



Mr. Buckley Taylor

18/2/19

**REPUBLIC OF TRINIDAD AND TOBAGO
AUDITOR GENERAL'S DEPARTMENT**

**R E P O R T
O F T H E
A U D I T O R G E N E R A L**

**ON THE FINANCIAL STATEMENTS OF THE MINISTRY
OF FINANCE PROJECT SUPPORT TO STRENGTHEN
TRINIDAD AND TOBAGO'S FINANCIAL
MANAGEMENT SYSTEM
FOR THE TWO (2) YEAR PERIOD ENDED
SEPTEMBER 30, 2018 -
LOAN CONTRACT NO. 3473/OC-TT BETWEEN
THE REPUBLIC OF TRINIDAD AND TOBAGO
AND THE INTER-AMERICAN DEVELOPMENT BANK**



REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO ON THE FINANCIAL STATEMENTS OF THE MINISTRY OF FINANCE PROJECT SUPPORT TO STRENGTHEN TRINIDAD AND TOBAGO'S FINANCIAL MANAGEMENT SYSTEM FOR THE TWO (2) YEAR PERIOD ENDED SEPTEMBER 30, 2018 - LOAN CONTRACT NO. 3473/OC-TT BETWEEN THE REPUBLIC OF TRINIDAD AND TOBAGO AND THE INTER-AMERICAN DEVELOPMENT BANK

QUALIFIED OPINION

The Financial Statements of the Support to Strengthen Trinidad and Tobago's Financial Management System Project carried out by the Ministry of Finance and financed with resources from the Loan Contract No. 3473/OC-TT of the Inter-American Development Bank (I.D.B.) and with contributions of the Government of Trinidad and Tobago have been audited. These statements include a Statement of Position, Statement of Cumulative Investments and Statement of Cash Flows and for the two (2) year period ended September 30, 2018, and the notes to the financial statements prepared for the two (2) year period on this date which include a summary of significant accounting policies.

2. In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section in this report, the accompanying financial statements present fairly, in all material respects, the financial position of the Ministry of Finance – Support to Strengthen Trinidad and Tobago's Financial Management System Project for the two (2) year period ended September 30, 2018, its financial performance and its cash flows for the two (2) year period then ended in accordance with the financial reporting requirements of the contractual clause 5:03 of the Loan Contract No. 3473/OC-TT and the Audited Financial Reports and External Audit Management Handbook for projects financed by the I.D.B.

BASIS FOR QUALIFIED OPINION

3. A difference of \$400,091.62 was seen between the Trinidad and Tobago dollar figures stated in the financial statement and the vote book for the Cash in Bank Figure.

3.1 The Foreign Exchange Gains/ (Losses) balance was not accepted since the rates applied to transactions were not the Central Bank of Trinidad and Tobago's daily rates. This resulted in a difference of \$569,664.41 between the balance stated as Cumulative Investments in the financial statement and the vote book.

4. The audit was conducted in accordance with accepted Auditing Standards. The Auditor General's responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. The Auditor General is independent of the Ministry of Finance in accordance with the ethical requirements that are relevant to the audit of the Financial Statements and other ethical responsibilities have been fulfilled with these requirements. It is my view that the audit evidence obtained is sufficient and appropriate to provide a basis for the above audit qualified opinion.

EMPHASIS OF MATTER PARAGRAPHS AND BASIS OF ACCOUNTING, AND RESTRICTION ON DISTRIBUTION AND USE

5. Without modifying the above opinion, attention is drawn to Note 2a to the Financial Statements, which describes the basis of accounting. The Financial Statements have been prepared to assist the Support to Strengthen Trinidad and Tobago's Financial Management System Project in accordance with the requirements of the Loan Contract No. 3473/OC-TT and the Audited Financial Reports and External Audit Management Handbook for Projects Financed by the I.D.B. As a result, the Financial Statements may not be suitable for another purpose. My report is intended only for the Executing Agency of the Project and the I.D.B., and should not be distributed to other parties other than the Bank or the Executing Agency of the Project. However, this report may become a public document, in which case its distribution would not be limited. My opinion has not been modified in relation to this issue.

OTHER MATTERS

STEERING COMMITTEE

6. The Steering Committee needed for the implementation of the various phase of the project was not established as required

QUARTERLY FINANCIAL REPORTS

7. Evidence of the submission of Quarterly Financial Reports to the I.D.B, the Treasury Division, the Budget Division, the Ministry of Planning and the Permanent Secretary, Ministry of Finance was not produced.

LOAN CONTRACT

8. As at the 30th September, 2018 (3rd quarter) five (5) out of eight (8) phases of the project should have been achieved. However, only Phases one (1) to three (3) which is the mobilization of a Vendor have actually been completed. The Project appears to be behind the time period set for completion.

MANAGEMENT'S RESPONSIBILITY

9. Management is responsible for the preparation of these financial statements in accordance with the requirements established in the contractual clause 5:03 of the Loan Contract No: 3473/OC-TT and the Audited Financial Reports and External Audit Management Handbook for Projects Financed by the I.D.B. In addition, management is responsible for establishing internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

10. The Auditor General's objective is to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes his opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the accepted Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

31st JANUARY, 2019
PORT OF SPAIN




MAJEED ALI
AUDITOR GENERAL

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Ministry of Finance

Public Financial Management Modernization Project

Financial Statements

**for the period October 1,
2016 to
September 30, 2018**

Ministry of Finance
Public Financial Management Modernisation Project
Statement of Position
as at September 30, 2018
in TT\$ and US\$

	Note	<u>TT\$</u>	<u>US\$</u>
ASSETS			
<u>Current Assets</u>			
Cash in Bank	4	<u>2,979,497</u>	<u>441,257</u>
Total Current Assets		<u>2,979,497</u>	<u>441,257</u>
<u>Long Term Assets</u>			
Cumulative Investments	5	<u>11,417,643</u>	<u>1,694,875</u>
Total Long Term Assets		<u>11,417,643</u>	<u>1,694,875</u>
Total Assets		<u>14,397,139</u>	<u>2,136,131</u>
LIABILITIES			
<u>Long-Term Liabilities</u>			
IDB Loan Funds	6	13,606,189	2,136,131
Foreign Exchange Gains/(Losses)	7	<u>790,950</u>	<u>-</u>
Total Long Term Liabilities		<u>14,397,139</u>	<u>2,136,131</u>
Total Liabilities		<u>14,397,139</u>	<u>2,136,131</u>

The accompanying notes are an integral part of this statement


 Chief Technical Officer


 Permanent Secretary



Ministry of Finance
Public Financial Management Modernisation Project
Statement of Cumulative Investments
for the period October 1, 2016 to September 30, 2018
in TT\$ and US\$

ITEM	Accrued at Sep 30, 2018	
	TT\$	US\$
1. Direct Costs	8,098,847	1,199,678
1.1 Comp I. Support for Integrated Financial Management Information System	41,320	6,114
1.1 Comp II. Support for Implementation of IFMIS	8,057,527	1,193,564
2. Project Administration	3,318,795	495,197
3. Evaluation	-	-
4. Contingency	-	-
Total Expenditure	<u>11,417,643</u>	<u>1,694,875</u>

The accompanying notes are an integral part of this statement


 Chief Technical Officer


 Permanent Secretary

Ministry of Finance
Public Financial Management Modernisation Project
Statement of Cash Flows
for the period October 1, 2016 to September 30, 2018
in TT\$ and US\$

	<u>TT\$</u>	<u>US\$</u>
CASH AVAILABLE		
Accumulated cash at beginning of period	-	-
<u>Cash received</u>		
Activity during the year		
Disbursements		
IDB Advances	12,682,400	2,000,000
Reimbursements	923,789	136,131
	<u>13,606,189</u>	<u>2,136,131</u>
Foreign exchange gain/(loss)	790,928	-
Total cash available (a)	<u><u>14,397,117</u></u>	<u><u>2,136,131</u></u>
DISBURSEMENTS MADE		
Activity during the year		
Payments for goods and services		
From IDB Advances	10,493,854	1,558,743
From GORTT	923,789	136,131
Total cash disbursements (b)	<u><u>11,417,643</u></u>	<u><u>1,694,875</u></u>
Available cash at end of year (a)-(b)	<u><u>2,979,475</u></u>	<u><u>441,257</u></u>

The accompanying notes are an integral part of this statement


 Chief Technical Officer


 Permanent Secretary

NOTES TO THE FINANCIAL STATEMENTS

1. Project description

The general objective of the project is to improve the efficiency and effectiveness of the Government of Trinidad and Tobago to allocate public resources. Its specific objectives are to improve:

- the Allocation of public resources, by improving the efficiency in the preparation, execution, monitoring and reporting on the budgetary operations of the Central Government
- the control and stewardship of public resources, by improvement in the Internal Audit Function and centralized monitoring of financial aggregates; and
- information management for decision making.

In order to achieve the above objectives, the project will implement the following two components:

Component I. Support for Public Financial Management Modernisation

This component seeks to modernise the Public Financial Management (PFM) procedural and legal framework for budget preparation and execution and includes the following activities:

- development and implementation of a new budget classification based on a Government Finance Statistics (GFS)-compliant Chart of Accounts and a treasury accounting framework that complies with International Public-Sector Accounting Standards
- development and implementation of a change management strategy
- development and implementation of institutional instruments to sustain PFM modernization efforts
- design and implementation of an Internal Audit framework to improve PFM control, transparency and reporting
- review of the PFM legal framework and preparation of recommendations to strengthen the framework.
- business process reengineering for budget preparation and execution processes.

Component II. Support for Implementation of an Integrated Financial Management Information System (IFMIS)

This component seeks to improve information management for PFM through implementation of the IFMIS and includes the following activities:

- Establishment of a centralized information technology (IT) governance framework within the Ministry of Finance
- Implementation of a Commercial off-the-shelf integrated financial management solution with government-wide coverage, including customization, data migration

and integration services.

In addition to the above implementation activities, the project financing provides for project management support and project evaluation activities.

The estimated cost of the project is US \$40M to be fully financed by loan resources secured from the Inter-American Development Bank and is distributed in the project cost categories as follows:

Investment Category/Sub Category	Approved Loan Amount	
	Original	Current
1. Direct Costs	36,757,803	35,736,363
1.1 Component I. Support PFM Modernisation	8,506,000	3,646,560
1.1 Component II. Support for Implementation of an IFMIS	28,251,803	32,089,803
2. Project Administration	1,060,000	1,888,500
3. Evaluation	120,000	170,000
4. Contingency	2,062,197	2,205,137
Total Expenditure	40,000,000	40,000,000

The Executing Agency for the Project is the Ministry of Finance which is implementing the Project through the Public Financial Management Modernization Unit (PFMMU), a special purpose unit established within the Ministry. The PFMMU also serves as the Project Implementation Unit for the Project.

2. Significant accounting policies

· Cash Basis of Accounting

The financial statements have been prepared using the cash basis of accounting, recognizing revenue when the cash is received and recognizing expenses when the cash has been disbursed. This accounting policy differs from the IPSAS under which transactions should be recorded when they occur and not when they are paid. However, the IPSAS have been applied to circumstances such as those discussed in chapter "*Cash Basis IPSAS: Financial Reporting under the Cash Basis of Accounting*".

· Currency

The project's accounting records are maintained in local currency but bank statements are prepared and reported by the Central Bank in both local currency and U.S dollars. For both cash receipts and payments, the exchange rate used for conversion is the rate implied from the Central Bank's conversion to the local currency equivalency in the TT\$ statements. Any exchange rate gain or loss that results from differences in the exchange rate when funds are converted to local currency to make payments for eligible expenses is accounted for as an exchange rate differential charged to Bank financing.

At the end of each month the TT\$ bank balances are adjusted for any differences arising from applying the mid-rate on the last day of the month to the US dollar balance on that date. Such adjustments are treated as unrealized gains or losses.

3. Reporting period

Project activity commenced in October 2016 but the frequency, volume and dollar value of transactions during fiscal year 2016-2017 were insignificant and not sufficiently material to warrant a dedicated audit. As a result the approval of the IDB was sought and obtained for the first audit to cover the first two financial years of the project – October 1, 2016 to September 30, 2018.

Accordingly, these financial statements cover the two fiscal periods beginning October 1, 2016 and ending September 30, 2018.

4. Available cash balance

The available cash balance is held in the Project's bank account at the Central Bank of Trinidad and Tobago (CBTT) and includes exchange rate earnings. The balance at September 30, 2018 is as follows:

	<i>TT\$</i>	<i>US\$</i>
CBTT Bank Account No. 20720--77	2,979,497	441,257

The account in which the advance is deposited in the Central Bank of Trinidad & Tobago is non-interest-bearing. Net exchange rate earnings over the reporting period was TT \$790,950 based on the Central Bank's mid-rate of on the last business day of the reporting period..

5. Cumulative Investments

See *Statement of Cumulative Investments* for details.

6. IDB Loan Funds Received

The following is the status of disbursements received from the IDB as at the reporting date:

Disbursement			Amount	
No	Type	Date	TT\$	US\$
1	Advance	29.06.17	12,682,400	2,000,000
2	Reimbursement	29.06.17	702,141	103,531
3	Reimbursement	27.11.17	221,648	32,600
Total			13,606,189	2,136,131

7. Foreign Exchange Gains and Losses

Foreign exchange gains and losses relate only to the TT\$ account balances and comprise the following:

	<u>(TT\$)</u>
Unrealised Foreign Exchange Gains/(Losses)	790,606
Realised Foreign Exchange Gains/(Losses)	<u>344</u>
Foreign exchange gains/(Losses)	<u>790,950</u>

8. Advances pending justification

As at September 30, 2018, the amount of the advance pending justification was US\$1,270,478 (TT\$7,889,910) which represented expenditures incurred utilizing resources from the advance but not yet justified.

To date, no project expenditures have been deemed ineligible.

9. Advances and justification

On June 29, 2017 the first and, to date, only advance of US\$2,000,000 was disbursed to the project by the Bank. Of this sum US\$ 288,265.42 (TT\$ 1,917,049.11)

	<u>(TT\$)</u>	<u>(US\$)</u>
Opening balance of advances – Oct 1, 2016	-	-
Advances received & recorded	12,682,400	2,000,000
Actual expenditure	(10,493,854)	(1,558,743)
Foreign exchange adjustment	<u>790,950</u>	<u>-</u>
Closing balance of advances – Sep 30, 2018	<u>2,979,497</u>	<u>441,257</u>

10. Contractual Obligations

On September 6, 2018 a fixed-cost turnkey contract for US \$13,711,666 was awarded to FreeBalance Inc. for the implementation of an Integrated Financial Management Information System. All other contracts executed during the reporting period were in respect of Administration. All contracts were executed in United States dollars.

At September 30, 2018 future financial obligations in respect of existing contractual agreements were as follows:

	<u>US\$</u>
1.2 Direct Costs - IFMIS Implementation	12,520,140
2 Administration	<u>77,600</u>
	<u>12,597,740</u>

The above total represents financial resources committed and includes US \$23,600 in

accrued expenditures for services received to September 30, 2018.

11. Reconciliation by investment categories between the project's records and the IDB's records

Investment Category	Current Approved Loan Amount	PFMMU			IDB Available Balance per LMS Reports
		Expen- ditures	Available Balance PFMMU	Expen- ditures Pending Justification	
1. Direct Costs	35,736,363	1,199,678	34,536,685	1,199,678	35,736,363
1.1 Support PFM Modernisation	3,646,560	6,114	3,640,446	6,114	3,646,560
1.1 Implementation of IFMIS	32,089,803	1,193,564	30,896,239	1,193,564	32,089,803
2. Project Administration	1,888,500	495,197	1,393,303	70,800	1,464,103
3. Evaluation	170,000	-	170,000	-	170,000
4. Contingency	2,205,137	-	2,205,137	-	2,205,137
Total Expenditure	40,000,000	1,694,875	38,305,125	1,270,478	39,575,603

12. Contingencies

There were no known contingencies at the reporting date.

13. Subsequent events

There were no subsequent events to be reported.

14. Interest & Credit Fees

Interest and credit fees are not accounted for by this project but the current status of payments made are disclosed here for information purposes only.

According to the financing agreement, the payment of interest and credit fees are due twice annually by May 15th and November 15th respectively. The current status of payments made to the IDB in respect of the debt service charges on the financing for this project is as follows:

<u>Item</u>	<u>TTS</u>	<u>US\$</u>
Interest paid	307,225.63	45,379.06
Credit Fees paid	<u>1,632,108.74</u>	<u>241,115.01</u>
Total	<u>1,939,334.37</u>	<u>286,494.07</u>