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Government of the Republic of Trinidad and Tobago
MINISTRY OF FINANCE
OFFICE OF THE PERMANENT SECRETARY

MEMORANDUM

FROM: Permanent Secretary, Ministry of Finance

TO: Auditor General

DATE: March 28, 2024

SUBJECT: Report on Variance in the Statement of Revenue for the year ended September 2023

This report serves to advise you of a variance which was discovered in the Statement of Revenue for the Financial Year 2023 which was submitted to your Department in accordance with the statutory deadline of January 31, 2024. It also seeks your concurrence to allow an amendment to this statement as the variance represents a material amount to the value of \$3,379,777,908.00 which, if not correctly reported will have far reaching implications. Currently we have reconciled an amount to the value of \$2,598,130,761.72 as follows: -

VAT	\$2,262,371,602.00
Individuals	\$ 330,050,736.46
Business Levy	\$ 5,708,423.26

In summary this error is largely attributable to challenges faced with the introduction of the Electronic Cheque Clearing System (ECCS) by the Central Bank of Trinidad and Tobago in February 2023.

Issue

2. In February 2024, following the Closing of Accounts for the financial year 2023, the Budget Division alerted the Treasury Division to an apparent material understatement in the reported Statement of Revenue for FY 2023.

3. From documents furnished by the Budget Division, it appeared that the revenue figures reported to them for FY 2023 by the Inland Revenue Division (IRD) differed from the figures which were certified and presented in the **Statement of Receipts and Disbursements submitted to the Treasury Division**.



4. For example, in respect of the Value Added Tax Refunds for the month of February 2023, the Central Bank erroneously posted a Debit Advice in the amount of \$2,236,115,807.00; this amount was subsequently adjusted to the correct figure of \$22,361,158.07. However, there is no record of either the Treasury or Inland Revenue Division receiving the Credit Advice for this reversal.

5. On subsequent examination of the Bank Statement it was observed that there were other debit advices relating to the other Tax Types which would have been issued by the CBTT, for which there were subsequent reversals with no related credit advices.

6. It is instructive to note that, in collaboration with the Electronic Cheque Clearing System (ECCS) the Central Bank also introduced the *Go AnyWhere* shared platform to which cheques and statements are uploaded. This system was meant to replace the previous manual system of reconciliation with an electronic system. However, due to issues encountered with the system, the IRD could not access the full system functionalities until September 2023. Specifically, electronic files presented on the *Go AnyWhere* platform did not differentiate the different tax types. This hampered the reconciliation of the debit advice to the scanned cheques presented.

7. In the process of Closing of Accounts, the IRD's records of Revenue were matched to the Treasury Cards. Subsequently **the Statement of Receipts and Disbursements** for the Financial Year 2023, was certified and submitted to the Treasury. At the end of the fiscal year, the Abstract Section of the IRD prepared the **Return of Revenue (Matrix)** which applied the actual refunds granted for the year to the gross tax receipts. In this instance, the actual refunds were based on the hard copy memo from the Ministry of Finance. In both instances the gross collections were the same. **So, the discrepancy between the two reports was due to the overestimation of tax refunds in the system.**



8. After the submission of the Financial Statements for Fiscal 2023, the Budget Division discovered the discrepancy between the Return of Revenue (Matrix) and the Statement of Revenue.

9. Subsequently, a reconciliation process was undertaken in collaboration with the Central Bank which uncovered the source of the discrepancy.

Way Forward

10. The Ministry of Finance will continue to liaise with the Central Bank to complete the reconciliation process. In the interim I attach the amended Statement of Revenue reflecting the reconciled figure of \$2,598,130,761.72.

11. The Treasury Division will work with the Inland Revenue Division in collaboration with the Central Bank to strengthen and improve the processes around the new system.

12. The Internal Audit Department, IRD, using a risk-based approach, will include in their Annual Audit Work Programme more extensive verification checks in this area.

13. Submitted for your consideration please.



Permanent Secretary
Ministry of Finance

