financial losses to the Association.

Contrary to NCBA's policy, funds were disbursed in individual amounts over TT\$500 for 4 of the 53 sampled petty cash vouchers (approximately 8%), totaling TT\$2,605.42. Signatures for the receipt of these funds were not seen on any of the corresponding petty cash vouchers, whilst an approval signature was not seen on one of these four vouchers.

We also noted one incident in which funds of TT\$450 were drawn from the petty cash to pay for carnival registration. However, there was no evidence of these funds being reimbursed to NCBA by the recipient (Marlon Rampersad). There were also no signatures for the approval or receipt of these funds.





While the cheque amounts were accurate and the reimbursement details were entered correctly into Sage, we noticed the following arithmetical anomalies while reviewing the reimbursement summary sheet calculations:

- The stated balance brought forward on two of the four sampled summary sheets was less than TT\$3,000. If the petty cash is accurately reimbursed at the end of the previous month, the balance brought forward into the current month should match the float of TT\$3,000.
- Total petty cash expenses for each month was added to the balance brought forward, instead of subtracted, therefore, the petty cash balance at the end of the month, before reimbursement, is overstated on the four sampled summary sheets.

### **Recommendations**

The 'Petty Cash' section of NCBA's Draft Accounting Policy and Procedure should be updated to include step by step guidelines related to the issuance and reimbursement of the petty cash. All petty cash vouchers should be thoroughly checked for appropriate use, amount and available support prior to being approved and disbursed. If invoices/receipts are provided after the funds are disbursed, the custodian must make certain that the supporting documentation matches the information provided on the petty cash voucher. The custodian must also verify that the person receiving the cash signs the Petty Cash Voucher.

Random counts of the petty cash count and supporting petty cash vouchers should be conducted by the Secretary or Treasurer in order to verify that the cash balance on hand plus the petty cash expenses for the month, equate to the float of TT\$3,000.

The Secretary must also confirm that the controls within the updated policy are adhered to and that appropriate disciplinary action is taken if in breach.

## **6.5 Legal fees**

NCBA spent TT\$1m in legal fees over the period October 2013 to September 2016; however, the budgets presented to NCC did not include legal fees. Consequently, it is unclear if subvention funds that were allocated for other expenses/events may have been diverted to cover the fees incurred. A breakdown of NCBA's legal expenditure during our review period is provided below:

Description	Amount (TT\$)	%
TTCO vs. NCC & NCBA - Breach of copyright/Copyright infringement	382,348	38%
Claim between David Lopez v. Dr. Lincoln Douglas Minister of Arts and Multiculturalism	270,502	27%
Rosalind Gabriel v. NCBA- Defamation	156,624	16%
Other	191,389	19%
<b>Total</b>	<b>1,000,863</b>	<b>100%</b>

Table 15 - Legal expenditure for the period 2013 to 2016

### **Recommendations**

Estimated specific high value operational expenditure items, such as legal cost should be identified and included as a separate line item in NCBA budgets presented to the NCC.



## 6.6 Unused bank accounts

NCBA currently holds two accounts; an RBL current account that processes the day-to-day transactions of NCBA, as well as, an RBC account, which was used prior to NCBA's alliance/partnership with RBL.

For the period under review, NCBA paid TT\$12k in bank and Linx machine rental fees on the RBC account, which was last utilized prior to October 2015. The opening and closing balances for the period under review are shown in Table 16 below:

Details	2014 (\$TT)	2015 (\$TT)	2016 (\$TT)	Total (\$TT)
Opening Balance	\$17,551.71	\$24,464.72	\$34,124.21	\$17,551.71
Cashed Cheques	\$(6,628.00)	-	-	\$(6,628.00)
Deposits	\$17,650.01	\$14,194.49	-	\$31,844.50
Bank Charges	\$(4,109.00)	\$(4,535.00)	\$(3,810.00)	\$(12,454.00)
Closing Balance	\$24,464.72	\$34,124.21	\$30,314.21	\$30,314.21

Table 16 - Opening and closing bank balances

### Recommendations

If the NCBA's reduction in responsibilities represents a permanent change of remit, to reduce unnecessary bank charges, the Board should consider the strategic importance of this RBC bank account and Linx machine.



## 7. Detailed findings - Executive recruitment and compensation

### 7.1 Executive recruitment (Executive Committee members)

Elections for the members of the Executive Committee are held every three years, and the President, if re-elected, is allowed to hold the position for a maximum of two terms. NCBA Executive Committee elections were last held in 2014, and are scheduled to be held at the end of fiscal 2017.

Whilst the Constitution states the roles and responsibilities of each member of the Executive Committee, the required minimum qualifications and/or experience for each position are not specified. Additionally, required minimum qualifications and/or experience for key roles within NCBA's standing committees, such as the Finance Committee are also not disclosed in the Constitution.

#### Recommendations

Executive and Finance Committee members should be suitably qualified/experienced to hold key positions (such as Treasurer, Assistant Treasurer, and Secretary). A guidance document with the required qualifications and/or experience should be developed to guide the nominations of persons for the respective positions.

Once appointed, persons must submit evidence of their qualifications and/or work experience. Appointees should also be required to sign-off the relevant Board/Committee Terms of Reference and Charters to formally acknowledge their specific responsibilities. Performance against agreed benchmarks should be monitored on an annual basis (see Section 8.3 for more details)

### 7.2 Executive compensation (Executive Committee members)

#### Payments to Executive Committee and staff

Guidance surrounding the compensation process and requirements is not provided for within NCBA's Constitution. During our review of the 2013 - 2016 Executive Committee meeting minutes, we noted that there was discussion around salary increases and the creation of a temporary committee to develop and present different salary increase options to the Board for approval. End-of-year bonus amounts were also tabled and approved during Executive Committee meetings.

Table 17 below provides a summary of the salary and stipend amounts paid to permanent staff and members of the Executive Committee for fiscal years 2014 to 2016:

Staff Member	Salary/Stipend			Total
	2014 (TT\$)	2015 (TT\$)	2016 (TT\$)	
David Lopez	162,500	220,000	212,000	594,500
Wrenwick Brown	111,500	132,000	132,000	375,500
June Mathews-Lewis	57,633	80,750	36,833	175,217
Althea Ramos	63,000	48,000	-	111,000
Alana Ruiz	4,533	-	-	4,533
Nicole Scott	52,500	66,000	66,000	184,500
Alicia Richardson	37,500	42,000	42,000	121,500
Purtrina Mills	37,500	36,750	42,000	116,250
Yvette Sinnette	32,400	35,000	38,400	105,800



Staff Member	Salary/Stipend			Total
	2014 (TT\$)	2015 (TT\$)	2016 (TT\$)	
Mervyn Henry	41,100	36,000	36,000	113,100
Anastacia Mendes	20,000	-	-	20,000
Lori Almarales	32,100	-	-	32,100
Anderson Baptiste	17,400	-	-	17,400
Peter Greaves	-	-	-	-
Marva Joseph	11,400	33,000	36,000	80,400
Justyn Robinson King	27,500	54,000	54,000	135,500
Aynsley Matthews	34,500	42,000	42,000	118,500
Neville Wint	31,500	36,000	36,000	103,500
Paula Baptiste	31,500	36,000	3,000	70,500
Anra Bobb	31,500	36,000	36,000	103,500
Veronica Anthony	31,500	36,000	36,000	103,500
Arthur Stewart	31,500	36,000	36,000	103,500
Beresford Hunt	31,500	36,000	36,000	103,500
Cheryl Clarke Williams	31,500	36,000	36,000	103,500
Krystal Loney	1,581	-	-	1,581
Terrence Sandiford	3,000	18,000	18,000	39,000
Tia Anthony	5,000	15,000	-	20,000
Earl Crosby	-	-	27,000	27,000
Alvin Maynard	-	-	33,000	33,000
Samuel Lewis	-	-	8,000	8,000
<b>Total</b>	<b>973,147</b>	<b>1,110,500</b>	<b>1,042,233</b>	<b>3,125,880</b>

Table 17 - Salary and stipends paid to staff and elected members

In addition to the monthly salary and stipend payments noted in the table above, NCBA personnel also received other payments, including, but not limited to, the following:

- Phone allowance
- Travel allowance
- Backpay
- Bonus
- Carnival payments

A breakdown of these payments is shown in Table 18 below:

Staff Member	Additional Payments				Total
	Bonus	Allowances	Backpay	Carnival Payments	
David Lopez	2,000	107,100	45,000	30,000	184,100
Wrenwick Brown	1,500	-	9,000	-	10,500
June Mathews-Lewis	3,000	-	12,350	3,500	18,850
Althea Ramos	800	-	9,000	-	9,800





Staff Member	Additional Payments				Total
	Bonus	Allowances	Backpay	Carnival Payments	
Nicole Scott	1,600	-	13,500	8,000	23,100
Alicia Richardson	1,600	-	4,500	6,500	12,600
Purtrina Mills	1,600	-	4,500	-	6,100
Yvette Sinnette	1,600	-	5,400	-	7,000
Mervyn Henry	3,000	56,200	9,000	-	68,200
Peter Greaves	1,600	62,400	-	-	64,000
Marva Joseph	1,600	-	5,400	-	7,000
Justyn Robinson King	1,600	-	2,500	8,000	12,100
Aynsley Matthews	1,500	-	-	-	1,500
Neville Wint	1,500	-	-	-	1,500
Anra Bobb	1,500	-	-	-	1,500
Veronica Anthony	1,500	-	-	-	1,500
Arthur Stewart	1,500	-	-	-	1,500
Samuel Lewis	-	1,000	-	-	1,000
<b>Total</b>	<b>29,000</b>	<b>226,700</b>	<b>120,150</b>	<b>56,000</b>	<b>431,850</b>

Table 18 - Additional payments to staff

As shown in Table 18 above, we noted TT\$56k of payments to NCBA Executive Committee members and permanent staff in relation to services provided at various 2015 carnival events. We noted that NCBA currently does not have an HR policy in place to govern allowable staff expenses and the reimbursement of staff payments. In the absence of such a policy, it is unclear what activities in relation to carnival competitions can be treated as additional chargeable services provided by NCBA Executive Committee members/permanent staff or the rates at which these services should be charged back to the NCBA.

In addition to the above, we noted a further instance where Ms. Althea Ramos (former NCBA Accountant) submitted an invoice for TT\$2,000 to the NCBA for the transportation services and transportation of trophies, with a letter attached as follows:

*"I Althea Ramos provided transportation service to the NCBA on the 26<sup>th</sup> March & 28<sup>th</sup> March 2014 during the carnival period. I transported trophies and on the 27<sup>th</sup> March I secured cheques. My charge for these days totals TT\$2,000. Looking forward to doing business with your company".*

### **Recommendations**

To mitigate the risk of NCBA officers seeking reimbursement for services at improper or inflated rates, NCBA should develop HR policy guidelines in relation to allowable staff expenses and the reimbursement of staff payments. These policies must be approved by the Board and supported by continuous monitoring and enforcement.

In order to avoid any ambiguity, compensation, other allowances and entitlements should be clearly outlined (inclusive of value thresholds) in each officers' contract and updated once there are changes to compensation packages.



### **Statutory deductions**

NCBA remitted monthly statutory payments to the BIR and NIB for their permanent staff members for the entire period under review. However, payments for stipends and allowances to Executive Committee members were only deducted from January 2016.

NCBA paid Executive Committee members gross of TT\$1,084,200.00 over the period 1 October 2013 to 31 December 2015 for stipends and allowances. Based on the taxes not paid by NCBA for Executive Committee members, if audited by the BIR, NCBA would be liable for TT\$2,092,629 inclusive of penalties and interest charges as at 22 September 2017.

### **Recommendations**

All income and allowances earned by employees must be accurately recorded and the required statutory deductions must be calculated and remitted to the relevant institutions.



## 8. Detailed findings - Governance and Executive oversight

### 8.1 Ministerial oversight

In September 2007, NCBA was given the following key powers under Act No. 27 of 2007 (the Act):

- To acquire and dispose of property
- To enter into contracts
- To apply and invest funds
- The Act does not explicitly convey the power to borrow funds; however, it does include the power to "do all things, necessary or expedient for the due conduct of the affairs of the Association and for the attainment of its aims and objectives"

The Act specifies that NCBA shall be managed by an Executive Committee with procedures/powers as prescribed in its Constitution and Rules; however, the Act does not specify that NCBA is responsible to any ministerial line. The NCBA was essentially created as an independent corporate body.

Cabinet Minute No. 2007-8/7/97, which was approved on 14 August 1997, states that each Special Interest Group (SIG) shall be administratively responsible for its own area of production of Carnival, with the NCC being responsible for auditing and accounting, regional carnival organization/funding and to act in complementary/supplementary role to the carnival bodies. However, the Cabinet Minute does not specify that NCBA is responsible to the NCC or should report to any ministerial line.

### 8.2 Role of the NCBA

Cabinet Minute No. 2007-8/7/97, specifies the following in relation to the role of the NCBA:

*"Role of the National Carnival Bands Association*

- *Street parades in Port of Spain and environs on Carnival Monday and Tuesday, the parade route to be extended to the environs of the Savannah*
- *Junior Carnival*
- *Kings and Queens shows - preliminaries, semi-finals and finals*
- *Traditional Carnival shows*
- *Pre- Carnival Mas shows*
- *The production of Pre-Carnival packages*
- *Judging of parade of bands, the judging of each band to be on one day only, the day to be determined by the drawing of lots*
- *Participating in decisions concerning accreditation, sponsorship, copyrights, donations*
- *Marketing (local)*
- *Ticket sales for related activities"*

From carnival 2016 onwards, responsibility for the above items was transferred to the NCC, with the NCBA's role being reduced to responsibility for the Mas Academy and certain other sponsored events. However to date, neither the Act nor the Cabinet Minute have been amended to reflect this significantly reduced role.



According to the 3 December 2015 minutes of the NCBA Executive Committee, this revision of responsibilities was based on directives received from the NCC. However, as it is unclear if this revised role represents a permanent change of responsibilities, the NCBA has still included all of the above items in their budget for the 2018 carnival.

### **Recommendation**

In order to effectively develop and implement a suitable governance framework and internal control structure, the NCBA's principle stakeholders (i.e., the NCC and MCDCA) need to clarify and formally define the future role, responsibilities and expectations of the NCBA, as this will directly impact the nature and magnitude of the risks to be mitigated.

## **8.3 Governance framework**

NCBA is led by an Executive Committee (Board) and the Constitution stipulates that there shall be three Standing Committees (Membership, Disciplinary and Finance/Fundraising) reporting into the Executive Board. The Constitution also allows the Executive to appoint various ad hoc subcommittees and Joint Committees (see Figure 4 below). Members must be elected to the Executive Committee, whilst individuals may be appointed by the Executive to the other committees.

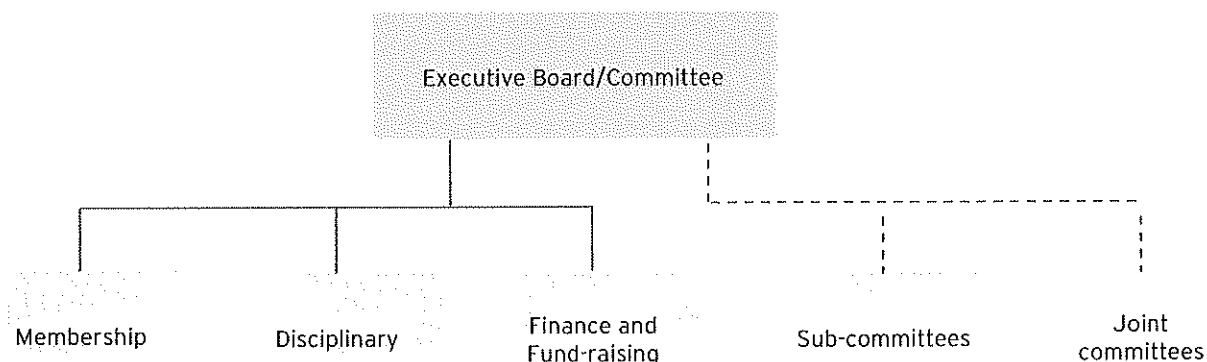


Figure 4 - NCBA's governance structure

The 2013 - 2016 Executive Committee meeting minutes did not include the confirmation of any appointments or (re-appointments) to Standing Committees. Consequently, these Standing Committees have not been formally established as stipulated within NCBA's Constitution.

We did note discussions within the 2013 Executive Committee meeting minutes, indicating that the Disciplinary Committee should be changed from a Standing Committee to a subcommittee. There were also discussions in relation to the splitting of the Finance and Fundraising (Events) Committee into two separate committees. Management should consider amending NCBA's Constitution to reflect these considerations.





## **Chapters and Zones**

NCBA has offices in San Fernando and Tobago; however, no Zonal Operating Committees have been established to date. Additionally, we noted that the San Fernando office was closed in June 2017.

## **Evaluation and training**

There are currently no formal mandates in place to define the requisite training needs for the Executive Committee and key Standing Committee members. There is also no formal mechanism for the periodic evaluation of the Executive Committee and Standing Committee members on an individual or collective basis.

## **Recommendation**

In order for the Executive Committee and Standing Committee to effectively fulfill their roles, NCBA should develop a program of ongoing training and education for Executive Committee and Standing Committee members. This training should be offered at on one-on-one and committee level and should include:

- Orientation training for new members
- Committee responsibilities (including expectations for self-research)
- Accounting and financial reporting
- Current affairs, legal developments and the business environment
- Information systems, processes and controls
- Risk management
- Corporate governance
- Specific risk areas

To support effective governance, the performance of the Executive Committee and Standing Committee should be evaluated annually. This responsibility should be included in the committee's charter and be listed as an item on the annual agenda. Evaluations should have clear terms of reference (TOR) and strict confidentiality should be maintained at all times. These evaluations should include:

- Degree to which responsibilities are understood by members
- Responsiveness to key issues
- Achievement of objectives as defined in TOR (benchmarks should be used as performance indicators where possible)
- Independence of members
- Effectiveness of interaction with other stakeholders (e.g., SIGs, NCC, MCDCA, and sponsors)
- Whether the right questions are being raised by members to fully understand issues and to constructively meet expectations



## Independence

The Constitution also specifies the following membership structure (Figure 5 below) for the Executive Committee:

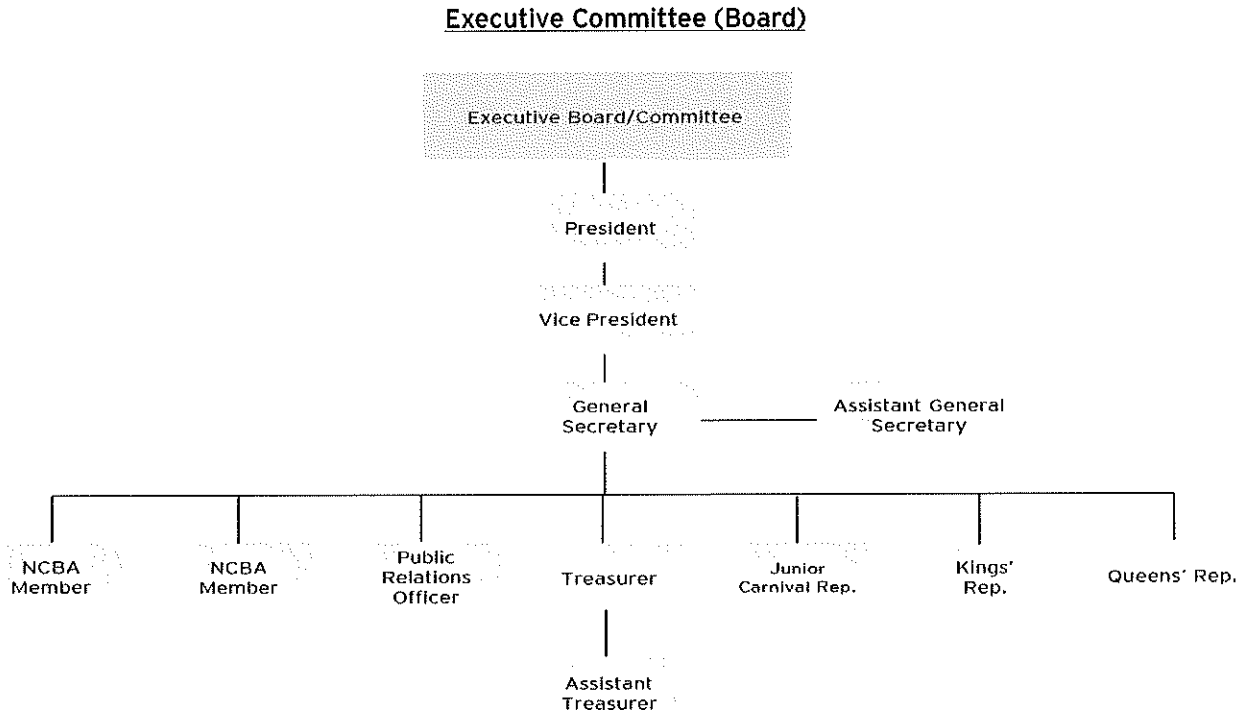


Figure 5 - Executive Committee structure

## Recommendation

To add diversity and mitigate the risk of a unitary Executive Committee, NCBA should develop structures to facilitate the inclusion of independent advisors. The selection of independent advisors should be based on factors such as:

- Ability to provide specialist skills/knowledge
- Corporate experience
- Strong leadership background
- Ability to exercise unbiased judgment (especially in situations where the potential for conflicts of interest exists)

## 8.4 Complaint management

NCBA's Constitution states that a Disciplinary Committee should be one of the standing committees of the Association, the responsibilities of which should include:

*"(i) serving as the investigative and recommending body with the obligation of looking into all complaints and situations that might involve disciplinary action being taken against a member.*



*(ii) providing guidance regarding the ethical implications of any scheme or course of action which may be under consideration."*

The Constitution also outlines the general procedure to be followed by the Disciplinary Committee once a complaint is received against a member, which includes the requirement of a written and signed complaint in order for it to be justifiable. However, we were informed by the Secretary that a Disciplinary Committee does not exist at NCBA due to the small size of the Association. The President also indicated that if member complaints are received, they are not formally documented and discussed at the Board level, but are usually taken up on a personal basis.

### **Recommendations**

The Board should consider amending the Constitutional requirement for a standing Disciplinary Committee to be replaced with a formal process for handling complaints via an ad hoc subcommittee or directly through the Executive Board. The process should also include a format for complaint and investigative reports.

Details of each complaint and associated resolution should be formally documented and monitored via a complaint log in order to track the frequency and type of complaints. This process should be delegated to a permanent member of staff.



Ministry of Community Development, Culture and the Arts (MCDCA)  
Audit of NCBA operations - Exhibit listing

Exhibit	Exhibit Name
1	Letter to the MCDCA Permanent Secretary, Ms. Angela Edwards, on 20 February 2018
2	Letter from the MCDCA responding to the NCBA on 26 February 2018







**NATIONAL CARNIVAL BANDS ASSOCIATION OF TRINIDAD & TOBAGO**  
**"INCORPORATED BY ACT OF PARLIAMENT NO. 27 OF 2007".**

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20 February 2018

Ms Angela S. Edwards  
Permanent Secretary  
Ministry of Community Development Culture and the Arts  
Level #20, Nicholas Towers  
63-65 Independence Square  
Port of Spain

Dear Ms Edwards

**Re: Audit of National Carnival Bands Association**

We are in receipt of your correspondence dated January 29 2018 with reference to the above captioned subject matter.

At the kick off meeting held at Ernst & Young as referred by you in the aforementioned correspondence and subsequently at the commencement meeting with agents from Ernst & Young held at the National Carnival Band's Association's (NCBA) head office at #1 Picton Street, Newtown on August 18 2017, this audit was initiated to review the policies and practices as to the administration of the significant interest groups and to ensure that the best of same were put in place.

Assurance was given to the NCBA and as per customary International Auditing Standards, after the exercise, a consultation would be held with the Association to discuss the findings by the auditors before any report is sent to the Ministry of Community Development, Culture and the Arts, which we agreed but never took place.

To the Association's surprise, articles were published by one Mr. Andy Johnson in the Daily Express Newspapers titled "Audit: Poor \$\$ Accounting at TUCO, NCBA" and "Audit report: NCBA, TUCO must upgrade accounting, High risk of fraud" dated Sunday 22 October 2017 and Monday 23 October 2017 respectively followed by an

editorial in the same periodical on Monday 23<sup>rd</sup> October 2017 titled "Biting the Carnival funding Bullet" (copies enclosed) both making reference to a "final audit" report received.

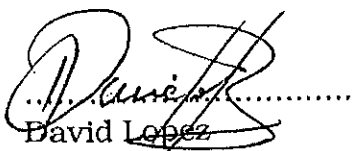
Following this, we received correspondence from Ernst & Young's Ms Hema Narinesingh dated October 25 2017 (copies enclosed) stating that Ernst & Young issued a 'draft audit' to the MCDCA. Our attorneys in reply sent correspondence dated October 27 2017 expressing amongst other things, that it was unacceptable that draft work could find itself in the public domain (copies enclosed). Ernst & Young subsequently issued a disclaimer, disassociating itself from the publication of the aforementioned articles on Wednesday 8 November 2017 stating that its report in connection with the NCBA was a *draft* report which contained no final findings and that the contents of that draft report were not for publication and were subject to further consultation and discussion with the NCBA. (copies enclosed)

These series of articles were founded on a report which falsely and maliciously portrayed to the public via the media as there being a final report and the result of these articles has caused the Association great distress and embarrassment as it implied that the NCBA was guilty of serious financial mismanagement, irregularity, failure to account for public funds and participating in fraud and creating or permitting the opportunity for fraud.

In light of the aforementioned, legal letters have been dispatched to various parties including the Ministry of Community Development, Culture and the Arts dated November 2 2017 (copies enclosed for ease of reference) which we are currently engaged, and, in these circumstances, we would not be able to meet with Ernst & Young to the proposed close off meeting.

The NCBA wishes to note unequivocally that the Association welcomes any audit to promote transparency and accountability as we are in receipt of state funding but the manner in which events unfolded, and the embarrassment caused to the Executive and the membership of the NCBA, the Association in good conscience cannot engage any further.

Yours Respectfully,

  
David Lopez  
President

CC: Mr. Marcus Jardin, Senior Manager – Ernst & Young Services Limited



**Government of the Republic of Trinidad and Tobago**  
Ministry of Community Development,  
Culture and the Arts  
**Office of the Permanent Secretary**

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February 26, 2018

Mr. David Lopez  
President  
National Carnival Bands Association  
No. 1 Picton Street  
Newtown  
Port-of-Spain

Dear Mr. Lopez,

**Re: Audit of National Carnival Bands Association**

Reference is made to the subject.

We acknowledge receipt of your correspondence dated February 20, 2018.

The intended purpose of the close off meeting was to facilitate a discussion between Ernst & Young, The National Carnival Bands Association ("NCBA") and the Ministry so that the parties could review and discuss the findings of the Draft Report and provide the NCBA with an opportunity to respond to any errors and/or omissions in the Draft Report prior to its finalization. This course of action was communicated to the NCBA at the kick off meeting and during the audit itself.

As the NCBA has indicated its unwillingness to attend the close off meeting and to engage further, we are therefore constrained to finalise the Draft Report without your prior input and review.

Please be guided accordingly.

Yours faithfully,

*Angela S. Edwards*  
**Permanent Secretary**

cc. Marcus Jardine, Senior Manager – Advisory Services, Ernst & Young



CultureCommuniTT



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1. Introduction  
2. Literature Review  
3. Methodology  
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5. Discussion  
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