



# SUMMARY OF GENERAL OBSERVATIONS AND PERVASIVE ISSUES

A Summary of the General Observations and Pervasive 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 General Observations and Pervasive Issues identified 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](http://www.auditorgeneral.gov.tt)

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# General Observations

## Integrated Financial Management

*Pages 14 & 15*

### Maintenance of manual records presents huge inefficiencies in the accounting

The accounting records supporting the production of the Public Accounts are largely manual records some of which were introduced from as far back as 1959. The maintenance of such records presents huge inefficiencies in the accounting, reporting and auditing functions which could be resolved by the introduction of an Integrated Financial Management Information System (IFMIS). As part of the current financial management reform, a new Chart of Accounts which would facilitate the introduction of a revised accounting framework has been developed. The Comptroller of Accounts has advised that arrangements have been made to acquire financing for the continuation of the IFMIS project and final approval is being sought from Cabinet.

## Staffing and Training

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### Pervasive need for training of staff of Ministries and Departments in accounting regulations and procedures

As reported in the previous two years, a pervasive need was identified for training of staff of Ministries and Departments in accounting regulations and procedures with a view to enhancing accountability and good governance. A number of accounting units are still reportedly understaffed and succession planning for accounting personnel was also identified as weak in many instances. In some cases, adequate resources were not made available to deal with audit requests and issues at the time of the audit. An important entity such as the Treasury Division which is responsible for the production of the Public Accounts and the training of officers in accounting procedures was also reportedly under-resourced and so unable to provide the necessary level of training.

## Internal Audit Function in Government Ministries and Departments

### General

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### Definition of Internal Audit and Statutory Requirement for Internal Audit Function

Internal Audit is defined as “an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance procedures.” Financial Regulation 13 (4) requires each Accounting Unit to have a check staff and an independent internal audit section.

## **Benefits and Best Practice**

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### Internal audit function is a key component of the internal control system

The internal audit function is a key component of the internal control system of any entity. An effective internal audit function contributes greatly to achieving and maintaining accountability and good governance and ultimately, to effective service delivery. Critical elements for effectiveness of the function include objectivity and independence, adequacy and technical competence of staff, integrity of the audit process and related evidence as well as clear reporting and communication lines. International Standards for the Professional Practice of Internal Auditing have been issued by the Institute of Internal Auditors and provide best practice guidance for the internal auditors.

## **Findings of Review**

*Page 16*

### Limited Audit Coverage

Evaluations conducted at certain Ministries and Departments revealed, as in the prior year, common problems such as understaffing and assignment of internal audit resources to routine functions or diversion to non-audit duties or *ad hoc* assignments. As a result, audit coverage is often limited.

### Suggestion for reassessment of the calibre of staff assigned to the internal audit function

It was found that there is a need for training in internal auditing and related disciplines such as auditing in a computerised environment as well as Information Technology and Value-for-Money auditing. Updated manuals and standard working papers are also needed to allow these units to function more effectively. Some reassessment of the calibre of staff assigned to the internal audit function as well as the qualifications required has also been suggested.

## **Long-Outstanding Issue**

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### Implementation of recommendation made by the Auditor general to improve the Internal Audit function remained unsatisfactory in 2015

The state of the internal audit function in Ministries and Departments is a matter of grave concern and has been raised by the Auditor General on a number of occasions. The 1987 “Report of the Auditor General of the Republic of Trinidad and Tobago on a Comprehensive Audit on the Internal Audit Function in Government Ministries/Departments and Statutory Boards” outlined a number of recommendations for the strengthening of the function. Follow up reviews were performed in the years 1990 and 1994 and during the period October 2009 to July 2011 and major findings reported. The Auditor General’s Reports on the Public Accounts for the fiscal years 2011, 2012, 2013 and 2014 also reiterated the 1987 recommendations. The level of implementation however remained unsatisfactory in 2015.

## **Action Being Taken**

### Reform of the Public Financial Management System

The Ministry of Finance has indicated that the concerns with the internal audit function are being addressed as part of the current reform of the Public Financial Management (PFM) System. Subsequent to the financial year-end of 30th September, 2014, a preliminary diagnostic review was performed by a consultant and recommendations were submitted to the Ministry in January 2015.

The Comptroller of Accounts has stated that draft documents such as the Internal Audit Practice Guide, Internal Audit Standards and Internal Audit Charter were produced and that sensitization sessions and workshops with certain key stakeholders were held.

In December 2014, Cabinet approved the request of the Minister of Finance and the Economy to negotiate a loan of US\$40m for the PFM reforms. No further developments have been made.

# The Audit of Expenditure

## Pervasive Issues

### Lease Agreements

*Page 31*

Signed lease agreements were not produced with respect to certain properties for which 2.10 rental payments were made. This matter was also raised in previous years and has been attributed to the length of time taken by the Property and Real Estate Division of the then Ministry of Housing and Urban Development (now under the Ministry of Public Administration and Communication) to have leases executed. The result is that rental payments are made without formalisation of the relevant terms and conditions.

### Contract Employment

*Pages 32 & 33*

Personnel Department Circular Memorandum PD (bm) 12/2/1 Vol. IV dated May 18, 2006 stipulates that contract employment shall obtain principally where:

- persons are not available to fill established positions but there is urgent need for services;
- additional persons are required for a special project of limited duration, or
- specialized services required cannot be met by filling established positions.

#### Total Persons Employed in Contract Positions per Responses Received

Persons 2015	Total Paid 2015 (\$)	Persons 2014	Total Paid 2014 (\$)
<b>4314</b>	<b>437,823,142.30</b>	<b>6003</b>	<b>596,820,839.50</b>

### Short Term Contracts

*Page 34*

Need for a comprehensive review of the procedures for identifying and fulfilling human resource requirements across the public service

Short Term Employment is defined in the Estimates of Expenditure as “Short Term or revolving employment in specific Government departments and Agencies where each employee’s term does not exceed six months.” However, from the samples selected, a number of instances were noted where employment charged under this vote exceeded the stipulated six months. These are summarized in the Table below.

Feedback from Ministries and Departments reveal that repetition of short term contracts have become necessary to ensure continuity of service delivery as the bureaucratic processes involved in the creation



of and recruitment to established posts or long-term contracts are prohibitive due to the length of time and complexity involved.

These findings draw attention to the need for a comprehensive review of the procedures for identifying and fulfilling human resource requirements across the public service to achieve efficiency and effectiveness.

### **Short Term Employment Exceeding 6 Months**

<b>Ministry/Department</b>	<b>Sample Size</b>	<b>No. of Persons</b>	<b>Monthly Payments (\$)</b>
05 – Parliament	10/24	5	44,200.00
18 – Ministry of Finance & the Economy – Customs & Excise Division	7/87	2	26,900.00
24 – Ministry of Legal Affairs	15/211	7	56,000.00
39 – Ministry of Public Utilities	12/64	12	66,500.00
58 – Ministry of Justice	15/16	3	33,000.00
63 – Ministry of the Arts & Multiculturalism	10/39	10	106,584.00
64 – Trinidad & Tobago Police Service	13/131	13	95,500.00
71 – Ministry of the Environment & Water Resources	10/92	2	20,200.00
76 – Ministry of Land & Marine Resources	30/232	19	163,510.00

### **Inventory Control**

*Page 36*

#### Breaches continue to be noted at a number of Ministries/Departments

Safeguarding of State property to ensure efficient and effective service delivery is the main aim of inventory control. Proper maintenance of inventory records and tagging of items in accordance with Financial Regulations (Stores) are crucial elements of this function. Weaknesses in inventory control are raised each year by the Auditor General through management letters and in the Auditor General's Report on the Public Accounts. However, breaches continue to be noted at a number of Ministries/Departments. In view of the above and as stated in the prior year, it is imperative that a concerted effort be made by Accounting Officers to ensure that State property is safeguarded at all locations by the application of the provisions of the Financial Regulations (Stores).

Inventory may arise from expenditure under various categories such as Development Programme, Infrastructure Development Fund (IDF) and Recurrent. During the period 2011 to 2015, purchases of Minor Equipment under Recurrent Expenditure totalled \$1.8 billion as shown below:

<b>Financial Year</b>	<b>\$</b>
2011	518,751,280.00
2012	488,075,760.80
2013	287,109,248.72
2014	209,672,561.26
2015	304,946,591.26
<b>TOTAL</b>	<b>1,808,555,442.04</b>

## **Acquisition of Motor Vehicles**

*Pages 36 & 37*

No policy guidelines to determine the brand and model necessary to facilitate the performance of official duties

Requests were made to the Ministry of Public Administration, the Director of Budgets and the Mechanical Services Division of the Ministry of Works and Transport for information on the authorized policy for motor vehicle acquisition across Government with emphasis on type, quality and cost. Responses revealed that while there are guidelines with respect to the allocation and use of motor vehicles, there are no policy/guidelines to determine the brand and model necessary to facilitate the performance of official duties.

Varying practices have been noted at Ministries and Departments with respect to the type, quality and cost of motor vehicles acquired. Auditor General's Circular Memorandum 15 of 2015 dd. 23<sup>rd</sup> December, 2015, requested entities to submit *inter alia* relevant information on motor vehicle acquisitions. Responses received from 19 of the 50 Ministries and Departments circularized revealed that 263 passenger cars at costs exceeding \$300,000 each, were purchased by these entities for amounts totalling \$108,878,298.51 during the years 2012 to 2015.

## **Acquisition of Cellular Telephones**

*Page 37*

No policy/guidelines to determine the brand and model necessary to facilitate the performance of official duties

Requests were made to the Ministry of Public Administration and the Director of Budgets for information on the authorized policy for cellular telephone acquisition across Government with emphasis on type, quality and cost. While there are guidelines with respect to the allocation and use of cellular telephones, there are no policy/guidelines to determine the brand and model necessary to facilitate the performance of official duties.

Varying practices have been noted at Ministries and Departments with respect to the type, quality and cost of cellular telephones acquired. Auditor General's Circular Memorandum 15 of 2015 dd. 23<sup>rd</sup> December, 2015, requested entities to submit *inter alia* relevant information on cellular telephone acquisitions.

Responses received from 21 of the 50 Ministries and Departments circularized revealed that 175 cellular telephones at costs exceeding \$3,000 each, were purchased by these entities for amounts totalling \$746,276.30 during the years 2012 to 2015.

## **Overpayments**

*Pages 37 to 39*

6,075 cases reported in 2015 at a value of \$30,442,099.28

Overpayments continue to be a major concern since they not only represent a leakage of public funds but result in time and other resources being spent on accounting, recovery, reporting and auditing as well as, at times, emotional factors involved in the recovery process.

Financial Regulation 83 states that “Every unauthorized payment and overpayment of salary, pension, allowance, wages or other moneys constitutes a debt which is recoverable in full from the payee.” Comptroller of Accounts Circular No. 20 dated 17<sup>th</sup> August, 1988 gives guidelines for reducing the incidence of Overpayments and Unauthorized Payments.

Overpayments reported for the years 2011 to 2015 are shown in the table below. From the analysis, roughly 52% of overpayments have been recovered over these years. Ministries and Departments should ensure that systems to prevent and detect overpayments are working effectively.

### **Overpayments versus Recoveries**

<b>Financial Year</b>	<b>Cases Reported</b>		<b>Amounts Recovered (\$)</b>
	<b>Number</b>	<b>Value (\$)</b>	
2011	5,280	20,370,970.62	8,492,896.04
2012	4,531	21,465,110.05	8,008,976.50
2013	6,513	31,140,644.73	16,160,936.12
2014	4,449	23,941,549.68	12,902,236.36
2015	6,075	30,442,099.28	21,134,429.75
<b>5 Year Total</b>	<b>26,848</b>	<b>127,360,374.36</b>	<b>66,699,474.77</b>

### **Outstanding Commitments**

*Pages 40 & 41*

Outstanding Commitments as at 30<sup>th</sup> September, 2015 totalled \$152,054,717.71

Commitments arise where goods and services have been ordered but not received and therefore payments have not been effected. Outstanding Commitments as at 30<sup>th</sup> September, 2015 as per Appropriation Accounts totalled \$152,054,717.71.

### **Cases of Theft and Losses Reported**

*Page 42*

Seven cases of thefts and losses totalling \$26,563.49 were reported to the Auditor General in 2015

In accordance with Part XIX of the Financial Regulations, Accounting Officers are required to investigate and report all losses of State assets to the Comptroller of Accounts and the Auditor General. For the financial year 2015, seven cases of thefts and losses of State property totalling \$26,563.49 were reported to the Auditor General.

### **Void Cheques**

*Pages 42 & 43*

The non-publishing of relevant information by the stipulated deadline remains an issue

Ministry of Finance Circular No. 2 of 1994 dated March 18, 1994 entitled “System to void unrepresented cheques in the accounting system” provides detailed instructions on the subject of void cheques. As reported in previous years, the non-publishing of relevant information in a daily newspaper and/or in the Trinidad and Tobago Gazette by the stipulated deadline remains an issue.

## Conflicts of Interest

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### Apparent absence structured procedure for identifying and managing conflicts of interest

Central Tenders Board Act, Chapter 71:91) states:

*“A public officer or an employee of the Government, or a member or employee of a Statutory Body or the spouse or any child of such person shall not enter into any contract for the supply of articles to, or the undertaking of any works or services for the Government or such statutory body, as the case may be, and where a person becomes a public officer or employee of the Government or a member or employee of a Statutory Board, after he or his spouse or any child has entered into such contract, the contract with such person or his spouse or any child shall thereupon be treated as terminated upon such terms as the Board considers appropriate.”*

In addition, Civil Service Regulation 137 (1) states:

*“An officer shall not, directly or indirectly, be involved in any financial or other interest or undertaking which could compromise, or reasonably be said to compromise that officer’s job performance or office.”*

In light of the above, Ministries and Departments were asked to submit to the Auditor General, information on the policies and procedures in place during the financial year ended 30<sup>th</sup> September, 2015 to monitor, detect, manage and report actual or potential conflict of interest situations. From the 22 responses received, apart from the processes set down by the Central Tenders Board, seven entities have indicated the existence of working policies and procedures while two indicated their intention to implement a system. There did not appear to be a structured procedure for identifying and managing conflicts of interest at other Ministries and Departments.

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