



**Summary of Proceedings
Public Hearing**

held on Wednesday January 23rd, 2019 from 10:25 a.m. to 12:50 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: ANR Robinson Meeting Room (East), Level 9, 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 - Vice-Chairman
- iii. Mr. Nigel De Freitas
- iv. Mrs. Jennifer Baptiste-Primus
- v. Mr. Esmond Forde
- vi. Mr. Darryl Smith
- vii. Ms. Khadijah Ameen

Witnesses Who Appeared

The following officials of the **Ministry of Rural Development and Local Government** appeared before the Committee:

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

The following officials of the **Port of Spain City Corporation** appeared before the Committee:

- Mrs. Annette Stapleton-Seaforth Chief Executive Officer
- Mr. Jameel Ali City Treasurer
- Mr. Dexter Quan Soon Auditor I (Ag.)

The following officials of the **San Fernando City Corporation** appeared before the Committee:

- Alderman Junia Regrello His Worship the Mayor
- Mr. Indarjit Singh Chief Executive Officer
- Mr. Harry Singh Auditor I (Ag.)

The following officials of the **Point Fortin Borough Corporation** appeared before the Committee:

- Councillor Abdon Mason His Worship the Mayor
- Mrs. Donnamay Taylor Chief Executive Officer
- Ms. Maria Smith Financial Officer

The following officials of the **Arima Borough Corporation** appeared before the Committee:

- Councillor Lisa Morris-Julian Her Worship the Mayor
- Mrs. Cheryl Sirju-Chong Chief Executive Officer
- Mr. Sean Lamotte Financial Officer

The following officials of the **Chaguanas Borough Corporation** appeared before the Committee:

- Mr. Jameel Chadee Ameerah Chief Executive Officer
- Mrs. Kathleen Appoo Accountant II (Ag.)
- Mr. Razeen Rahamut Clerk II Ag. (Accounts Department)

Key Issues Discussed

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

1. The CEOs of the Municipal Corporations (MC) are Accounting Officers and report to the Permanent Secretary (PS);
2. Under the proposed local government reform regime, Audit Departments are to be established in all 14 Corporations to improve their financial accountability;
3. The challenges experienced in recruiting and retaining persons in the post of Financial Officers are primarily due to the poor remuneration package of \$14,000, which is significantly lower to the equivalent position in the private sector;
4. The remuneration package for Financial Comptrollers is one issue that is being considered under local government reform initiative. The PS indicated that further details could not be divulged at present;
5. In October 2018 interviews were conducted for the post of Financial Officer but not all of the positions were filled;
6. The position of Financial Officer is vacant in four (4) MCs;
7. Consideration was given to lower the entry qualifications for the position but this was not implemented;
8. In the interim, Accountants I and II perform the duties of the Financial Officer;
9. Internal Audit Units in MCs report directly to the respective CEO and not to the MoRDLG's Internal Audit Unit. However, the Corporations without an Internal Audit Unit report to the line Ministry;
10. Internal Audit Units and Financial Comptrollers are required on the establishment of each Corporation;
11. The Ministry is making efforts to increase its Internal Audit Unit staff complement so that officers can be assigned to the Corporations without audit units;
12. The Ministry addresses allegations of improprieties at MCs by first requesting a report from the respective CEO, followed by a Special Audit by the Ministry's Internal Audit Unit.
13. The Ministry investigates allegations of improprieties at MCs that are reported by persons who are unaffiliated with the Corporations;
14. The Ministry was not aware of any allegations of improprieties by the CEOs of the Municipal Corporations;
15. Impending local government reform legislation would require the creation of an Audit Committee that would have the authority to conduct audits into allegations of improprieties against CEOs;
16. The position of City Treasurer is found on the establishment of all MCs except the Chaguanas Borough Corporation;

17. The Chaguanas and Arima Borough Corporations have outsourced the preparation of financial statements given its human resource limitations;
18. The Ministry stated that Municipal Corporations have the authority to outsource financial services and/or to hire officers on contract to prepare financial statements further to the approval of the Council;
19. The Chief Personnel Officer has the responsibility for the terms and conditions of all contract workers within the public service, including those occupying the post of Financial Officers;
20. The Ministry has requested that the CPO review the remuneration package of the Financial Officers and intends to follow-up on this request;
21. The Ministry has been involved in training exercises connected with the implementation of the new Public Procurement Regime;

The following are the main issues highlighted during discussions with the **Port of Spain City Corporation**:

1. The City Treasurer heads the Accounting Unit and advises Council on financial matters;
2. The Corporation has not detected fraudulent activities;
3. The CEO stated that the Corporation's legal advisor proposed the drafting of a fraud policy;
4. The limit on the value of contracts the CEO can independently initiate is \$300,000¹;
5. All projects are forwarded to the Council for approval²;
6. Employees in the Human Resource Unit, Tenders Unit and Stores Unit are currently attending training related to the implementation of the new public procurement legislation;
7. Subsequent to an audit into payments of overtime to project supervisors, internal processes were reviewed and attempts are being made to recover overtime payments;
8. There is one Acting Auditor, an Auditing Assistant and two clerks who provide scrutiny over the Accounts Department;
9. Presently, financial records are not digitally stored. Discussions are being held with the Ministry of Finance (MoF) concerning the digitalizing of financial records;

The following are the main issues highlighted during discussions with the **San Fernando City Corporation**:

1. The City Treasurer/Accountant heads the Accounting Unit and advises Council on financial matters;
2. Accountants I (2 officers) and Accounting Assistants (5 officers) operate different sections within the Accounting Department and report to the City Treasurer Accountant;

¹ This appeared to be applicable to all MCs.

² This appeared to be applicable to all MCs.

3. The Corporation currently has several vacancies in senior positions which are filled with acting officers;
4. One staffing anomaly is that Officers are usually promoted based on seniority. In most cases the person with the longest tenure in the Corporation may not necessarily possess the relevant technical capabilities for the position;
5. The Corporation does not have an internal fraud policy;
6. The Police is currently investigating 16 cases involving the printing of fraudulent cheques in the sum of (and over) \$3,000 that were distributed in the Port of Spain area;
7. The Corporation's Tenders Committee reviews the applications from prospective contractors and provides an official list to be used by the Corporation;
8. The projects are advertised publicly but the estimated costs are not publicized;
9. Council members propose projects, conduct site visits during implementation and then give final approval for payment;
10. The Tenders Clerk Department received training on the implementation of the procurement legislation;
11. Clarification is needed on the protocols for the disposal of assets under the procurement legislation;
12. Clarification is needed about the changes in the protocol for treating with unspent balances relative to the upcoming Local Government Reforms;
13. Previously, requests for releases were sent to the MoRDLG but under the proposed Reforms the requests would be sent to the MoF;
14. The Council is open to digitizing financial records but lacks the necessary funding;
15. The Council is satisfied with the current garbage disposal services;

The following are the main issues highlighted during discussions with the **Point Fortin Borough Corporation**:

1. There is a position on the establishment for City Treasurer but the post is vacant due to difficulties in recruitment;
2. A Financial Officer was hired on contract by the MoRDLG;
3. The staff complement is insufficient in the Accounting Section. It includes an Accountant II, Accountant I and two Chequing Staff;
4. Within the past 2 years there was one incident of fraud involving the disappearance of 32 bags of cement. An internal committee was formed and investigations were conducted alongside the Municipal Police;
5. The Council is considering moving a motion to establish a fraud policy;
6. In the past there was an established list of contractors but this list was not approved by the Ministry of Finance;
7. At present, the Corporation uses an open tendering process for hiring contractors;

8. The Council and Engineers supervise project implementation and the CEO conducts site visits;
9. After the Council members are satisfied with the quality of the project, funds are released to the contractor(s). The CEO approves the contract completion form;
10. The Corporation has a Procurement Unit which is headed by a clerk;
11. Staff is expected to attend an upcoming training on the new Public procurement regime;
12. There is a need for additional resources to adequately outfit the Procurement Unit in accordance with the new legislation;
13. Equipment was previously purchased for digitizing financial records but was not used;
14. The Council intends to include the purchase of additional equipment in the upcoming budgetary estimates;

The following are the main issues highlighted during discussions with the **Arima Borough Corporation**:

1. The position of City Treasurer is on the Corporation's Establishment but it remains vacant due to difficulties in recruitment;
2. A Financial Officer was hired on short term contract by the MoRDLG with a salary of \$14,000;
3. The Financial Officer supervises Accounting staff;
4. The CEO, Financial Officer and Accounting Officer II report to Council on financial matters;
5. The Council approved an external accounting agency, Sinanan Dass and Associates Chartered Accountants, to prepare the Corporation's financial statements;
6. The CEO stated that she could not confirm if approval was also given by the Comptroller of Accounts or Auditor General (AG) for the outsourcing of the preparation of Financial Statements. No complaints about the use of the external agency were received from the Auditor General;
7. For one financial year the cost of outsourcing the preparation of financial statements was \$90,000;
8. Three incidences of fraud were reported involving: fraudulent cheques, food badges and the payroll department;
9. The fraudulent cheques incident prompted the intervention of the Fraud Squad and the accused is currently before the Court;
10. The internal system for verifying applicants for food badges was upgraded;
11. Due to dissatisfaction with the performance of the Building Inspector Department and Town Superintendent, the Corporation hired a Town Engineer;
12. Burgesses can submit complaints about projects to the Land and Building Committee;
13. The Corporation uses an open tendering process for the hiring of contractors;

Council members work alongside the engineers to conduct site visits and evaluations during project implementation;

14. The Corporation currently utilizes the Central Tenders Board (CTB) regulations and not the procurement legislation;
15. The Council is currently seeking to acquire equipment and a software licence under the Development Program for digitizing financial records;

The following are the main issues highlighted during discussions with the **Chaguanas Borough Corporation**:

1. There is currently no Chief Financial Officer at the Corporation;
2. The current Acting Accountant II was recruited on January 2nd 2019;
3. The lines of reporting in the Accounts Departments are as follows: Clerk II → Accounting Assistant → Accountant I → Accountant II → CEO;
4. The Chaguanas Borough Corporation does not have an internal Audit Unit. As such, all audits of the Corporation's operations are conducted by the MoRDLG;
5. Payroll matters are handled separately, firstly by the Check Staff (Clerk II), and secondly by the Accountant I and Accountant II;
6. The Accountant II is responsible for day-to-day financial operations. It is expected that the future Chief Financial Officer would be responsible for strategic direction of the Accounts Department;
7. The Corporation engaged the services of an external accounting agency, Sinanan Dass and Associates Chartered Accountants for preparing financial statements for the financial year 2012-2013 at a cost of \$167,900 VAT inclusive;
8. There is no internal fraud policy;
9. The CEO initially stated that the only incident of fraud involved suspension of one officer for the unauthorized issuing of job letters;
10. It was then brought to the CEO's attention that after the Ministry's February 2018 Internal Audit Investigation of the Open Tray Scavenging (both Contract and In-House) it was discovered that there were instances of fraud in area oof the Corporation's operations;
11. The respective audit reports are under review and will be forwarded to the Council;
12. The Ministry recommended that a forensic audit be conducted into the In-House Open Tray System. To date no action has been taken by the Corporation in response to the Ministry's request;
13. The CEO is not aware of any evidence to substantiate allegations of fraud within the Building Inspection unit;
14. The CEO initiates public tendering for hiring contractors;

15. The CEO and technical officers conduct evaluations of projects, after which payments are released;
16. The Council distributes allocations equally among the various Council members for projects under the Corporation's development programme;
17. All Council members indicate their level of satisfaction with project implementation and may recommend a site visit before approving payment to contractors;
18. Guidance is needed from the Ministry on how to implement the provisions of the public procurement legislation;
19. Tenders staff will participate in training on the new procurement regime at the end of January, 2019;
20. The Corporation is open to digitizing financial records and intends to include the purchase of equipment in the upcoming budgetary estimates;
21. The Council is not satisfied with the current schedule of garbage collection services;
22. Due to financial constraints, the garbage collection schedule was reduced from three times per week to once per week;
23. Negligent garbage collection contractors are served a rectification notice, after which their payments are reduced if the terms of the notice are not observed;
24. An in-house team supplements garbage collection but this arrangement places a strain on the Corporation's allocations;
25. A request to Council was made during the previous Public Health Community Meeting to increase the garbage collection schedule to twice per week.

The hearing can be viewed on our YouTube channel via the following link:
https://youtu.be/e3dfSy_Pjh4

Contact the Committee's Secretary

You may contact the Committee's Secretary at jsclasasc@tparliament.org or 624-7275 Ext. [2277/2627/2282](tel:227726272282)

*Committees Unit
January 29, 2019*