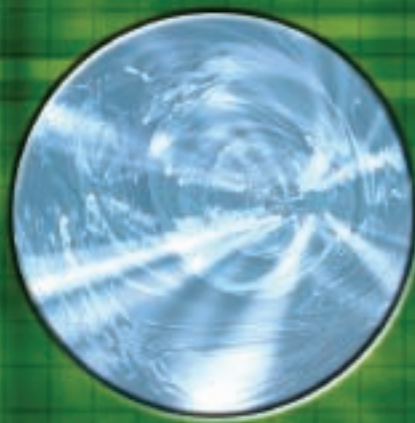




REGULATED INDUSTRIES COMMISSION

ANNUAL REPORT  
2001 - 2002



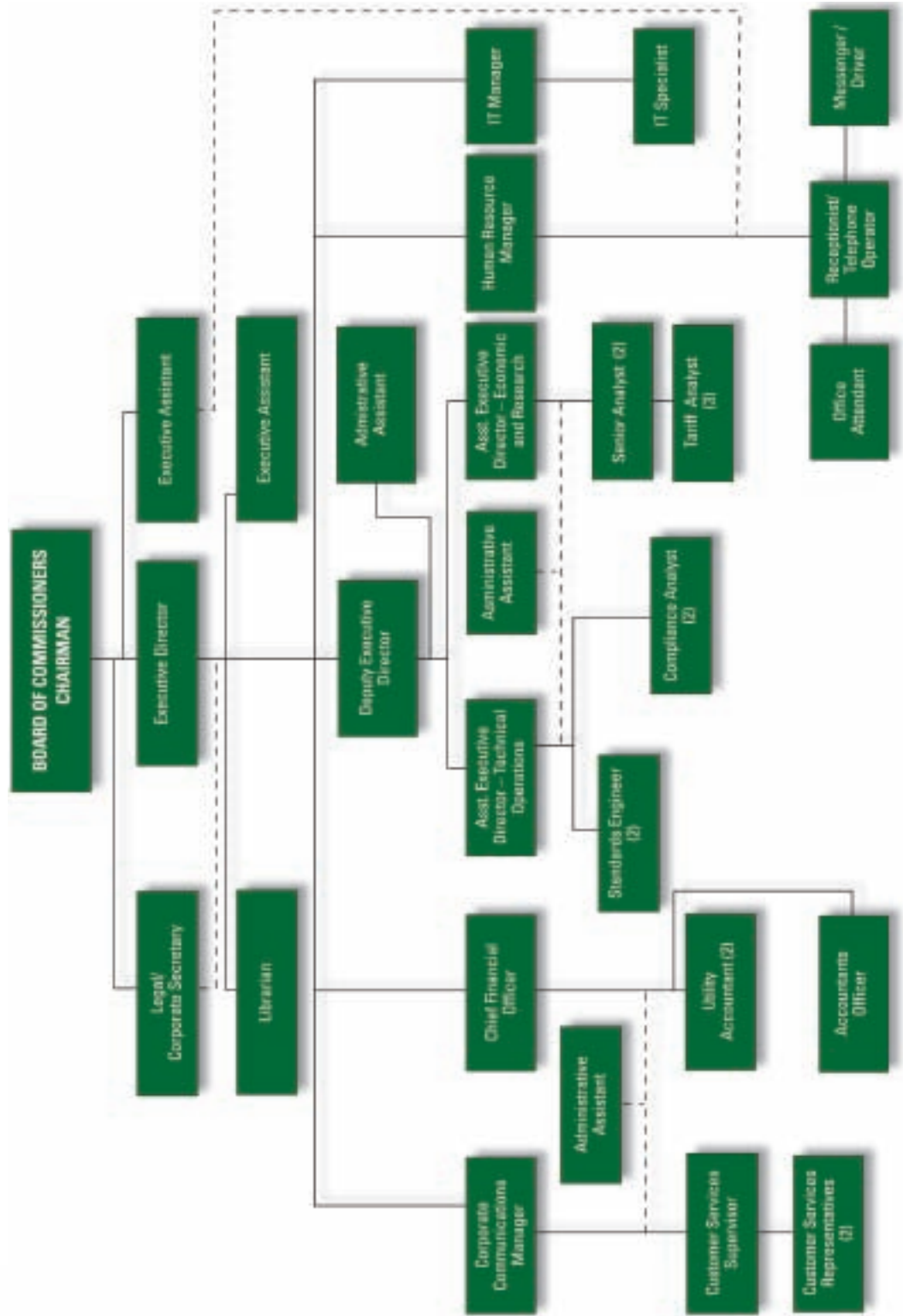


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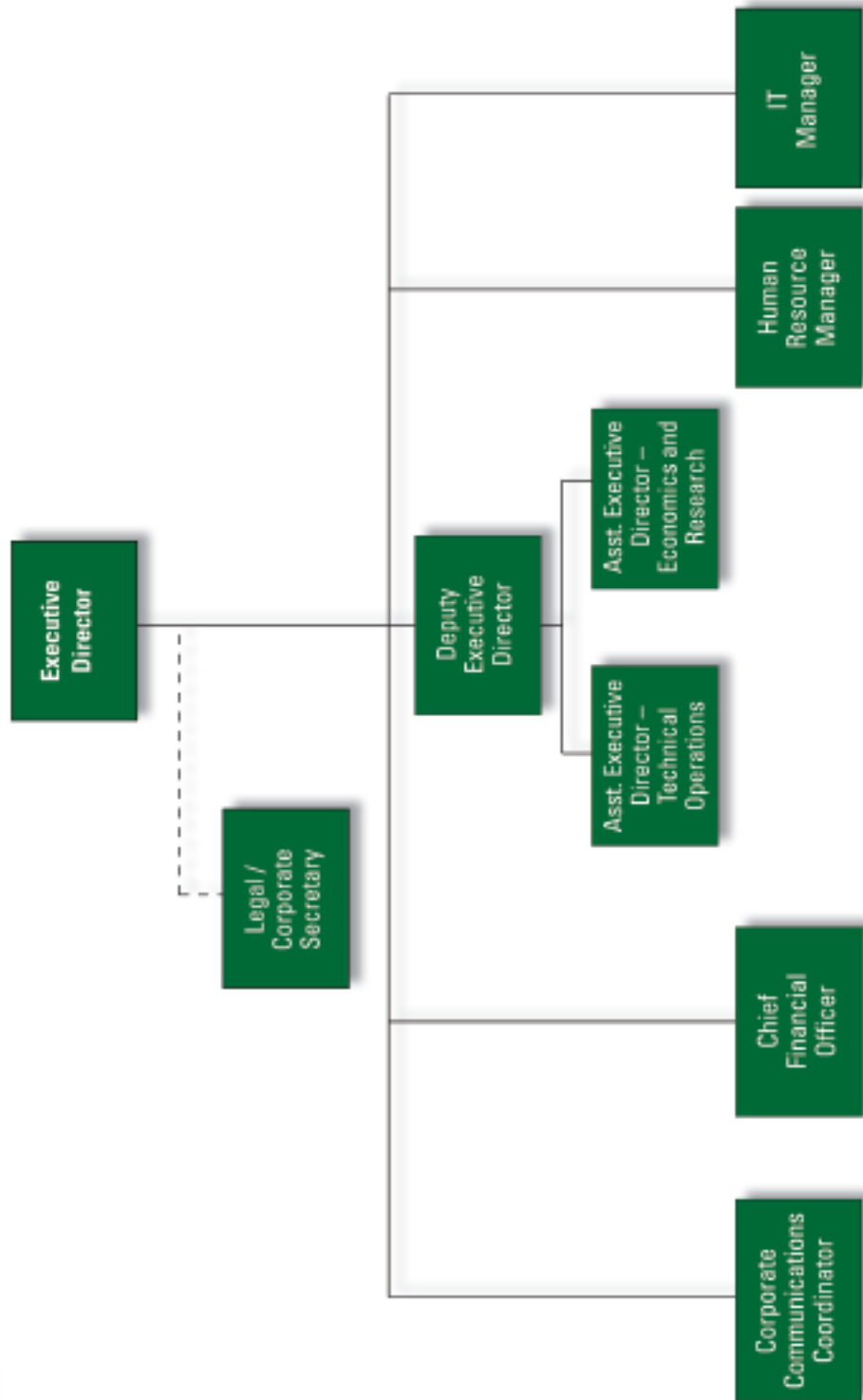
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# ORGANIZATIONAL STRUCTURE



# HEADS OF DEPARTMENTS



## VISION

To be a World Class Regulator.

## MISSION

- To be a dynamic institution, responsible for promoting the sustainability of Service Providers of the Regulated Industries.
- To ensure that the Regulated Industries provide reliable and efficient services at fair and reasonable rates.
- To build a credible and transparent regulatory regime that responds adequately to stakeholders' concerns.
- To demonstrate fairness, equity and concern for the national welfare in the performance of its functions.

# INTRODUCTION

This, the first report of the RIC, covers the activities of the RIC for the period April 2001 to December 31, 2002.

The Regulated Industries Commission Act No. 26 of 1998 established the Regulated Industries Commission (RIC) as a body corporate. Under the Act, the RIC is charged with the responsibility of regulating the following service providers:

- The Water and Sewerage Authority (WASA)
- The Trinidad and Tobago Electricity Commission (T&TEC)
- The Power Generation Company of Trinidad and Tobago (POWERGEN)
- InnCogen Limited (INNCOGEN)
- Telecommunications Services of Trinidad and Tobago (TSTT).

## Functions of the RIC

The specific powers and functions of the RIC are defined in Section 6 of the RIC Act of 1998 and are summarized below:

- To advise the Minister on matters relating to the operations of the Act including the granting of Licences and monitoring the terms and conditions of the Licences;
- To carry out studies of efficiency and economy of operation and of performance of service providers, publish results and take action, where necessary, to protect the interests of customers and other stakeholders;
- To monitor compliance and impose sanctions for non-compliance;
- To establish economic principles and methodology for the setting of rates for services and to perform periodic reviews of the rating regimes;
- To investigate consumer complaints in respect of rates, billing and unsatisfactory service and facilitate redress;
- To ensure service providers are able to finance the delivery of services with sufficient return on investment; and
- To ensure openness and transparency by publishing information which allows stakeholders to have their say in regulatory decisions.

Furthermore, the RIC Act places direct functional responsibility upon the Commission in Section 6 (3) to ensure that the public interest is protected particularly:

- By ensuring maximum efficiency in the use and allocation of resources and that services are reliable and provided at the lowest possible cost;
- By ensuring equal access by consumers to service and the fair treatment of consumers and service providers who are similarly placed;
- By ensuring non-discrimination in terms of service access, pricing and quality; and
- By ensuring that current national environmental policies are adhered to.



## CHAIRMAN'S REMARKS



**Dennis Pantin**, Chairman, RIC

The Regulated Industries Commission (RIC) is a body corporate established by Act No. 26 of 1998 for the purpose of exercising and performing such duties as are conferred upon it by the Act and by any other law. Its main powers and functions are outlined in Section 6:1 of the Act which was proclaimed on June 01, 2000. A Board of Commissioners was appointed in April, 2001 and held its first statutory meeting of the Commission on May 09, 2001.

This report covers the period April, 2001 to December 31, 2002.

Prior to April 2001, the operations of the Commission were undertaken by a small group of administrative and clerical staff under the direction of a Consultant Executive Director, Mr. Kenneth Snow. The Consultant was made available by the Inter-American Development Bank (IADB) in its role as administrator of a non-reimbursable technical cooperation agreement between the Government of Trinidad and Tobago and itself towards the establishment of the RIC. His mandate involved putting mechanisms in place to operationalise the RIC during 2001. The Consultant completed the basic planning for the start up of the institution with the support and assistance of the Ministry of Public Utilities. However, the implementation phase was constrained by political uncertainty in early 2001 which delayed government approval of budgets, business plan and the collection of cess. During the Consultant's tenure, two professional staff were contracted - a Human Resources Consultant and an Information Technology (IT) Specialist. However, other appointments remained in suspension. Consequently, little progress was achieved. It should be noted that in the absence of other relevant technical and professional staff, no review of the operations of utilities had been conducted since 1994. The Consultant's contract expired on June 04, 2001 and the Board appointed a new Executive Director, Mr. Harjinder S. Atwal, with effect from June 18, 2001.

In April 2001, the RIC's operations were housed on the first floor of Furness House. The Board decided, among other things, to acquire additional space to facilitate further space needs of the organization. An additional floor was leased. After review and amendment of the organizational chart, the Board set about the task of structuring the RIC. During 2001 most of the activities focused on planning and constituting the organization and refurbishment of the premises. All vacant positions were advertised and interviews conducted in the last quarter of 2001.

At the beginning of 2002, the Commission comprised five members with Mr. Vashist Maharaj as Chairman and Dr. Patrick Watson, Deputy Chairman. Commissioner Hayden Toney resigned his position with effect from December 31, 2001. During 2002, there were changes in the composition of the Board. Mr. Dennis Pantin was appointed Chairman in June 2002, assuming office in September 2002 and Mr. Winston Rennie was appointed Commissioner in September 2002. Dr. Watson served as interim Chairman during the period June 18 and September 17, 2002. The Board wishes to thank Mr. Hayden Toney for his contribution during his tenure as Commissioner.

The year 2002 was challenging for the RIC from several standpoints. It started off in a rather hopeful manner as senior executive and managerial positions were filled as early as February. However, operational activities were restricted when further recruiting was temporarily halted due to service providers' tardiness in the payments of cess.

The major task for 2002 was to provide the RIC with human resources and ancillary equipment but these were initially constrained by a number of factors. In spite of this, the Commission was able to make substantial progress during



the year. A one-week training seminar was held to expose new employees to the fundamentals of the regulatory environment and it was a tremendous success. Participants included staff of local utilities as well as regional regulatory commissions. The revenue situation improved towards the middle of the year and the Commission was able to recruit additional staff and thereby pursue an important aspect of its mandate: research in the utility sector. Several research projects were undertaken by new staff. These are identified later. In the area of revenue collection the RIC has experienced some problems because of the weak financial condition of some service providers, particularly those that have not benefited from a tariff increase within the last ten-year period.

The Commission played a significant role in the formation of the Organisation of Caribbean Utility Regulators (OOCUR). The former Chairman was a strong advocate for such a body and was one of the persons instrumental in organizing a meeting in Jamaica, in July 2002, which agreed to the establishment of OOCUR. At that meeting a team of three persons, the Deputy Chairman, Deputy Executive Director and Corporate Secretary, represented the RIC. The Deputy Chairman's offer to provide office space at the RIC's office to host the Secretariat of OOCUR was accepted and Mrs. Rita Persaud-Kong, RIC's Corporate Secretary was appointed OOCUR Secretary.

At the end of 2002, the Board recognized that significant challenges lie ahead, however, certain arrangements needed to be finalized in order for the regulatory environment to be complete. Still outstanding are; the appointment of Consumer Service Committee by the Ministry, the laying of RIC regulations before Parliament (for negative resolution), the establishment of the Fair Trading Commission and, the expected amendments to the current legislation.

The Commission took a decision to convene a weekend retreat in early 2003, involving all staff, in an attempt to chart a course for the organization



**D. PANTIN**

Chairman (Appointed June 2002)





## HUMAN RESOURCES / ADMINISTRATION

The fiscal years 2001 and 2002 were quite a challenge for the Regulated Industries Commission (RIC). With the appointment of the Board of Commissioners, the immediate objective was to render the organization fully operational and effective. Some of the main activities undertaken over this period included:

- the approval of the new organizational structure;
- advertising, short-listing, interviewing and appointment of staff to key positions in the organization;
- the refurbishment of the offices of the RIC to appropriately meet the requirements of the staff including health and safety regulations;
- the tendering, acquisition and installation of IT equipment; and
- the approval of the Internal Accounting Procedures of the RIC.

The main objectives in setting a new organizational structure were:

- ensuring that the RIC was able to achieve its mandate in an efficient and effective manner; and
- providing staff with opportunity for growth.

However, the RIC experienced considerable difficulties in attracting staff to fill some positions as those persons interviewed found the remuneration package unattractive. This suggested that an urgent review of the compensation and benefits structure was essential in order to attract and retain the requisite staff.

In spite of these difficulties, in February 2002, the Deputy Executive Director, Corporate Secretary and Assistant Executive Director were appointed. By the middle of the year, seven additional persons, including four Tariff Analysts, one Standards Engineer, one Consumer Service Representative, and one associate staff had been recruited. A Corporate Communications Manager was employed on a short-term contract for the period March to May 2002. The Ministry of Public Utilities had put the recruitment activities on hold and it was not until the last quarter of 2002 that this situation changed. As a consequence, the remaining vacant positions were advertised and some interviews conducted before the end of 2002. By December 2002, twenty (20) staff members had been recruited.

### Financing of the RIC

The RIC's funding is based on the fees (Cess) levied on service providers. However, the line Minister approves the budget and has to be satisfied that the budget is fair and reasonable. **Table I** highlights the major areas of expenses for the period. A detailed breakdown is contained in the financial statements.

	2001		2002	
	Budget \$	Actual \$	Budget \$	Actual \$
Personnel Expenditure	2,725,939	1,396,666	5,978,961	2,652,604
Accommodation	989,796	600,000	956,025	940,800
Consulting and Contracting	103,676	236,034	304,206	310,347
Training	96,500	14,346	380,001	181,706
Education, Promotion and Printing	110,832	90,889	115,000	42,881
Capital Expenditure, IT	3,564,080	575,462	894,212	2,891,652
Other Costs	447,508	234,455	634,113	973,356
<b>TOTAL</b>	<b>8,038,331</b>	<b>3,147,852</b>	<b>9,262,518</b>	<b>7,993,346</b>

Table 1  
Major Areas of  
Expenses,  
2001 - 2002



HUMAN RESOURCES – Financing the RIC (continued)

Expenditure in 2001 and 2002 has been dominated by items of a start-up nature. The RIC’s three main areas of expenditure are related to staff, accommodation and external technical advice. Personnel expenditure represents about 36.35% of the total expenses, while rental accommodation is 10%. As can be seen, significant savings were achieved during the period. As a public entity, the RIC has a duty to account for all its activities. The best way to achieve this objective is through openness and consultation. Pursuant to this objective, **Table II** outlines the compensation for the senior staff of the RIC.

Positions	Basic Salary	Gratuity	Pension	Group Life Health Insurance	Allowance (Per Month)	Travelling (Per Month)	Motor Vehicle
Executive Director	22,000	20	Nil	Nil	2,500	3,000	Yes
Dep. Executive Director	18,000	20	Nil	Nil	2,000	2,000	No
Asst. Executive Director	14,000	20	Nil	Nil	Nil	1,500	No
Human Resources Manager	11,500	20	Nil	Nil	Nil	1,500	No
Information Technology Manager	13,000	20	Nil	Nil	Nil	1,000	No
Legal/Corporate Secretary	13,000	20	Nil	Nil	Nil	1,500	No
Chief Financial Officer	13,000	20	Nil	Nil	Nil	1,500	No

Table 2  
Compensation for Senior Staff

## TECHNOLOGY/INFORMATION CENTRE



An important priority was the increased application of Information Technology (IT) to improve organizational efficiency and to position IT as a critical tool in the operations of the RIC. During the course of the year the Commission acquired and installed the Network infrastructure required to enhance the efficiency of its employees. The RIC intends to access information from all utilities via E-mail and an Extranet link. The Extranet will use a Virtual Private Network (VPN) Connection to connect to utilities so as to enhance the efficiency of the RIC’s operations. The RIC is also considering the use of VOIP technology to facilitate efficient communication between itself and the service providers. These initiatives are expected to provide significant benefits, especially in the conduct of the RIC’s monitoring activities.

Additionally, the RIC transformed the library into an “Information Centre” where it will be a focal point of reference nationally, regionally and internationally for information about utility regulations. The “Information Centre” will also assist in ensuring full compliance with the requirements of the Freedom of Information Act (FOIA).

The RIC’s website ([www.ric.org.tt](http://www.ric.org.tt)) has been undergoing constant redesign to improve its functionality and ease of use. The RIC’s publications and documents will be available on-line. The website will be a significant source of information on the activities and publications of the RIC.

## TRAINING & DEVELOPMENT

As part of its commitment to the development of its human resources, the RIC hosted a one-week course facilitated by Stone and Webster in conjunction with the Public Utilities Research Center, University of Florida, funded by the Inter-American Development Bank. The entire staff and several of the Commissioners participated, as well as representatives from all service providers under our jurisdiction. Several of our regional colleagues from Barbados, Guyana and Jamaica were also involved. This was a highly intensive programme that provided a good foundation for persons being introduced to the regulatory environment.

External training and development opportunities also focused on enabling staff at all levels to adapt to the new environment. During the period a significant number of the RIC's staff attended training in:

- Grounding, Bonding and Protection of Electrical Systems
- Trinidad and Tobago's Electrical Wiring Code
- The Right to Representation, Right to be Heard (Consumer Rights Day)
- Computer and Software Security
- The Use of New Software Packages
- Modern Telephone Systems
- Latest trends in Industrial Relations

The RIC was also represented at the following international meetings and conferences during the period:

Name of Meeting	Place / Date
2nd Meeting of the Organisation of Caribbean Utility Regulators (OOCUR)	Kingston, Jamaica July 24-26, 2002
Annual Regulatory Conference – Institute of Public Utilities	Tampa, Florida Dec 8-11, 2002



## CORPORATE RELATIONS

There was a marked increase in corporate relations and involvement in regulatory affairs at local and regional levels. In keeping with the RIC's commitment to transparency and accessibility, the Chairman and Deputy Executive Director appeared on National Television in April, 2002 to sensitize the public to the role and functions of the RIC.

The Executive Director and several staff members made initial official visits to T&TEC and WASA to apprise management and staff about the new approach to price determination and economic regulation. Similar consultations were expected to be held in the future.

The Executive Director was invited to deliver a paper entitled **A Two-Staged Approach to a Concession in the Water Sector - Trinidad and Tobago Experience** at a Symposium on Water Regulatory Policy in Jamaica, April 2002. The Deputy Executive Director was invited to deliver a lecture entitled **A Critical Look at the Future** at the World Consumer Day Seminar hosted by the Consumer Affairs Division of the Ministry of Legal Affairs, March 2002.





CORPORATE RELATIONS (continued)

He also chaired a session at the Seventh Annual Senior Policy Seminar on Pensions and Investment Management in the Caribbean, hosted by the Caribbean Centre for Monetary Studies May, 2002.

The Commission agreed to fund two post graduate scholarship, tenable at the University of the West Indies, St. Augustine valued at a total cost of \$80,000.00. The scholarships were to be tenable annually to students pursuing research degrees in an area of relevance to the utility sector or economic regulation, commencing 2003. The Commission also introduced a student internship programme in 2002. The intent of this programme was to provide experience in the working environment for university students who are soon to access the job market. During the period of internship, the interns would be assigned to undertake a research project on a topic of relevance to the RIC. It is hoped that by this arrangement both parties would benefit from the association. The first beneficiaries of the programme came from the Université des Antilles et de la Guyane, Guadeloupe. We think that the initial experience was good and believe that the participants gained both by their emersion into an English language environment and their interaction with the staff who assisted them with their projects.

## REVIEW OF ACTIVITIES

During the course of the year the staff of the Commission initiated and completed several documents aimed at improving service in the utility sector. A draft **Quality of Service Standards** document for the electricity transmission and distribution sector was issued for public comment. This document which is expected to be finalized by the end of March 2003, would be used to ensure quality service to customers throughout Trinidad and Tobago. A draft **Quality of Service Standards** document for the water and wastewater sector was also prepared and will be issued for public comment in early 2003. The RIC regards the establishment of Guaranteed Standards for the service providers as a key component of the regulatory framework. These Standards, when finalized, will entitle the consumer to a financial payment if breached by the service provider.

Three additional draft documents were completed and are being discussed internally before a decision is taken on their implementation. They are:

- Draft Licence document for the Trinidad and Tobago Electricity Commission;
- Draft water metering implementation plan for Trinidad and Tobago;
- Draft complaints procedure and standards for handling complaints.

Apart from the above projects several draft research papers on the utility sector were prepared in 2002:

- The Exchange Rate Adjustment Clause Revisited – PUC Order # 81;
- Priority Services for Elderly and Disabled Customers: Issues for Consideration by the RIC;
- Economic Regulation of Network Industries: A Justification;



REVIEWS OF ACTIVITIES (continued)

- The Growing Natural Gas Industry – A Case for Regulation;
- Technical Issues in the Application of Incentive-Based Regulation in Trinidad and Tobago;
- A Proposal for Universal Water Metering – The Way Forward;
- Identification of Performance Indicators for WASA and T&TEC;
- A Proposal for Protecting Vulnerable Groups with Respect to Rate Structure Design; and
- The Methodology for the Determination of the X-Factor, Re: the Price-Cap Approach (RPI –X).

The output of the research work may be used to inform the Commission’s decisions and could conceivably form the basis of a publication on the utility sector.

## CONSUMER SERVICES

Staff has been very diligent in resolving complaints against service providers. For the year ended December 2002, a total of 569 complaints were received. Sixty-four percent (64%) or 362 complaints were filed against WASA, while 128 and 79 were filed against TSTT and T&TEC, respectively. The 2002 complaints figure represents a 37% decrease over the previous year. The average number of complaints received per month for the three utilities was 47. In terms of the resolution of complaints, 90% were resolved in 2002 as compared to 87.0% in 2001. A disaggregation of complaints by region revealed that the largest number of complaints was received from the South followed by the North West region, while Tobago evidenced the least number of complaints. Refer to **Figures 1 and 2.**



Fig 1 Percentage Distribution of Complaints

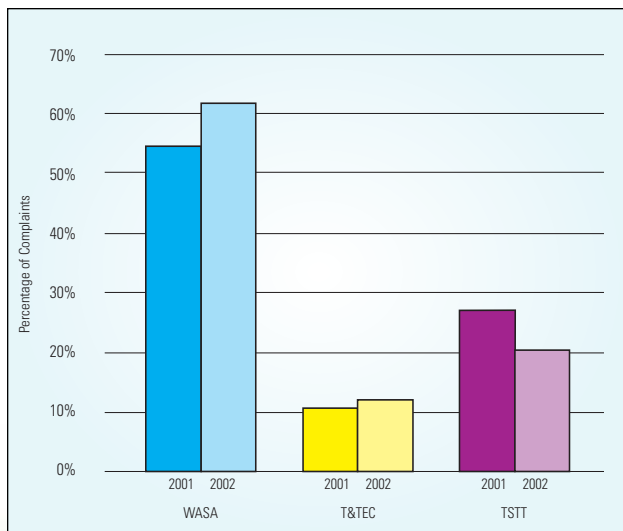
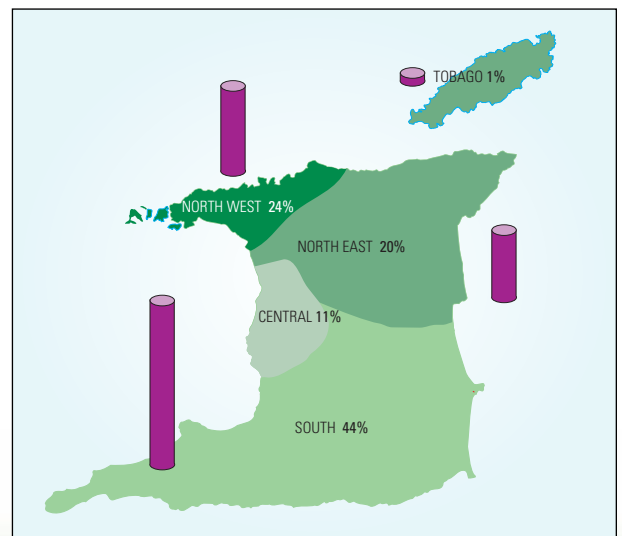


Fig 2 Percentage Distribution of Complaints by





When complaints were analyzed by Utility and Category, 42.4% of all complaints related to inadequate supply of water. The next highest percentages related to leaks 11.2%, and out of service telephone (TSTT) 11.2%. In respect of T&TEC, billing query complaints were highest among all categories of complaints, but as a percentage of total complaints of all Utilities, billing queries are second overall representing 13.2% (all complaints). On average, it took 40.4 days to resolve complaints filed against WASA; 51.8 days against T&TEC; and 45.4 days for TSTT. In respect of resolved complaints, 88.0% of complaints against WASA were resolved in favor of the customer. The figures for T&TEC and TSTT are 59.0% and 86.0% (in favour of customers) respectively. Refer to **Figure 3** and **Table 3**.

Fig 3 Percentage Distribution of the Status of Complaints Received in 2002

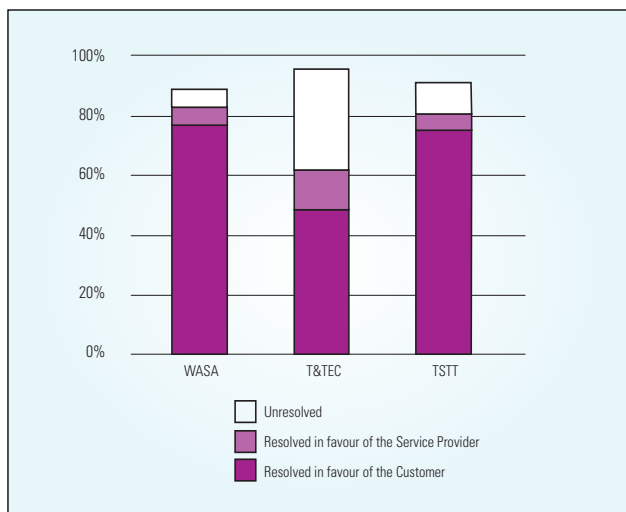
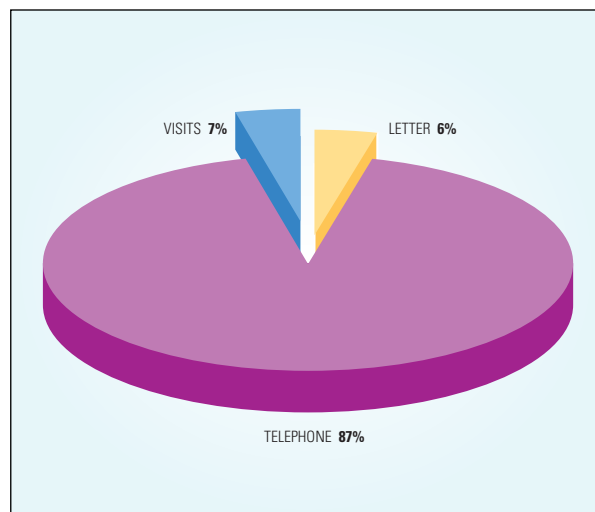


Fig 4 Percentage Distribution of Complaints Received



Regardless of the origin of complaints, the telephone was the most frequently used mode (87% of all complaints) by which consumers brought their various complaints to the RIC. Six percent (6%) of complaints received were by letters, while visits accounted for seven percent (7%). Refer to **Figure 4**.

Complaint Category	WASA		T&TEC		TSTT		Total	Total
	Received	Resolved	Received	Resolved	Received	Resolved	Received	Resolved
Billing Query	29	13	18	15	28	22	75	50
Inadequate Supply	241	240	*	*	*		241	240
Leaks	64	63	*	*	*		64	63
Other	16	16	15	12	25	22	56	50
Out of Service	*	*	*	*	64	64	64	64
Power Outages	*	*	9	7	*	*	9	7
Request for Service	2	1	9	8	11	9	22	18
Road Restoration	10	8	*	*	*	*	10	8
Street Lights / Poles	*	*	14	10	*	*	14	10
Voltage Fluctuations / Damages	*	*	14	4	*	*	14	4
<b>Total</b>	<b>362</b>	<b>341</b>	<b>79</b>	<b>56</b>	<b>128</b>	<b>117</b>	<b>569</b>	<b>514</b>

Table 3 Distribution of Complaints Received/Resolved by Category for 2002

\* Not Applicable  
569 – Received  
514 – Resolved



CONSUMER SERVICES (continued)

In an effort to ensure that complaints are given priority and attended expeditiously, benchmarks have been established to measure the performance of the Consumer Service Department. **Table 4** reveals that the Department performed creditably during 2002.

Target Areas	Standard	Performance Rating
Response to Written complaints	95% – Within ten (10) working days	97.20%
Response to Telephone and e-mail complaints	95% – Within ten (10) working days	99.80%
Response to Overnight Messaging Service Contact Information	100% – Within one (1) working day	100%
Keeping Appointments	100% – Within ten (10) minutes	100%

Table 4  
Consumer  
Service  
Department  
Performance,  
2002

# COMMISSIONERS 2001



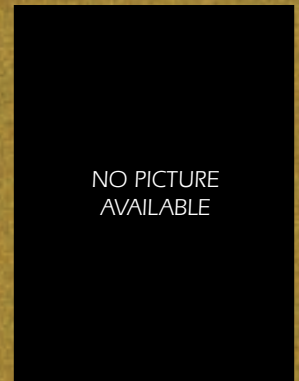
**Vashist Maharaj**  
Chairman



**Dr Patrick Watson**  
Deputy Chairman



**Leon Prevatt**



**Hayden Toney**



**Annette Mc Kenzie**



**Ian Welch**



# COMMISSIONERS 2002



**Dennis Pantin**  
Chairman



**Dr Patrick Watson**  
Deputy Chairman



**Vashist Maharaj**



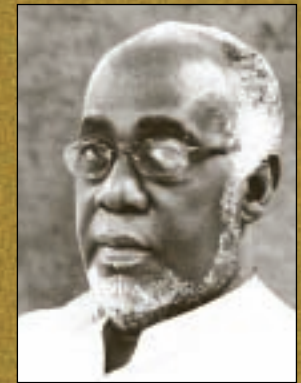
**Leon Prevatt**



**Ian Welch**



**Annette Mc Kenzie**



**Winston Rennie**

## MANAGEMENT 2001-2002

The Commission is assisted in managing the day-to-day and strategic operations of the RIC by a team of professionals with extensive knowledge and experience in their respective fields. In 2001-2002, members of the Management Team included:

<b>Harjinder S. Atwal</b>	Executive Director
<b>Glenn A. Khan</b>	Deputy Executive Director
<b>Garvin Alexander</b>	Assistant Executive Director, Technical Operations
<b>Helen Peru</b>	Human Resources Manager
<b>Rita Persaud-Kong</b>	Legal/Corporate Secretary
<b>Martin Haynes</b>	Information Technology Manager

The RIC remains committed to operational standards of a high quality, compliance and transparency.





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

# **CERTIFICATE AND REPORT**

**OF THE**

**AUDITOR GENERAL**

**ON THE ACCOUNTS OF**

THE REGULATED INDUSTRIES COMMISSION

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**FOR THE YEAR ENDED**

2001 December 31

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**REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD  
AND TOBAGO ON THE FINANCIAL STATEMENTS OF THE REGULATED  
INDUSTRIES COMMISSION FOR THE YEAR ENDED 2001 DECEMBER 31**

The accompanying Financial Statements of the Regulated Industries Commission for the year ended 2001 December 31 have been audited. The Statements as set out on pages one to seven (7) comprise a Balance Sheet as at 2001 December 31, an Income and Expenditure Statement and a Statement of Cash Flows for the year ended 2001 December 31 and Notes to the Financial Statements numbered one to thirteen (13).

2. These Financial Statements are the responsibility of the management of the Regulated Industries Commission. The Auditor General's responsibility is to audit these Financial Statements and to report thereon in accordance with section 116(2) of the Constitution of the Republic of Trinidad and Tobago and section 34 (2) of the Regulated Industries Commission Act, 1998 (Act No. 26 of 1998).

3. The examination was conducted in accordance with generally accepted Auditing Standards. These Standards require that the audit be planned and performed in order to obtain reasonable assurance about whether the Financial Statements are free of material misstatement.

4. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of information in the Financial Statements. The Auditor General is of the view that the audit which was conducted provides a reasonable basis for the comments made at paragraphs 5 to 9 of this Report.

**BALANCE SHEET**

**CURRENT ASSETS**

**Refundable Deposits - \$354,882.00**

5. Included in the figure \$354,882.00 is an amount of \$122,832.00 representing a Deposit made by the Commission in 2001 February to secure alternative office accommodation. Note 6 to the Financial Statements refers. The arrangement did not materialize. Evidence was seen that legal and other advice has been sought with regard to this matter.

**CURRENT LIABILITIES**

**Accounts Payable – Due to Treasury - \$201,627.00**

6. As at the date of this Report the amount of \$201,627.00 representing unutilized Government Subvention was not remitted to the Treasury. The Department has been advised that the matter is being pursued with the Ministry of Finance and the line Ministry.

2/...



### MAINTENANCE OF RECORDS

7. For the period under review, the Cash Book, General Ledger and Fixed Asset Register were not maintained properly. The Commission has indicated that steps have been taken to address this situation.

### INTERNAL CONTROLS

8.1 Some aspects of the internal control system were found to be weak in that there was a lack of segregation of duties within the Accounting Unit. Also, there was no evidence of departmental check on any of the records examined and supervisory controls were not always evident. The Commission has indicated that additional staff has since been recruited to address this situation.

### INTERNAL AUDIT

8.2 The Commission operated without an internal audit function for the period under review.

### OPINION


9. Subject to the comments at paragraphs 5 to 8 above the Financial Statements and Notes to the Financial Statements as outlined at paragraph 1 above are in agreement with the books of the Regulated Industries Commission and present fairly, in all material respects, the state of affairs of the Commission as at 2001 December 31 and the results of its operations and its cash flows for the year ended 2001 December 31 in accordance with generally accepted accounting principles.

### SUBMISSION OF REPORT

10. This Report is being submitted to the Speaker of the House of Representatives, the President of the Senate and the Minister of Finance in accordance with the requirements of sections 116 and 119 of the Constitution of the Republic of Trinidad and Tobago.

2004 JULY 27

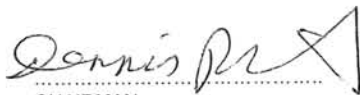


  
JOCELYN THOMPSON  
AUDITOR GENERAL



**REGULATED INDUSTRIES COMMISSION**  
**Balance Sheet as at 31st December, 2001**

		2001		2000
	Note	\$	\$	June - Dec (RIC)
				\$
<b>Fixed Assets</b>	3 & 4		584,335	63,459
<b>Current Assets</b>				
Prepayments	10	916,788		18,139
Cash in Hand		200		200
Cash in Bank - Current Account		1,846,715		576,407
Cash in Bank - Investment Account		548,298		-
Accounts Receivable - Utilities	5	1,949,142		-
Refundable Deposits	6	354,882		-
VAT Recoverable	7 & 8	206,205		56,520
		5,822,230		651,266
<b>Current Liabilities</b>				
Sundry Creditors	11	67,523		176,489
Payment received on account	9	100		-
Accounts Payable- Payroll		2,734		-
Accounts Payable- Due to Treasury		201,627		201,627
		271,984		378,116
Net Current Assets			5,550,246	273,150
			<b>6,134,581</b>	<b>336,609</b>
<b>Represented By:</b>				
<b>Capital Account</b>				
Accumulated Fund - Government Grants	12		23,011	23,011
Retained Earnings	13	359,396		-
Excess of Income over Expenditure		5,752,174		313,598
Accumulated Surplus			6,111,570	313,598
			<b>6,134,581</b>	<b>336,609</b>

  
 CHAIRMAN

  
 EXECUTIVE DIRECTOR



Notes on Pages 4 to 7 form an integral part of these statements.



**MAINTENANCE OF RECORDS**

7. For the period under review, the Cash Book, General Ledger and Fixed Asset Register were not maintained properly. The Commission has indicated that steps have been taken to address this situation.

**INTERNAL CONTROLS**

8.1 Some aspects of the internal control system were found to be weak in that there was a lack of segregation of duties within the Accounting Unit. Also, there was no evidence of departmental check on any of the records examined and supervisory controls were not always evident. The Commission has indicated that additional staff has since been recruited to address this situation.

**INTERNAL AUDIT**

8.2 The Commission operated without an internal audit function for the period under review.

**OPINION**

9. Subject to the comments at paragraphs 5 to 8 above the Financial Statements and Notes to the Financial Statements as outlined at paragraph 1 above are in agreement with the books of the Regulated Industries Commission and present fairly, in all material respects, the state of affairs of the Commission as at 2001 December 31 and the results of its operations and its cash flows for the year ended 2001 December 31 in accordance with generally accepted accounting principles.

**SUBMISSION OF REPORT**

10. This Report is being submitted to the Speaker of the House of Representatives, the President of the Senate and the Minister of Finance in accordance with the requirements of sections 116 and 119 of the Constitution of the Republic of Trinidad and Tobago.

2004 JULY 27



*Joelyn Thompson*  
**JOCELYN THOMPSON**  
**AUDITOR GENERAL**

REPUBLIC OF TRINIDAD AND TOBAGO  
AUDITOR GENERAL'S DEPARTMENT



**CERTIFICATE AND REPORT**  
**OF THE**  
**AUDITOR GENERAL**  
**ON THE ACCOUNTS OF**

THE REGULATED INDUSTRIES COMMISSION

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**FOR THE YEAR ENDED**

2002 December 31

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**REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD  
AND TOBAGO ON THE FINANCIAL STATEMENTS OF THE REGULATED  
INDUSTRIES COMMISSION FOR THE YEAR ENDED 2002 DECEMBER 31**

The accompanying Financial Statements of the Regulated Industries Commission for the year ended 2002 December 31 have been audited. The Statements as set out on pages one to seven (7) comprise a Balance Sheet as at 2002 December 31, an Income and Expenditure Statement and a Statement of Cash Flows for the year ended 2002 December 31 and Notes to the Financial Statements numbered 1 to 16.

2. These Financial Statements are the responsibility of the management of the Regulated Industries Commission. The Auditor General's responsibility is to audit these Financial Statements and to report thereon in accordance with section 116(2) of the Constitution of the Republic of Trinidad and Tobago and section 34 (2) of the Regulated Industries Commission Act, 1998 (Act No. 26 of 1998).

3. The examination was conducted in accordance with generally accepted Auditing Standards. These Standards require that the audit be planned and performed in order to obtain reasonable assurance about whether the Financial Statements are free of material misstatement.

4. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of information in the Financial Statements. The Auditor General is of the view that the audit which was conducted provides a reasonable basis for the comments made at paragraphs 5 to 12 of this Report.

**BALANCE SHEET**

**CURRENT ASSETS**

**Refundable Deposits - \$277,532.00**

5. Included in the figure \$277,532.00 is an amount of \$122,832.00 representing a Deposit made by the Commission in 2001 February to secure alternative office accommodation. Note 6 to the Financial Statements refers. The arrangement did not materialize. The Auditor General has been informed that based on legal advice the Board took a decision not to pursue this matter.

**CURRENT LIABILITIES**

**Accounts Payable – Due to Treasury - \$201,627.00**

6. At the time of audit, the amount of \$201,627.00 representing unutilized Government Subvention was not remitted to the Treasury. It was seen where the Commission had written to the Treasury seeking retention of the amount.

2/...



### CAPITAL ACCOUNT

#### Retained Earnings – Fixed Asset Adjustments – \$4,911.00

7. The figure \$4,911.00 is the net effect of certain adjustments made by the Commission in establishing a new Fixed Assets Register. Notes 3 and 14 to the Financial Statements refer.

### INCOME AND EXPENDITURE STATEMENT

#### EXPENSES

##### Goods and Services

##### Security and Janitorial Services - \$125,213.00

8. A contract for the provision of security services was not produced for audit examination.

##### Telephones - \$138,883.00

9. At the time of audit, controls were found to be weak in that there was no system to monitor telephone usage. Several payment vouchers were neither signed by the preparer nor certified by a supervisory officer. Original bills were not always attached to payment vouchers.

### MAINTENANCE OF CASH BOOK

10.1 The Cash Book was not maintained properly for the following reasons:

- Items were recorded in pencil in the Cash Book.
- Balances were not seen to be carried forward on a monthly basis.
- The Cash Book was not certified on a monthly basis.

10.2 The Commission has advised that steps were taken to address the above shortcomings.

### INTERNAL CONTROLS

11.1 Some aspects of the system of internal control were found to be unsatisfactory in that authorization and approval controls appeared to be weak. Many payment vouchers examined were not certified and dated by a senior officer. Also, there was no evidence of departmental check on any of the records examined.

3/...



**INTERNAL AUDIT**

11.2 The Commission also operated without an internal audit function for the period under review.

**OPINION**

12. Subject to the comments at paragraphs 5 to 11 above the Financial Statements and Notes to the Financial Statements as outlined at paragraph 1 above are in agreement with the books of the Regulated Industries Commission and present fairly, in all material respects, the state of affairs of the Commission as at 2002 December 31 and the results of its operations and its cash flows for the year ended 2002 December 31 in accordance with generally accepted accounting principles.

**SUBMISSION OF REPORT**

13. This Report is being submitted to the Speaker of the House of Representatives, the President of the Senate and the Minister of Finance in accordance with the requirements of sections 116 and 119 of the Constitution of the Republic of Trinidad and Tobago.


2005 February 24



*Joelyn Thompson*  
**JOCELYN THOMPSON**  
**AUDITOR GENERAL**

**REGULATED INDUSTRIES COMMISSION**  
**Balance Sheet as at 31st December, 2002**

		2002		2001	
	Notes	\$	\$	\$	\$
<b>Fixed Assets</b>	3 & 4		2,239,735		584,335
<b>Current Assets</b>					
Prepayments	10	177,302		916,788	
Cash in Hand		20		200	
Cash in Bank - Current Account		1,603,950		1,846,715	
Cash in Bank - Investment Account		4,291,372		548,298	
Accounts Receivable	5	336,129		1,949,142	
Refundable Deposits	6	277,532		354,882	
VAT Recoverable	7 & 8	149,419		206,205	
		<u>6,835,724</u>		<u>5,822,230</u>	
<b>Current Liabilities</b>					
Accounts Payable	11	58,837		67,523	
Accounts Payable- Payroll		78,341		2,734	
Payments Received on Account	9	100		100	
Accounts Payable- Due to Treasury		201,627		201,627	
		<u>338,905</u>		<u>271,984</u>	
Net Current Assets			6,496,819		5,550,246
			<u>8,736,554</u>		<u>6,134,581</u>
<b>Represented By:</b>					
<b>Capital Account</b>					
Accumulated Fund - Government Grants	13		8,254		23,011
Retained Earnings	16	6,133,258		359,396	
Retained Earnings - Fixed Asset Adjustments	14	4,911		-	
Excess of Income over Expenditure		2,590,132		5,752,174	
Accumulated Fund			8,728,300		6,111,570
			<u>8,736,554</u>		<u>6,134,581</u>

  
 CHAIRMAN





  
 EXECUTIVE DIRECTOR

Notes on Pages 4 to 7 form an integral part of these statements.

# BALANCE SHEET

AS AT 31ST DECEMBER, 2002

	Notes	\$	2002 \$	\$	2001 \$
<b>Fixed Assets</b>	3 & 4		2,239,735		584,335
<b>Current Assets</b>					
Prepayments 916,788	10		177,302		
Cash in Hand		20		200	
Cash in Bank – Current Account		1,603,950			1,846,715
Cash in Bank – Investment Account		4,291,372			548,298
Accounts Receivable	5	336,129			1,949,142
Refundable Deposits	6	277,532			354,882
VAT Recoverable	7 & 8	149,419			206,205
		<u>6,835,724</u>			<u>5,822,230</u>
<b>Current Liabilities</b>					
Accounts Payable	11	58,837			67,523
Accounts Payable- Payroll		78,341			2,734
Payments Received on Account	9	100			100
Accounts Payable- Due to Treasury		201,627			201,627
		<u>338,905</u>			<u>271,984</u>
Net Current Assets			6,496,819		5,550,246
			<b><u>8,736,554</u></b>		<b><u>6,134,581</u></b>
<b>Represented By:</b>					
<b>Capital Account</b>					
Accumulated Fund - Government Grants	13		8,254		23,011
Retained Earnings	16	6,133,258		359,396	
Retained Earnings – Fixed Asset Adjustments	14	4,911		–	
Excess of Income over Expenditure		2,590,132		5,752,174	
Accumulated Fund		<u>8,728,300</u>		<u>5,752,174</u>	<u>6,111,570</u>
			<b><u>8,736,554</u></b>		<b><u>6,134,581</u></b>
CHAIRMAN: 					
EXECUTIVE DIRECTOR: 					
Notes on pages 34 to 36 form an integral part of these statements.					



# INCOME & EXPENDITURE STATEMENT

FOR YEAR ENDED DECEMBER 31ST, 2002

	Notes	2002 \$	2001 \$
<b>Income</b>			
Subventions		1,029,980	233,135
Cess		7,144,000	8,038,331
Other Income	12	48,984	53,098
		<u>8,222,964</u>	<u>8,324,564</u>
<b>Expenses</b>			
<b>Personnel Expenditure</b>			
Remuneration to Board Members		225,157	70,400
Government Contribution to NIS		40,240	28,582
Allowances	15	114,863	11,200
<b>Goods and Services</b>			
Consulting and Other Contracted Services			
Salaries		1,908,627	1,084,777
Contract Gratuities		201,053	138,954
Security and Janitorial Services		125,213	112,530
Professional Service Fees		185,134	123,504
Travelling		162,663	62,753
Telephones		138,883	79,902
Rent		862,400	600,000
Office Supplies		104,101	42,382
Books and Periodicals		19,500	18,296
Repairs and Maintenance		9,113	10,749
Repairs and Maintenance - Motor Vehicle		20,345	-
Refurbishment Cost		603,917	-
Audit Fees		31,100	8,700
Training		181,706	14,346
Insurance		22,162	5,678
Miscellaneous Expenses		9,371	10,811
Advertising & Promotions		42,881	90,889
Mail & Postage		748	675
Depreciation		440,243	54,585
Depreciation Adjustment	3 *	182,246	-
Bank Charges		1,166	2,677
		<u>5,632,832</u>	<u>2,572,390</u>
<b>TOTAL EXPENSES</b>			
<b>EXCESS OF INCOME OVER EXPENDITURE</b>		<b>2,590,132</b>	<b>5,752,174</b>
Notes on pages 34 to 36 form an integral part of these statements.			

# STATEMENT OF CASH FLOWS

FOR THE PERIOD JANUARY TO DECEMBER, 2002

	Notes	2002 \$	2001 \$
<b>Cash flows from operating activities:</b>			
Net income		2,590,132	5,752,174
Adjustments to reconcile net income to Net cash provided by operating activities:			
Depreciation and Amortisation		440,243	54,585
Depreciation Adjustments	3 *	182,246	
Operating profit before working capital changes		<b>3,212,621</b>	<b>5,806,759</b>
Decrease/(Increase) in accounts receivable		1,613,013	(1,949,142)
Decrease/(Increase) in refundable deposits		77,350	(354,882)
Decrease/(Increase) in VAT recoverable		56,786	(149,685)
Decrease/(Increase) in prepaid expenses		739,486	(898,648)
Increase/(Decrease) in sundry creditors		66,920	(106,233)
Increase in payments on account		-	100
Net cash provided by operating activities		<b>5,766,176</b>	<b>2,348,269</b>
<b>Cash flows from investing activities:</b>			
Acquisition of fixed assets		(2,287,735)	(575,462)
Net cash used in investing activities		<b>(2,287,735)</b>	<b>(575,462)</b>
<b>Cash flows from financing activities:</b>			
Net cash flow from financing activities		-	-
Prior Year Adjustment		21,689	45,798
Net increase in cash and cash equivalents		3,500,130	1,818,605
Cash and cash equivalents at beginning of year		2,395,213	576,607
Cash and cash equivalents at end of year		<b>5,895,342</b>	<b>2,395,212</b>
<b>Represented by:</b>			
Cash in Hand		20	200
Cash in Bank – Current Account		1,603,950	1,846,715
Cash in Bank – Investment Account		4,291,372	548,298
		<b>5,895,342</b>	<b>2,395,212</b>

## FIXED ASSET SCHEDULE

	1	2	3	4	5
	<b>Computers</b>	<b>Office Equipment</b>	<b>Computers &amp; Office Equipment</b>	<b>Office Furniture</b>	<b>Total (3+4) Total</b>
Cost as at June 1st	115,075.57	51,066.43	166,142.00	24,532.00	190,674.00
Additions	43,810.80	2,154.45	45,965.25	0.00	45,965.25
Losses	0.00	0.00	0.00	0.00	0.00
Cost as at December 31st	158,886.37	53,220.88	212,107.25	24,532.00	236,639.25
Accumulated Depreciation as at June 1st	108,632.12	39,363.06	147,995.18	19,667.39	167,662.57
Add: Charge for the year	6,024.43	1,918.77	7,943.20	296.24	8,239.44
Accumulated Depreciation as at December 31st	114,656.55	41,281.83	155,938.38	19,963.63	175,902.01
Net Book Value as at Dec 31st	44,229.82	11,939.05	56,168.87	4,568.37	60,737.24

# NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED DECEMBER 31ST, 2002

## 1. Incorporation and Principal Activity of the Commission

The Regulated Industries Commission (RIC) was established by Act No. 26 of 1998, of the Laws of the Republic of Trinidad and Tobago.

The purpose of the Commission is to "regulate the activities of utility service providers through a system of licensing".

The Commission is funded by CESS Income which is obtained from utility service providers and calculated based upon their income.

## 2. Accounting Policies

- a) Basis of Preparation of Financial Statements  
These financial statements are prepared in accordance with generally accepted accounting principles and under the historic cost convention.
- b) Reporting Currency  
These financial statements are expressed in Trinidad and Tobago dollars.
- c) Funding  
Section 29 of the RIC Act stipulates the sources of funding of the Commission
- d) Fixed Assets  
Assets are capitalised and depreciated from the date of acquisition.

New rates of depreciation have been applied to the Financial Statements for the Year Ended December 31st 2002 and are as follows:

Motor Vehicles	–	25% p.a. reducing balance
Computers	–	25% p.a. reducing balance (previously 20% p.a. straight line)
Office Furniture	–	12.5% p.a. reducing balance (previously 10% p.a. reducing balance)
Office Equipment	–	12.5% p.a. reducing balance (previously 12.5% p.a. and 20% p.a. reducing balance)

These rates of depreciation are consistent with the Commission's Accounting Procedures Manual and adjustments for changes from the previous rates of depreciation have been made to the accounts.

## 3. Fixed Assets

	Motor Vehicles \$	Computers & Office Equipment \$	Office Furniture \$	Assets from PUC	TOTAL \$
Cost as at Jan 1, 2002	404,558	383,011	24,532	-	812,101
Additions	-	1,322,671	965,064	-	2,287,735
Disposals	-	-	-	-	-
Adjustments *	-	(155,994)	(69,372)	47,857	(177,509)
Cost as at Dec 31, 2002	404,558	1,549,688	920,224	47,857	2,922,327
Accumulated Depreciation as at Jan 1, 2002	23,428	183,929	20,409	-	227,766
Add: Charge for the year	95,283	237,744	107,216	-	440,243
Less Accumulated Depreciation on Disposal	-	-	-	-	-
Adjustments *	(3,750)	(6,718)	(14,552)	39,603	14,583
Accumulated Depreciation as at Dec 31, 2002	114,961	414,955	113,073	39,603	682,592

# NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED DECEMBER 31ST, 2002

3. **Fixed Assets** (continued)

	Motor Vehicles \$	Computers & Office Equipment \$	Office Furniture \$	Assets from PUC	TOTAL \$
Net Book Value as at Dec 31, 2002	289,597	1,134,733	807,151	8,254	2,239,735
Net Book Value as at Dec 31, 2001	381,130	199,082	4,123	-	584,335

\* A physical inventory of all fixed assets was undertaken in 2003 and formed the basis of constructing a new Fixed Asset Register. Based upon the new Fixed Assets Register balances, adjustments were made to the accounts of the Commission to reflect the closing cost, accumulated depreciation and net book value at December 31, 2002, as corroborated by the physical verification.

4. **Capitalisation Policy**

The commission has adopted the policy of expensing assets that fall below the cost of \$1,000.00, even though that asset may have a useful life in excess of one (1) accounting period.

5. **Accounts Receivable**

	2002 \$	2001 \$
Cess receivable from InnCogen Limited	333,756	80,383
Cess receivable from Trinidad & Tobago Electricity Commission	-	1,868,726
Cess receivable from Water & Sewerage Authority	33	33
Overpayment of Commissioner's Fee	2,340	-
	<u>336,129</u>	<u>1,949,142</u>

6. **Refundable Deposits**

Refundable Deposit with Unit Trust Corporation	122,832	122,832
Deposit of two (2) months rent with Furness Trinidad Ltd.	154,700	232,050
	<u>277,532</u>	<u>354,882</u>

7. **VAT Recoverable**

This represent refunds due to the Commission, in keeping with its tax exempt status, in respect of VAT paid on consumption of goods and services

8. **Tax Exempt Status**

By virtue of the Regulated Industries Act 1998, Section 31, the Commission is exempt from all stamp duty, customs duties, levies and other imposts on its income or profit or on assets which it acquires for its own use.

9. **Payments Received on Account**

Overpayment of cess by The Power Generation Company of Trinidad and Tobago of \$100.

10. **Prepayments**

Rent	172,488	16,738
Insurance Premiums	4,814	13,295
Books and Periodicals	-	641
Security and Janitorial	-	361
Miscellaneous Expenses	-	104
Office Equipment	-	280,337
Office Furniture and Furnishing	-	605,312
	<u>177,302</u>	<u>916,788</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED DECEMBER 31ST, 2002

<b>11. Accounts Payable</b>	<b>2002</b>	<b>2001</b>
	\$	\$
Audit Fees	34,000	19,000
Telephones	5,621	7,246
Office Stationery and Supplies	484	3,793
Security and Janitorial	8,892	21,689
Miscellaneous Expenses	981	842
Books and Periodicals	6,875	6,875
Advertising and Promotions	–	6,624
Repairs and Maintenance	–	1,454
Commissioner's Fee	1,983	–
	<b>58,836</b>	<b>67,523</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>12. Other Income</b>		
Interest from Investment	33,632	48,298
Refund from Inter American Development Bank	15,352	–
Tender Deposits	–	4,800
	<b>48,984</b>	<b>53,098</b>
	<hr/> <hr/>	<hr/> <hr/>

The Commission has adopted a policy of recognising Interest from Investment in the financial period in which the interest is received.

## 13. Accumulated Fund – Government Grants

This represents the balance in the Government Grants Account with respect to assets taken over from the former Public Utilities Commission.

## 14. Retained Earnings

Adjustments were made directly to retained earnings as a result of entries passed to the accounts with respect to the fixed assets register.

## 15. Allowances

This balance includes arrears of allowances to the Executive Director in the amount of \$59,863.32. The arrears, which was paid in the current period, related to the 2001 financial year.

## 16. Retained Earnings

Retained Earnings brought forward differed from the Accumulated Surplus for the financial year 2001 by \$21,689, being an adjustment to correct a prior period error. This error related to an accrual of Security and Janitorial fees in the financial year 2000.

