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## **Summary of Proceedings Public Hearing**

held on Wednesday February 13<sup>th</sup>, 2019 from 10:34 a.m. to 12:37 p.m.

**Subject Matter:** An Inquiry into Financial Oversight and Financial Management Systems at Municipal Corporations

### **Objectives of the Inquiry**

The objectives of the inquiry are as follows:

- To examine the role of the line Ministry and Executive Management of Municipal Corporations in promoting and facilitating accountability and transparency in the operations of Municipal Corporations
- To assess the internal control systems within Municipal Corporations; and
- To examine the proposed local government reform initiatives associated with the management of finances with MCs.

**Venue:** J. Hamilton Maurice Room, Mezzanine Floor, Office of the Parliament, Tower D, the Port of Spain International Waterfront Centre, 1A Wrightson Road, Port-of-Spain.

### **Committee Members**

The following Members were present:

- i. Dr. Varma Deyalsingh - Chairman
- ii. Mrs. Ramona Ramdial, MP - Vice-Chairman
- iii. Mr. Nigel De Freitas
- iv. Mrs. Jennifer Baptiste-Primus
- v. Mr. Esmond Forde, MP
- vi. Mr. Darryl Smith, MP
- vii. Ms. Khadijah Ameen

**Witnesses Who Appeared**

The following officials of the appeared before the Committee:

**Ministry of Rural Development and Local Government**

- Mrs. Jennifer Daniel Permanent Secretary
- Mr. Raymond Seepaul Deputy Permanent Secretary
- Mrs. Esther Pilgrim-Soanes Director, Finance and Accounts

**Diego Martin Regional Corporation**

- Ms. Susan Hong Chairman
- Ms. Shivastri Ramawadh Chief Executive Officer
- Mr. Ken Calliste Financial Assistant

**Siparia Regional Corporation**

- Alderman Dr. Glenn Ramadharsingh Chairman
- Mr. Ravindranath Gangoo Chief Executive Officer
- Ms. Kelly Bates Financial Officer

**San Juan / Laventille Regional Corporation**

- Alderman Anthony Roberts Chairman
- Ms. Dianne Lakhan Chief Executive Officer
- Ms. Gabrielle Jones Corporate Secretary

**Penal/Debe Regional Corporation**

- Dr. Allen Sammy Chairman
- Mr. Motilal Ramsingh Chief Executive Officer
- Ms. Neralla Rampersad Corporate Secretary

**Key Issues Discussed**

The following are the main issues highlighted during discussions with the **Ministry of Rural Development and Local Government (MoRDLG)**:

1. The Director of Finance and Accounts was unaware of the damaged records at the Diego Martin Regional Corporation. She agreed to verify whether the Ministry stores copies of the records.
2. Newspaper advertisements are currently being used to recruit Financial Officers for the relevant Municipal Corporations. The application deadline is February 24<sup>th</sup>, 2019.
3. The PS was not aware that the Financial Officer at Penal/Debe Corporation had resigned.
4. In response to the Committee's concern regarding the Accountant II who heads the Accounting Unit at the San Juan/Laventille Regional Corporation having CXC qualifications, the PS stated that candidates are also required to have considerable work experience to be hired.
5. A request was received from the San Juan/Laventille Regional Corporation in September 2018 to implement a LINX payment system for the collection of market rental fees. The request is awaiting approval from the Comptroller of Accounts in the Ministry of Finance (MoF).
6. With reference to the high turnover of CEOs at the San Juan/Laventille Regional Corporation, the PS indicated that CEOs may be changed upon request by the Council, upon retirement and by personal request of the CEO.

The following are the main issues highlighted during discussions with the **Diego Martin Regional Corporation**:

1. The Corporation, sought the assistance of the National Library and Information Systems Authority (NALIS), to restore hardcopies of records damaged by water seepage at their previous storage location.
2. It is expected that the record restoration process will be completed in four (4) months.
3. The Corporation was unable to retrieve softcopies of records and regulations that were subject to water damage.
4. The last audited financial statements were produced in 2008. The CEO attributed the backlog primarily to the challenges caused by the damaged records.

5. Draft financial statements for the period 2012 to 2018 have been produced, but the supplemental records were compromised by water damage.
6. One challenge in revenue collection is that deposits to the Corporations' bank account are aggregated, presenting a difficulty in identifying the purpose of individual deposits.
7. A Financial Officer was hired on contract in May 2018. Previously, the duties of this position were conducted by the Financial Assistant who has been employed on contract for five years.
8. Six (6) instances of fraudulent activities were identified:
  - i. A week prior to the public hearing, the Council discovered unauthorized collection of burial fees by cemetery keepers. The matter is currently being investigated by the Corporation.
  - ii. The TTPS is investigating the unauthorized distribution of six (6) cheques, valued at \$50,000 each, by a former accountant in 2013.
  - iii. Also under investigation is a vendor who received advanced payment for a tent city shelter but failed to supply the entire unit in 2016. The vendor's whereabouts are currently unknown.
    - The advanced payment to the tent city vendor was not aligned with the Corporation's usual practices. However, the Financial Officer could not explain why the exception in the protocol was allowed.
  - iv. The Fraud Squad is investigating the disappearance of a cheque valued at \$4.7 million on August 14, 2017.
  - v. Another case of fraud by internal parties involved the unauthorized distribution of job letters to 300 members of the public from October 2016. The case is being investigated by the Professional Standards Bureau.
    - The Financial Assistant was unable to provide an estimate of the total salaries paid to the 300 unauthorized workers, or their length of tenure.
  - vi. The TTPS is investigating the recent theft of 6 truck batteries from the transport yard.
9. The TTPS investigated the theft of the former Chairman's jewellery, guns and ammunition circa 2010 – 2013 but no update was received by the Council.
10. The Corporation does not have a Fraud Policy. However, the Council held discussions on drafting a relevant policy and would require the input of an Accountant I to proceed.
11. The CMOH department uses a LINX machine to collect payments. The Council intends to introduce similar machines in other departments.
12. The increased population of Diego Martin has challenged efficient delivery of scavenging services by contractors.

13. Allocations to councillors are distributed based on the needs of each electoral district.<sup>1</sup>
14. The value of accumulated unspent balances is approximately \$18 million. An internal audit will be conducted to verify the amount.
15. The Corporation was last able to access its unspent balances in 2011.
16. Staff of the Tenders Unit are participating in training on the new procurement legislation. The Corporation is also developing a procurement plan. Preparations for the legislation are expected to be completed in approximately three months.

The following are the main issues highlighted during discussions with the **Siparia Regional Corporation**:

1. The challenges faced by the Corporation include insufficient releases from the MoF and MoRDLG.
2. There is currently a Financial Officer employed by the Corporation. The Council wrote an appeal to the President of the Republic and lobbied the Ministry to fill the vacant position.
3. The Council intends to implement LINX payment systems for collection of fees.
4. The Council has not received reports of any fraudulent activities perpetrated by external or internal parties within the last five (5) years.
5. Due to the termination of scavenging services provided by Petrotrin to particular communities, the Corporation was forced to increase its in-house scavenging team notwithstanding its resource constraints.
6. Councillors are consulted in determining the distribution of allocations. There is also a distribution given to the Chairman's office.
7. The current value of unspent balances is approximately \$5.2 million. The MoRDLG will conduct an audit to verify the sum before the Corporation receives approval to utilize the funds.
8. A financial management software was implemented circa 2012 and 2016/2017.
9. Challenges to maintaining a financial management software included resistance from staff and human resource shortages which made it difficult to assign two (2) dedicated staff members to perform data entry.

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<sup>1</sup> This also applied to San Juan/Laventille Regional Corporation and Penal/Debe Regional Corporation.

10. The Financial Officer indicated that the Corporation intends to re-introduce the software, but this decision would require the approval of the Council.
11. The Corporation has acquired additional staff on contract to complete a special project related to compiling the contractors and suppliers utilized from 2013 to present.
12. A forensic audit on the Stores Department was prompted due to concerns regarding its internal processes and lack of oversight of internal requisitions. The Council is awaiting a report from a systems audit conducted by the MoF in 2018.
13. Staff of the Tenders Unit are participating in training on the new procurement legislation.

The following are the main issues highlighted during discussions with the **San Juan/Laventille Regional Corporation:**

1. There is currently no Financial Officer employed by the Corporation.
2. The Acting Accountant II was hired on July 27, 2017 with CXC level qualifications. The CEO indicated that assistance will be sought from the MoRDLG to recruit a more suitably qualified accountant.
3. To combat fraudulent activities, the Council resolved to, create an Internal Audit Department and to implement an asset management system.
4. Additionally, the CEO intends to invite qualified persons to commence a forensic audit at the Corporation.
5. The Council intends to implement the “Easy Pay” system for salary payments. A request was sent to the MoRDLG and MoF to implement the IGovTT system.
6. There are also plans to upgrade the manual system for collecting market rental fees to electronic payments using the LINX system. The Council is awaiting a response from the MoRDLG for permission to implement the LINX system. Final approval is within the purview of the Ministry of Finance.
7. There have been two instances of fraud that were suspected to involve both internal and external parties. One instance is currently under investigation related to a missing fraudulent cheque.
8. In one instance the alleged perpetrators have been arrested and are being prosecuted.
9. Scavenging contractors in Laventille may be denied payment when their performance is unsatisfactory. When this occurs, the Corporation dispatches internal personnel to maintain the relevant grounds.

10. Unspent balances from 2012 to present in the sum of approximately \$6 million have been audited. Another audit is outstanding for approximately \$3 - \$4 million unspent balances.
11. The Corporation's Chairman indicated that only one CEO was removed upon request by the Council between 2018 to present. In the other six instances the CEOs were presumably removed under the directive of the MoRDLG.
12. The Corporation is awaiting feedback from the MoRDLG to guide the changes required by the new procurement legislation.
13. The Chairman emphasized that he has serious concern regarding the competency of the accounting staff.

The following are the main issues highlighted during discussions with the **Penal/Debe Regional Corporation**:

1. It is expected that the local government reforms will result in additional financial and operational constraints on the Corporation.
2. The most recent Financial Officer reverted to his/her substantive position in the public service on November 7<sup>th</sup>, 2018. No reason was provided for the decision to leave the Corporation.
3. It is difficult to attract suitable candidates for the Financial Officer vacancy due to the unattractive remuneration package.
4. In the absence of a Financial Officer the Corporation retained two qualified and experienced officers on part-time contracts to provide training and oversight of the Accounting staff.
5. The CEO advises the Council on financial matters in the absence of a Financial Officer.
6. The CEO may consider extending the contract periods of existing accounting staff so that the unit will be staffed during the upcoming preparation of budget statements.
7. LINX payment machines are currently used at one office to collect fees. However, a cash system is maintained for collection of market rental fees.
8. The CEO initially stated that there were no reported cases of fraud by internal or external parties.
9. The CEO subsequently noted that an unspecified person used a building inspector's signature without authorization. This incident is under investigation by the Fraud Squad.

10. Assessments of operational systems were conducted by university students and On-the-Job Trainees. Their recommendations guided the separation of the Stores systems, and changing protocols for processing of invoices.
11. The Corporation uses a system of daily checks to monitor the performance of scavenging contractors. However, the contracts expired and are being renewed on a monthly basis.
12. The scavenging contract terms do not adequately address the garbage collection needs of the burgess.
13. Although the Corporate Secretary provides legal advice to the Council, external law firms are also hired to provide legal services when matters are urgent and/or complex.
14. The Corporation was issued three pre-action protocol letters. These matters were referred to the Harrikissoon & Company and Trilaw Chambers.
15. The Corporation has been sued in five (5) separate matters at the High Court for complaints related to drainage issues and other infrastructural issues.
16. Harrikissoon & Company has represented the Corporation for approximately one year in matters at the High Court.
17. At the Magistrates' Court the Corporation is involved in four (4) matters also related to drainage and infrastructure. Trilaw Chambers has represented the Corporation in these matters for approximately one year.
18. Legal services were procured through a sole select system by the CEO due to the urgency of legal matters.
19. The CEO stated that he has been at the Corporation for one year and he admitted that he has utilized the services of Harrikissoon & Company in his personal capacity in the past.
20. The Corporation is in the process of equipping its Tenders Unit to become compliant with the new procurement legislation.

The hearing can be viewed on our YouTube channel via the following link:  
<https://youtu.be/Ocdsuw5VgG8>

**Contact the Committee's Secretary**

You may contact the Committee's Secretary at [jsclasasc@ttparliament.org](mailto:jsclasasc@ttparliament.org) or [624-7275 Ext. 2277/2627/2282](tel:624-7275-2277)

*Committees Unit  
February 20, 2019*