



SUMMARY OF AUDIT OF REVENUE



A Summary of the Audit of Revenue and the corresponding Issues identified in the Auditor General's Report on the Public Accounts for the financial year 2015

Parliament of Trinidad and Tobago
Financial Scrutiny Unit

Financial Scrutiny Unit

This information is provided for use by Members of Parliament and key stakeholders in Parliamentary Financial Scrutiny. It is a summary of the Audit of Revenue in the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the Financial Year 2015.

The Summary does not contain the full details of the Report of the Auditor General, nor is intended to represent any particular view or opinion. This document should be used in conjunction with the Report of the Auditor General on the Public Accounts for 2015, which can be accessed on the Auditor General's website at www.auditorgeneral.gov.tt

Contact Information

Office of the Parliament

Levels G-7, Tower D

The Port of Spain International Waterfront Centre

1A Wrightson Road Port of Spain Republic of Trinidad and Tobago

Tel: (868) 624-7275 exts. 2373, 2285, 2309 & 2250 Fax: (868) 625-4672

Email: paac@ttparliament.org; pac@ttparliament.org; paec@ttparliament.org;

Auditor General's Department

Head Office

Levels 2-4, Tower C,

The Port of Spain International Waterfront Centre

1A Wrightson Road Port of Spain Republic of Trinidad and Tobago

Port of Spain

Phone: (868) 625-6585 or 627-6727

Fax: (868) 222-8972

San Fernando Office

11A Independence Avenue,

San Fernando.

Phone/Fax: (868) 652-4953; 657-0747

Tobago Office

Caribana Building

Bacolet Street,

Tobago

Phone: (868) 639-4935/2886.

Fax: (868) 639-2886.

Email Address: agd.info@gov.tt

Website: www.auditorgeneral.gov.tt

Publication

An electronic copy of this summary can be found on the Parliament website: www.ttparliament.org

Table of Contents

The Audit of Revenue.....	4
Permanent Secretary – Ministry of Energy and Energy Affairs	4
Revenue Control	4
Accuracy of revenue from Royalties and Share of Profits from Oil Companies could not be assessed.....	4
Permanent Secretary – Ministry of the Environment and Water Resources	4
Revenue Records	4
Statement of Receipts and Disbursements not submitted for audit.....	4
Comptroller of Accounts – Ministry of Finance and the Economy	4
Statement of Receipts and Disbursements	4
Estimate relating to Borrowing – Foreign understated by \$600,000.00	4
Permanent Secretary – Ministry of Gender, Youth and Child Development	4
Documents Not Produced.....	4
Completeness of Revenue disclosed could therefore not be ascertained	5
Chairman of the Board of Inland Revenue – Ministry of Finance and the Economy.....	5
Audit Scope	5
Access was not provided to certain data pertaining to revenue at the Inland Revenue Division.....	5
Documents Not Produced.....	5
Direct contravention of section 116 of the Constitution.....	5
Revenue Control	5
Certified Statements of Revenue were not received.....	5
Cash Book was not certified on a daily basis	5
Cashier function performed by a temporary officer.....	6
Permanent Secretary – Ministry of Health	6
Revenue Control	6
Cashier function performed by a temporary officer.....	6
Evidence of regular checking by a senior officer was absent	6
Revenue collected was not deposited on a timely basis	6
Several instances of misclassification of revenue were noted	6
Permanent Secretary – Ministry of Housing and Urban Development	6
Revenue Control	6
Critical records not provided for audit scrutiny.....	7
Commissioner of Prisons – Ministry of Justice	7

Statement of Receipts and Disbursements	7
Documents Not Produced.....	7
Registrar General – Ministry of Legal Affairs	7
Revenue Control	7
Monthly Statements of Revenue not prepared.....	7
Revenue relating to District Revenue Services and Tobago could not be verified.....	7
Commissioner State Lands, Ministry of Land and marine Resources.....	7
Revenue Control	7
Weaknesses in the system for collection and recording of revenue.....	7
Statement of Receipts and Disbursements	8
Records necessary for the control over revenue were not properly maintained	8
Commissioner of Police – Trinidad and Tobago Police Service	8
Revenue Control	8
Urgent need to strengthen internal control at stations	8
Permanent Secretary – Ministry of Tertiary Education and Skills Training	9
Documents not produced	9
No evidence of a system for determining the liability of scholars	9
Consolidated Statement on Arrears of Revenue	9
Arrears of Revenue totalling \$50,585,077,331.00.....	9
Arrears of \$47,198,152,832.00 reported in 2015 by the Chairman Board of Inland Revenue.....	9

The Audit of Revenue

Permanent Secretary – Ministry of Energy and Energy Affairs

Page 83

Revenue Control

Accuracy of revenue from Royalties and Share of Profits from Oil Companies could not be assessed

As reported in the previous two years, no evidence was seen that oil and gas production data received from companies and used in the calculation of revenue collectible was verified by the Ministry. The accuracy of revenue from Royalties and Share of Profits from Oil Companies could therefore not be assessed. The Petroleum Register provided bore no evidence of certification by a responsible official. There was also no evidence that a system exists at the Ministry to monitor revenue received and receivable.

Permanent Secretary – Ministry of the Environment and Water Resources

Revenue Records

Page 83

Statement of Receipts and Disbursements not submitted for audit

A Statement of Receipts and Disbursements was not submitted for audit. The total revenue of \$299,728,823.80 shown on the Schedule of Receipts provided differed by an unreconciled amount of \$12,178,949.50 from the total of \$311,907,773.30 shown in the records of the Comptroller of Accounts.

Comptroller of Accounts – Ministry of Finance and the Economy

Statement of Receipts and Disbursements

Page 83

Estimate relating to Borrowing – Foreign understated by \$600,000.00

The 2015 Estimate relating to Borrowing – Foreign shown in section B of the Statement is understated by \$600,000.00.

Permanent Secretary – Ministry of Gender, Youth and Child Development

Documents Not Produced

Page 83

Completeness of Revenue disclosed could therefore not be ascertained

Cash Books and Revenue Registers were not produced. The completeness of Revenue disclosed could therefore not be ascertained.

Chairman of the Board of Inland Revenue – Ministry of Finance and the Economy

Page 84 & 85

Audit Scope

Page 84

Access was not provided to certain data pertaining to revenue at the Inland Revenue Division

As reported in the previous three years, access was not provided to certain data pertaining to revenue at the Inland Revenue Division, by officers citing the official secrecy provisions of section 4 of the Income Tax Act, Chapter 75:01. The Attorney General has assured the Auditor General that the necessary legal provisions to overcome these restrictions will be pursued. To date, there have been no further developments.

Documents Not Produced

Direct contravention of section 116 of the Constitution

Documents not relating to individual taxpayers but necessary to test revenue controls and completeness of revenue were not provided for audit. Further, all requests by audit for documents or information had to be screened by the Chairman. This is in direct contravention of section 116 of the Constitution and section 10 of the Exchequer and Audit Act, in particular section 10 (1) which states *inter alia*:

“In the exercise of his duties under this Act the Auditor General shall be entitled—

(a) to call upon any officer for any explanations and information which the Auditor General may require in order to enable him to discharge his duties;”.

Revenue Control

Certified Statements of Revenue were not received

Certified Statements of Revenue were not received from Collectors who did not access the Division’s Revenue Collection System in respect of the following four items:

- Tax on Transfer of Motor Vehicles
- Cinematograph – Arrangement Fee
- Warden’s Search Fees
- Pension Plan Registration Fee.

Cash Book was not certified on a daily basis

Amounts were reportedly acquired by telephone. Revenue reported for these items for the year totalled \$37,593,713.75. At the time of the audit in July 2015, the Cash Book was not certified on a daily basis as required by financial directives. The last date certified was 8th December, 2014. Deposits on the

Daily Settlement Summary at one outstation did not match deposits shown on the bank statement of deposit activity provided. A confirmation of the bank balance requested for audit purposes was also not produced.

Cashier function performed by a temporary officer

In addition, the Cashier function was performed by persons who were in temporary positions. This is in contravention of Financial Instruction 53 (2) which requires permanent and pensionable officers to perform this duty. Custody of receipt books is a critical factor in accounting for revenue and minimising the incidence of fraud. At one location visited however, there was no record in the Counterfoil Register of the dates and persons to whom three receipt books were issued.

Permanent Secretary – Ministry of Health

Revenue Control

Page 85

Cashier function performed by a temporary officer

The Cashier function at the Head Office was performed by a temporary officer in contravention of Financial Instruction 53 (2) which requires a permanent and pensionable officer to perform this duty. The Accounting Officer has indicated that this became necessary because requests to the Service Commissions Department for staff were not accommodated.

Evidence of regular checking by a senior officer was absent

There was a lack of segregation of duties with respect to revenue collection, receipting, depositing and recording. Evidence of regular checking by a senior officer in accordance with financial directives was also absent.

Revenue collected was not deposited on a timely basis

Revenue collected was not deposited on a timely basis. For instance, revenue collected between December 2014 and March 2015 was deposited on 20th April, 2015. Further, the lodgement slips for revenue deposited totalling \$250,698.52 for the period December 2014 to February 2015 were not submitted to the Comptroller of Accounts. In addition, original receipts were not attached to cancelled duplicate receipts in seven instances as required by Financial Instruction 89 to prevent misappropriation of receipts.

Several instances of misclassification of revenue were noted

The Cash Book and Remittance Register were not properly maintained and checked in accordance with Financial Instructions 55 and 78 to ensure that all revenue collected is recorded and deposited. Several instances of misclassification of revenue were also noted in the Cash Book while cheques totalling \$85,637.21 for two of the three months checked were not entered in the Remittance Register.

Permanent Secretary – Ministry of Housing and Urban Development

Revenue Control

Page 86

Critical records not provided for audit scrutiny

Critical records such as the Cash Book, Revenue Register, Summary Statements and Revenue Abstract were not provided for audit scrutiny. Revenue reported could therefore not be verified.

Commissioner of Prisons – Ministry of Justice

Statement of Receipts and Disbursements

Page 86

Documents Not Produced

The following documents necessary for verification of figures presented were not produced:

- Treasury Card
- Revenue Register
- Authorized Signatories file
- Comptroller of Accounts Receipts
- Receipt Books
- Remittance Register
- Cash Book.

Registrar General – Ministry of Legal Affairs

Revenue Control

Page 86

Monthly Statements of Revenue not prepared

At the time of the audit visit in October 2015, Monthly Statements of Revenue were not prepared and submitted by outstations to Head Office to facilitate submission of revenue information to the Ministry of Finance and the Auditor General as required by Financial Regulation 56.

Revenue relating to District Revenue Services and Tobago could not be verified

Revenue of \$240,219.00 and \$1,254,988.50 relating to District Revenue Services and Tobago respectively as disclosed in Section B of the Statement of Receipts and Disbursements could not be verified as records such as the Cash Book, Revenue Abstract and detailed Revenue Reports were not provided. There was also no evidence of monitoring of revenue controls or verification of revenue figures submitted by these offices.

Commissioner State Lands, Ministry of Land and marine Resources

Revenue Control

Pages 87 & 88

Weaknesses in the system for collection and recording of revenue

The following weaknesses were noted in the system for collection and recording of revenue:

- There was no evidence of departmental checks in the Cash Book for the two months examined.
- Authorising signatures were not affixed in a number of instances in the Cash Book and on Monthly Returns.
- Brought forward and cumulative totals were not included in the Cash Book and in the Monthly Returns examined.
- Monthly Statements of Revenue required by Financial Regulation 56 (1) to report revenue collected to the Ministry of Finance were not provided.
- At the time of the audit in November 2015, the Daily Abstract of Revenue had not been completed for September 2015.
- Counterfoil Returns required by Financial Instruction 94 to be submitted every three months to the Comptroller of Accounts had not been prepared for the year.
- There was no record in the Counterfoil Register of three receipt books used in November 2014.
- A Revenue Register was not provided.
- There was no evidence of regular reconciliation between revenue collected by the District Revenue Offices, the amounts deposited to the Treasury and the records of the Ministry.
- The Cashier function was not performed by a permanent and pensionable officer as required by Financial Instruction 53 (2).
- Revenue collected was not deposited on a timely basis. This represents a risk to the security of revenue receipts and personnel.

Statement of Receipts and Disbursements

Records necessary for the control over revenue were not properly maintained

The completeness of revenue reported could not be verified as records necessary for the control over revenue were not properly maintained as mentioned in the preceding paragraph. In addition, Monthly/Quarterly Statements of Revenue collected by the Tobago House of Assembly, on behalf of the Ministry, were not produced. Further, documents and entries to support a direct US\$ cheque payment of TT\$2,352,897.58 to the Treasury for Rents of Lands, formerly owned by Caroni (1975) Ltd. were not provided.

Commissioner of Police – Trinidad and Tobago Police Service

Revenue Control

Page 88

Urgent need to strengthen internal control at stations

Weaknesses in recording and depositing of receipts were noted at a number of stations visited. Urgent attention needs to be paid to strengthening internal control at stations to ensure completeness of revenue.

Permanent Secretary – Ministry of Tertiary Education and Skills Training

Documents not produced

Page 88

No evidence of a system for determining the liability of scholars

It was difficult to determine the completeness of revenue collectible as there is no evidence that a system exists for determining the liability of scholars.

Consolidated Statement on Arrears of Revenue

Arrears of Revenue totalling \$50,585,077,331.00

Page 91

Arrears of \$47,198,152,832.00 reported in 2015 by the Chairman Board of Inland Revenue

A Consolidated Statement of Arrears of Revenue at 30th September, 2015 submitted by the Permanent Secretary, Ministry of Finance on the basis of Returns received showed Arrears of Revenue totalling \$50,585,077,331.00, an increase of \$50,293,567,101.00 from the previous year's balance reported of \$291,510,230.00.

The increase was due mainly to Arrears of \$47,198,152,832.00 reported in 2015 by the Chairman Board of Inland Revenue. Relevant information had not been submitted in the previous year.

Returns for certain accounts were not received by the Ministry from 37 (2014:13) Receivers of Revenue for 2015. The Arrears reported by the Ministry comprise:

Head	Arrears Reported (\$)	Main Components
01 Taxes on Income and Profits	47,198,152,832	Oil Companies \$17,256,818,582 Other Companies \$23,480,602,212 Individuals \$1,356,237,970 Withholding Tax \$5,049,664,774
02 Taxes on Property	100,002,442	Land and Building Taxes
03 Taxes on Goods and Services	3,182,286,220	Value Added Tax \$3,060,253,477
06 Property Income	1,186,738	Shelter Construction Financing Facility \$991,509
07 Other Non-Tax Revenue	103,449,019	Fines and Forfeitures – Magistrates' Courts \$100,067,098

Financial Scrutiny Unit
Office of the Parliament
May 3, 2016