

ADDRESS BY
THE MINISTER OF FINANCE
THE HONOURABLE KAREN NUNEZ-TESHEIRA
At a Thematic Brainstorming Workshop
“Transforming Caribbean Public Expenditure:
Strengthening Internal Controls and Risk Management”
SEPTEMBER 14, 2009
TRINIDAD HILTON AND CONFERENCE CENTRE

Senator, the Honourable Kennedy Swaratsingh,
Minister of Public Administration

Representatives of the Commonwealth Secretariat

Distinguished Guests

Ladies and Gentlemen

Good morning to you all.

I thank the Minister of Public Administration for inviting me to share with you some thoughts on the issues and considerations as they relate to maximizing the impact of public expenditure on development agendas on

nations such as Trinidad and Tobago in the context of a rapidly changing global environment.

A major Government policy direction is to put in place a well-functioning public sector that will deliver high quality public services consistent with the preferences and aspirations of its citizens and one which will support private sector-led growth while prudently managing the country's fiscal resources.

In the tradition of Commonwealth democracies, Trinidad and Tobago has in place a system of checks and balances built into government structures that represent the best practices of good governance.

And nowhere are these best practices more powerfully located than in the framework for public expenditure. This is so because government spending is easily among the most important determinants of economic development and social equity, especially for the poor and other disadvantaged groups.

We are all too familiar with examples of countries that have to confront the consequences of dysfunctional governance systems.

It is with the appreciation of the importance of this subject that I heartily commend the organizers of this Workshop on the theme **“Transforming Caribbean Public Expenditure: Strengthening Internal Controls and Risk Management”**.

Today’s discussions and deliberations assume added significance in context of the current global market turbulence that has given rise to devastating consequences and the threat posed to large segments of national communities from developing countries: our region not excluded.

This is certainly an opportunity to generate new perspectives and hopefully identify new possibilities for improving the existing systems of internal controls and for risk management employed in the public sector of Trinidad

and Tobago. I am fully expectant that the meaningful exchange of techniques and ideas will go a long way towards strengthening the region's capacity in internal audit and controls and risk management always with an eye on the future..

Public expenditure management necessarily involves a significant element of risk management. At the operational level, risks range from loss or misappropriation of funds as a result of fraud or impropriety, to project delays, cost overruns, inadequate quality standards, failure of contractors, and in some, I will admit, failure of government agencies to provide the requisite services.

At the operational level, internal controls are an integral part of managing such risks. Internal controls and appropriate risk management policies and procedures also improve the likelihood of achieving stated policy goals and

objectives, improve the overall understanding of the key risks and their wider implications, and generally allow for more informed decision-making.

Provisions are made for the internal audit function in the public service of Trinidad and Tobago in the Constitution of the Republic of Trinidad and Tobago; under section 45(1) of the Exchequer and Audit Act Chapter 69:01 and the Financial Regulations 1965 Chapter 2(20). In addition, the existing legislative framework prescribes an independent internal audit section for each accounting unit in the public service and defines the oversight role of the Auditor General.

I recognize that in this audience are the experts in the area and therefore you appreciate fully the need to ensure that internal auditors are in fact vested with the appropriate authority and that they possess the required competence to discharge effectively their mandates. Indeed, theirs is a most responsible position.

Beyond the operational level, the nature of the risks assumes a different character with far reaching implications For Trinidad and Tobago. We can readily appreciate the risk inherent in Trinidad and Tobago's exposure to energy prices and in respect of which Government's mitigation of that risk through the Heritage and Stabilization fund. This situation has also prompted the move by the Ministry of Finance to a more robust macro-fiscal framework involving projections of public expenditure allocation over the medium-term and as the basis sustainable fiscal programming. Specifically, it involves making projections for the resources that are expected to be available to finance public expenditure over the medium term.

Trinidad and Tobago on its journey towards developed country status by the year 2020 is committed to strengthening the regulatory framework across a broad range of areas relating to the financial services industry. The Financial Institutions Act has been substantially amended, the new

Securities Act which will provide further impetus for the expansion of the domestic securities market, is to be considered in the Senate on the resumption of Parliament, other legislative priorities include further amendments to the Insurance Act, legislation for the establishment of a Financial Intelligence Unit, a new Credit Union Act that will be harmonized with an Amended Co-operatives Societies Act. It is a full pipeline of legislative initiatives, which in the final analysis will serve to lower the overall risk of doing business in Trinidad and Tobago.

We are keeping in step with international standards and benchmarks of performance in accounting, procurement, auditing and reporting, as the basis for enhancing our competitiveness on the global stage.

Much of Trinidad and Tobago's Public Expenditure is spent on State Enterprises and in respect of which there are structured mechanisms and guidelines for the monitoring and evaluation of State Enterprises.

I alluded earlier to the strong Commonwealth democratic tradition of Trinidad and Tobago, and it is perhaps noteworthy that the Constitution of the Republic of Trinidad and Tobago is the ultimate reference in any discussion on checks and balances in our country. Many of you would be aware that the constitution provides for both the Public Accounts Committee (PAC) and the Public Accounts Enterprises Committee (PAEC). The former is charged with the responsibility to examine public expenditure in relation to the monies approved by Parliament to meet the needs of Trinidad and Tobago and the latter, to examine the audited accounts of all State Enterprises that are owned or controlled by the State.

The work of both the PAC and PAEC are facilitated by the assistance of personnel from the Offices of the Comptroller of Accounts as well as the Auditor General whose audited reports of Government Ministries and Departments and public sector enterprises form the basis of the scrutiny exercised by these Committees.

If we as a country are to continue to thrive in a global and market-oriented environment, we must adjust the way our institutions function, given the need for more effective and efficient use of Government's resources, especially in times of economic downturn.

The introduction of an Output-based Budgeting system as was announced in the 2009/2010 Budget Speech, will have a significant impact on the internal audit function in bringing about greater value for money as well as implications for training in auditing in a computerized environment. Output-based budgeting will provide the information that would focus on the achievement of Government's programme objectives and their alignment with Government's vision and policies. This will be achieved through greater use of performance targets and performance information along with other qualitative information for the determination of priorities and measurement of performance.

Ladies and gentlemen the Government will continue to strengthen oversight of direct program spending and identify new opportunities for further savings. Work continues on improving the system of gathering and analysing information on spending and performance, this will result in better reporting to Parliament. As we work together towards enhancing our internal audit and risk management systems within the public sector, I look forward to more efficient and effective governance within the Region.

I thank you for the opportunity to speak and I trust that this Workshop will prove to be an enriching and enlightening experience and that the outcome will redound to the benefit of the Region.

I thank you.