



Summary of the Sixth Trinidad and Tobago EITI Report

Introduction

The Extractive Industries Transparency Initiative (EITI) is the global standard for the good governance of oil, gas and mineral resources and has been adopted by 52 countries globally. In 2011, Trinidad and Tobago was the first CARICOM country to sign up to the initiative, later joined by Guyana and Suriname in 2017. The EITI requires countries to publish timely, accurate and independently verified information on how much revenue is generated from a country's natural resources, how this money is allocated to citizens and other key extractive sector information.

The information is disseminated through annual EITI Reports and T&T has published six such reports to date covering Fiscal Years 2010 to 2017. Based on the reports' findings, an estimated \$869 million in differences between extractive companies' declared revenue payments and Government's declared corresponding receipts have been identified, audited and reconciled. The reports have also provided extensive recommendations on improving Government revenue collection, data management and audit and assurance processes. Data published in the reports have also informed the findings of the Gas Master Plan and assisted T&T in meeting its obligations to the Open Government Partnership.

1.0 Overview of Revenue and Production

A total of *TT\$5.8 billion in revenue* was generated by the 46 upstream oil and gas companies involved in the reconciliation exercise. This represents 98.4% of all revenues generated from the upstream sub-sector in 2017. The TTEITI Independent Administrator (IA) found a *TT\$3.9 million* difference between what oil and gas companies reported in payments compared to Government receipts. The reason for the differences was foreign exchange fluctuations and timing differences. Importantly, there were no unidentified differences and all revenue could be accounted for.

Five mining companies also participated and contributed a reconciled total of *TT\$ 2,605,068 million* in payments to Government (See Section 6). The participating mining companies are Trinidad Cement Limited, Hermitage Limestone Limited, National Quarries Company Limited, Lake Asphalt of Trinidad and Tobago (1978) Limited and F.W Hickson & Co. Ltd.

As it relates to oil and gas production, the IA successfully reconciled oil production to 26,294,864 barrels and gas production to 1,197,804,002 million cubic feet in fiscal year 2017. For mining, mineral production was reconciled to 641, 236 metric tonnes.

2.0 Revenue Collection

2.1 Production Sharing Contract (PSC) Audit and Monitoring

Summary

- Issues: There are outstanding PSC cost and revenue audits which may result in under collection of revenue and need for a better monitoring system to ensure all PSC obligations are met.
- IA's Recommendation: the MEEI should urgently address monitoring systems for PSCs and bring PSC revenue and cost audits up to date.

Production Sharing Contracts (PSCs) specify the various fees, levies and contributions that operators are required pay to the Government. The PSC Audit Unit of the Ministry of Energy and Energy Industries is responsible for monitoring and auditing amounts due and paid by PSC operators. The report highlighted that there are 61 outstanding PSC revenue and 162 outstanding PSC cost audits, excluding PSCs still in the market development phase and those where there has been no activity.

The report notes, "The audits covering the period 2014 to 2017 have identified under reported revenue of US\$ 487,000. Assessments have been raised for this amount but as of the end of December 2018, no money had been received. The audits covering the period 2014 to 2017 have resulted in the permanent disallowance of approximately US\$ 88 million of costs and assessments have been raised for some US\$ 41 million of this; assessments are yet to be raised for the balance."

The IA also proposes several ways to improve the system of reporting PSC payments. These include: compiling a comprehensive list of outstanding PSC payments from the inception of all PSCs; including all amounts due such as profit share and transfer/assignment fees and ensuring reports on PSCs are endorsed by the Permanent Secretary and circulated to senior MEEI staff for review and necessary follow ups on anomalies.

2.2 Mining Sector

Summary:

- Issue: There are millions in outstanding royalties due from mining/quarrying companies and a need to issue more licenses and independently verify production from companies operating in the sector.
- IA Recommendation: The MEEI should procure drones to help verify production and royalties due to the State and develop a time bound plan to expedite the licensing process for quarry companies.

According to the report, the most recent data from the Ministry of Energy and Energy Industries (MEEI) shows that at the end of 2018, the Government should have gained TT\$201 million from quarry operators, but only collected TT\$27.3 million. This is largely because of underreporting of mineral production volumes and because of challenges in collecting royalties owed. Correctly recording the volume (or amount) of minerals produced is necessary to determine the amount of royalties owed to the Government. The IA recommends that the MEEI expedites its procurement of drone technology to monitor production, so that royalties may be better assessed and collected.

Another issue raised by the IA focuses on the number of unlicensed operators. Currently, eight (8) quarry operators are licensed and the IA recommends creating a time bound action plan to authorize as many quarry operations as possible. The report states, "There are numerous unlicensed operators, including the government itself (National Quarries Company Limited), and the process of obtaining licenses and permits

is time consuming, due both to the involvement of several agencies in the permitting process and to the response time in the government agencies. Nevertheless, (Government) should ensure that all its SOE mining operations are licensed and permitted in accordance with the law; and should adopt a phased approach, starting with the largest operators, to license and put in place permits covering their mining operations.”

3.0 Audit and Assurance and Legal Obstacles

3.1 SOEs Monitoring

Summary:

- Issue: Some Mining SOEs do not have updated audited financial statements and this has implications for the level of assurance and financial controls environment.
- IA Recommendations: the Investment Division should ensure up to date audits for National Quarries Company Limited (NQCL) and Lake Asphalt of Trinidad and Tobago (LATT) be submitted to the Ministry of Finance (by the end of the 2019).

The IA examined the audit and assurance systems for the participating SOEs (NGC, Petrotrin, NQCL and LATT) and reported where irregularities occurred. The IA reported that financial accounts for mining SOEs are out of date and “NQCL is unable to produce a current balance sheet or quantify the value of royalties due to the government, suggesting a loss of financial control over its activities.” The IA recommended that NQCL produce full management accounts as soon as possible and direct as much resources to this activity. The IA also advised the Ministry of Finance’s Investment Division to ensure that both NQCL and LATT have approved and published audited financial statements for the year ending 30th September 2018 before the end of 2019.

3.2 Legal Obstacles to Transparency

Summary:

Issues: The Auditor General has never performed an independent audit of the revenue accounts of the Board of Inland Revenue (MOF- IRD) because of denial of access, despite being mandated under the country’s Constitution to be allowed access.

IA Recommendations: Government should remove legal barriers to the audit of MOF-IRD’s figures under International Auditing Standards (INTOSAI). In addition, TTEITI to discuss the levels of assurance required in order for the Government to report under international EITI standards (to be included in AG Workplan).

The Auditor General has never performed an independent audit of the revenue accounts of the Board of Inland Revenue (MOF- IRD) because of denial of access, despite being mandated under the country’s Constitution to be allowed access.

While the Auditor General is in the position to report under the International Organization of Supreme Audit Institutions (INTOSAI) Standard, the AG does not have access to the records of the Ministry of Finance- Inland Revenue Division (MOF-IRD). This has implications on the levels of assurance over the information reported by the MOF-IRD and makes it difficult to identify ways to increase revenue or improve systems.

The Constitution grants the AG or other any other person authorized by him (on his behalf) to access all documents relating to T&T's public accounts. However, the MOF-IRD believes it is under statutory obligation to keep its data confidential. Further, the AG shared concerns of potential confidentiality requirements under FATCA (United States Foreign Account Tax Compliance).

The IA recommends that all barriers to the AG's access of MOF-IRD is removed and for there to be discussions with the AG to identify further levels of assurance required to bring Government reporting in line with EITI Standards of accountability and transparency.

The IA advised "the staffing of the Auditor General should be set at a level sufficient to carry out regular audits of good quality under INTOSAI provisions of the MOF IRD and MEEI revenue and cost records". The IA also recommended "the staff of the Auditor General should be trained in knowledge of the oil, gas and mining sectors, with technical (non financial) assistance as appropriate so that the audits contribute to an improving control environment in these ministries."

(End)

3.10.19