

**VERBATIM REPORT OF THE PUBLIC ACCOUNTS COMMITTEE MEETING
HELD IN THE BIG COMMITTEE ROOM (EAST WING), PARLIAMENT ON
TUESDAY, 30TH AUGUST, 2016 AT 10.00 A.M.**

Submittee: Fiji Public Trustee Corporation Limited

In Attendance:

1. Mr. Antonio Takala - CEO
 2. Ms. Loi Mateiwai - Manager, Finance and Administration
 3. Mrs. Rhonda May - Manager, Legal

 4. Mr. David Kolitagane - PS, Ministry of Public Enterprise
 5. Ms. Laisa Bolalevu - Actg. Director Monitoring

 6. Mr. Dinesh Prasad - Actg. Director, OAG
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MR. DEPUTY CHAIRPERSON.- Good morning, Honourable Members and officials from the Government Ministries and Fiji Public Trustee Corporation. I welcome you all to our meeting of the Public Accounts Committee dated 30th August, 2016.

(The Deputy Chairperson introduced the Committee Members)

Honourable Members, I welcome the team from the Fiji Public Trustee Corporation Limited and probably the CEO can just give us a brief background and introduction of the entity.

MR. A. TAKALA.- Thank you, Honourable Sir.

Honourable Sirs, the Fiji Public Trustee Corporation Limited was corporatised in 2006. It was previously part of the Ministry of Justice. It used to be known as the Public Trustee Office. This was then corporatised in 2006. We are governed by the Fiji Public Trustee Corporation Act of 2006.

The Fiji Public Trustee Corporation Limited provides State Administration Services, Trustee Services and also Will Making Services to the people of Fiji. We are considered a Government Commercial Company and as such we are governed by the Companies Act as well, a company that is now also required to pay income tax and the various taxes. We have a Board of Directors that is appointed by the Ministry of Public Enterprises and 2016 would be the 10th year since the corporatisation of the company.

MR. DEPUTY CHAIRPERSON.- Thank you, Sir, for the brief introduction. We had sent a set of questions and issues that we have raised from the audit report, this is moreso like a positive discussion session whereby we also need to learn and know more about the issues that came to our concern as we were going through the audited reports.

Honourable Members have copies of the audited reports with them and accordingly the copies that were allocated to them, they have individually raised some issues and questions, they will be going through the issues and questions and probably, you as a team can answer on whichever question is applicable to any of the resource personnel. If there is a supplementary question and since it was not sent to you prior in a written form, the onus is on you on whether you want to answer it or not. If you feel that you need to have more time to get back to that supplementary question, you can always e-mail us and let us know.

Without further ado, I would now like to give the floor to the Honourable Aseri Radrodro to raise his issues and questions.

HON. A.M. RADRODRO.- Just one clarification from the Ministry of Public Enterprises, have you got prepared answers for these questions?

MR. D. KOLITAGANE.- Yes, we have prepared answers for those questions, a copy has also been given to the Secretariat.

HON. A.M. RADRODRO.- Probably, it will be easy if you just take us through your prepared answer and then if we have supplementary questions, then we will pose them to you.

Just to start off while we are waiting for the photocopy notes, who are the current Board of Directors of FBCL?

MR. A. TAKALA.- The current Board of Directors, the Chairman is Mr. Iqbal Jannif and the other Director is Mrs. Sera Bernadette Nicholas, so those are the two Directors at the moment.

HON. A.M. RADRODRO.- What is the minimum

MR. A. TAKALA.- The minimum requires two so they are in compliant with the old Companies Act. I think the new Companies Act requires only one so with the two they are in compliance with that.

MR. DEPUTY CHAIRPERSON.- Honourable Radrodro, perhaps you can just continue because of the time frame. They have their copies so if you can just continue.

HON. A.M. RADRODRO.- Just on the first one regarding the operations, this is 2009. Fiji Public Trustee Corporation, your income statement. There has been an increase in fees. Can you just enlighten this Committee what are these fees for and are they legislated fees and who determines the fees to be levied by FBCL?

MR. A. TAKALA.- The Fiji Public Trustee Corporation Limited as a Government Commercial Company provides Estate Administration Services, Trustee Services, Will Making and other selected legal services to the public. These services are provided at a fee that is regulated and legislated as governed under the Fiji Public Trustee Corporation Act of

2006. The fees are for the services provided for Estate Administration Services, Trustee Services and Will Making.

The latest fee schedule is as outlined under Legal Notice No. 114 of the FBCL Fees and Charges Regulation, 2008. A copy is also attached and has been circulated. The increase was due to the levying of new legislated fees in 2009 and improvements in the operational performance from the new systems implemented during the year. The core business fees are determined by the Board after the review of the Commerce Commission as outlined under Section 29 of the Fiji Public Trustee Corporation Act of 2006. The Corporation is self-funded and does not receive grants and subsidies from Government.

HON. MEMBER.- (Inaudible)

MR. A. TAKALA.- The Corporation does review depreciation rates. Currently the Corporation is using the statutory tax depreciation rates. The assets of the Corporation at that time of the said audit were mainly fixtures and fittings, office equipment, motor vehicles and computer software.

HON. A.M. RADRODRO.- Just a supplementary question on the fees in the first question. Can you just give us an example on how does the fee apply and to which particular customer or assets?

MR. A. TAKALA.- The fees schedule that the Fiji Public Trustee uses is what is that used widely, internationally as well. If it is based on the valuation or the value of estates that we manage. So at difference stages we charge the various fees as outlined in the schedule.

HON. A.M. RADRODRO.- The fees is based on the asset value. Who makes the valuation of the assets? Is it a Government entity or a private independent organisation that does the valuation for these properties?

MR. A. TAKALA.- The valuation of properties is done by a panel of valuers that the Fiji Public Trustee obtains from the public and these are equitable companies that carry out valuation for these estates. This is also a requirement under the High Court because whereas from that it proceeds to High Court, they also require to know the values. This is also provided to the Court in this manner.

HON. A.M. RADRODRO.- On 2.8 - Individually held Investments to be reinstated to market value. Has the Corporation restated the value of individual investments to market value in the books?

MR. A. TAKALA.- The Corporation has over the years adopted the market value method of individually held investments. Majority of these investments are now held in a common pool fund to attract higher returns on investments, these are stated at market value.

HON. A.M. RADRODRO.- On this particular audit issue that has been identified by the auditors, investments amounting to \$328,000. Has that been reinstated as market value?

MR. A. TAKALA.- Yes Sir, that has been rectified.

HON. MEMBER.- (Inaudible)

MR. D. PRASAD.- Confirmed.

HON. A.M. RADRODRO.- The next one is the Internal Audit and Enterprise Risk Management Function. Has the Corporation established an Internal Audit Department and also formulated its own risk management policy? If not why, if yes please provide a copy of the policy to the Committee.

MR. A. TAKALA.- This is in reference to 2.11. Am I correct? The Corporation does not have any internal audit department mainly because of the small size of operation. Therefore, the decision was made that an internal audit function would be outsourced as required. Internal audits such as the Operational Audit and the IT Audit have been carried out by the Office of the Auditor-General.

However, we are working on the Enterprise Risk Management document. The Corporation over the years has continued work towards mitigating risk at operational level. These only included the purchase of an office building away from a possible Suva *tsunami* area to a safe zone area especially for the safe custody of our records and legal documents and also for the Occupational Health and Safety requirements. This was also done to reduce the cost of doing business especially on rental costs. We have also sort the services of a legal consultant on the investment of trust funds held by the Corporation. We develop comprehensive standard operating procedures for the Corporation with the assistance of the Australian Government. Corporation will be holding a workshop on Risk Management Framework which is part of the Corporation's three-year strategic plan.

HON. A.M. RADRODRO.- The policy would be developed after that workshop? Any timeline?

MR. A. TAKALA.- We are looking at getting out the first draft at the end of this year.

HON. A.M. RADRODRO.- I am sorry, I missed 2.10 on Investment Policy of the Organisation. Has the Corporation formalised its documented investment policy? Why we are asking this question is because during the audit there was no comments received from management as highlighted by the auditors. That is why we are trying to get comments and see any updates on the status right now. That is on the Investment Policy.

MR. A. TAKALA.- Thank you, from those value added comments given by the review team from the Auditor-General, in 2013 the Corporation sought the services of a reputable legal consultant to review and identify the parameters and provide an expert opinion on the ability of the Corporation to invest in diversified portfolios and to recommend a set of governing rules for the operation of any common fund. The attached investment guideline were put in place as part of the consultation report whilst we work on the investment policy.

HON. A.M. RADRODRO.- (Inaudible)

MR. A. TAKALA.- The rental arrears of these properties are not recorded in the books of the Corporation as these properties do not belong to the Corporation. These are assets that belong to the individual estates and income from these assets and any rental arrears are recorded in the individual estate accounts.

However as part of our role as an Administrator is to continuously follow up on the rental arrears.

HON. A.M. RADRODRO.- I cannot get your explanation properly. One is not recorded while the auditors are saying that they are not recorded in the books. How do you match the two in terms of record keeping?

MR. A. TAKALA.- These properties are the ones that we manage as administrators. It does not affect the accounts of the company but the accounts of the individual estates that we manage. That is where the accounts and arrears are recorded.

(Inaudible)

MR. D. PRASAD.- Thank you, Honourable Member for your question. Issue 4.7 that is highlighted in the report is the rental income that is derived from the properties that is held in trust. During the audit the auditors did not find any record or recording of these rental arrears that rightfully should be recorded in order to ensure that the income of the properties is reflected in the accounts. I would like to get back to the Committee on this issue because what the CEO has just commented on, he has some valid points. At that time when this issue was being raised, we had to look at the circumstances at that time and what is the circumstance at present. So I would like to request if the Committee can give us a day and we will come back to the Committee on our final comment whether that recommendation will stay or we will accept the comments from the CEO.

MR. DEPUTY CHAIRPERSON.- Honourable Members, is it okay we give them a day to rectify this issue?

HON. A. M. RADRODRO.- Mr. Chair, just a clarification again, the work of the Public Trustee and these are two separate arms now that you do not account for the rental of the properties that you look after. Is that the story that I am trying to clarify here?

MR. A. TAKALA.- Not necessarily that we do not account for it, we administer the estate so it is our responsibility to also follow-up on those arrears. But the thing is that the arrears are not recorded in the books of the Corporation but in the books of the estate account that individual staff manages.

MR. DEPUTY CHAIRPERSON.- Sir we will give your office one day to get back the issue for us?

MR. A. TAKALA.- Yes, Sir.

HON. A. M. RADRODRO.- Abridged Income Statement – there is a massive increase in interest income from \$768,391 in 2009 to \$1,032,584 in 2010. Can we have an explanation on that increase?

MR. A. TAKALA.- The increase in interest income in 2010 was due to the better strategic investment placements during the year, also in taking advantage of the high term deposit rates in 2010. This however fell again in 2011 after the high liquidity in the banking system.

HON. A. M. RADRODRO.- Just a supplementary question on that. Why does FPTCL find it necessary to allow for term deposits? Is it because it has a lot of unused money because that is not part of its core business, why does it have to engage in short term deposit investments?

MR. A. TAKALA.- The FPTCL also carries out trustee services in which we become trustees of minor funds and funds of people of unsound mind and these funds needs to be invested to continue to get interest and this interest is then redistributed to the beneficiaries. That is why the funds are always continuously held as invested.

HON. A. M. RADRODRO.- When you make such decision to invest, do you consult the owners of the fund?

MR. A. TAKALA.- We are guided by the Trustee Act on where we can and cannot invest and that is the guideline also that we have developed after the consultation with legal specialists on that.

HON. A. M. RADRODRO.- On Parliamentary Paper No. 34 – the Abridged Balance Sheet, there is a big drop in trade and other receivables from \$2,292,441 in 2009 to \$779,515 in 2010, can you explain this big drop?

MR. A. TAKALA.- Since the first four years audit were all completed in 2010, the trade and other receivables in the Corporation's accounts were ascertained and reconciled together with the trade payables in the trust and estate's balance sheet for fees and interest due to be paid to the Corporation. The payment was made after the 2006 to 2009 audit in 2010, hence the reduction.

HON. A. M. RADRODRO.- The next one is the size of the Board. I think this is part of the audit issue. The Corporation had three Directors until 16th July, 2010 and then two Directors from that date. Why was this so? What does the policy say about the composition of the Board?

MR. A. TAKALA.- Appointments are made by the Ministry of Public Enterprises and the number is beyond the Board's and Management's control. However, the old Companies Act required a minimum of two directors for a private company and that is being followed.

MR. DEPUTY CHAIRPERSON.- Just a supplementary question. Can you enlighten us more in regards to the appointment of Directors for these public entities, especially in terms of what the legislations have to say?

MS. L. BOLALEVU.- We are basically guided by the Companies Act and the Articles of Association of each company and for some of our Commercial Statutory Authorities their establishing Acts or Decrees so therein it is stated the number of directors that should be appointed on the Board and the Ministry then submits the names to the Minister who then obtains the Prime Minister's approval.

MR. DEPUTY CHAIRPERSON.- The reason why I asked this question because most of the entities that are coming the response is "two directors only" which is why I asked this question. When they say "two directors", that means that according to the Ministry that is sufficient to have two directors. Like for a Corporation like FPTCL and I think yesterday Unit Trust of Fiji also said that they have only two. Does it also depend on the size of the entity?

MS. L. BOLALEVU.- It depends on the size of the entity. I think during the period that when this audit was done, we had travel bans on some of the Directors that were imposed on directors of SOEs. So there was very little number of people interested to get on the Board but now since that has been lifted, the Ministry is working very hard to get more people and qualified ones on the Board.

MR. DEPUTY CHAIRPERSON.- You said travel ban, local travel or overseas travel?

MS. L. BOLALEVU.- Overseas travel.

MR. D. PRASAD.- Mr. Chair, can I just make a comment? The reason why the Auditor-General's Office is highlighting that issue, knowing that the minimum requirement for directors is two as per the Companies Act, is basically because there needs to be some sub-committees which is audit committee, human resources committee which cannot be effective without a proper number of directors. So if there are two directors then the sub-committees cannot be formed which eliminates the proper corporate governance of the entity. That is one of the reasons why the issue is being highlighted in the Auditor-Generals Report.

MR. DEPUTY CHAIRPERSON.- I think that is one issue that we were also concerned about, why most of the companies are having few directors. If we look at the nature and the extent of operations of the company, I think for some of the companies the number of directors are insufficient.

We will now refer to Parliamentary Paper No. 39 of 2016 and I would like to give the opportunity now to Honourable O'Connor to raise his questions and issues.

HON. A. D. O'CONNOR.- Although the questions I put forward, the very first one having been resolved is Reconciliation Adjustments. Are the reconciliations being properly reviewed with proper documentation to support its existence?

MR. A. TAKALA.- The Corporation's finance and administration section has over the years worked on improving reconciliation methods and the proper review and documentation of the various general accounts. This is also part of the Finance Policy that officers have to adhere to.

HON. A.D. O'CONNOR.- Although the next two or three are recurring, I just wish to have your comments on it. The first one is Value Added Tax, what measure is the Corporation taking to resolve the variances between the Corporation's records and FRCA's statement?

MR. A. TAKALA.- The Corporation since this audit have continued to ensure that monthly VAT reconciliations are in agreement with FRCA's VAT assessments. The correct monthly VAT payments are made before due date. Recently, VAT refunds have also been paid by FRCA to the Corporation. We ensure that Corporation continues to be compliant with all statutory requirements including the filing of VAT Returns.

HON. A.D. O'CONNOR.- Discrepancies in the Interest Due for Distribution Reconciliation, please explain why this has been recurring?

MR. A. TAKALA.- This is the variance in the reconciliation of Interest Due for Distribution in the general ledger account. The variances existed mainly due to the interest on interest not accounted in the reconciliation for that particular year. However, the amount was redistributed to the beneficiaries in 2011 and the 2011 interest the following year.

HON. A.D. O'CONNOR.- Debit Balances in the Trust Account, please explain why this has been recurring?

MR. A. TAKALA.- The trust account with debit balances were mainly accounts transferred from the old Public Trustee Office that were either overdrawn or with outstanding fees fees to be recovered. Net amounts are recovered, amount recovered less cost of recovery are added back to the Capital Reserves Account forming part of the equity.

HON. A.M. RADRODRO.- Mr. Chair, just a supplementary question for that particular audit issue. So is this issue of having Debit Accounts in the Trust Account has been resolved?

MR. A. TAKALA.- What currently happens is that those old bad debts are still there and the Corporation continues to try and recover that as we speak.

HON. A.M. RADRODRO.- What process has been adopted for the recovery of these Debit Accounts?.

MR. A. TAKALA.- At the moment those that owed money have been doing monthly instalments and payments and that has been continuously being followed up.

HON. A.D. O'CONNOR.- Discrepancies in Interest Distribution, please explain why this is been recurring?

MR. A. TAKALA.- The annual interest distribution into the individual trust accounts are calculated based on pro-rata basis at a given period. These calculations are first manually checked by officers for correctness and accuracy before the distribution of interest is done by the system. A sample check is then carried out again after system processing.

During this audit period, there were Trust Accounts identified that were not vetted during the initial audit and required to be manually adjusted for interest accrued and fees due resulting in some of the variances. This, however is no longer an issue in the current status of accounts.

HON. A.D. O'CONNOR.- The last one, although it has been resolved, please just for clarification purposes if you could explain on the legal fees charge rates?

MR. A. TAKALA.- Our in-house council provides additional legal assistance to the core business clients and charges these clients legal fees for services rendered. The legal charges by our in-house are always lower than the market rate charges by especially solicitors and those in private practice.

Over the years the Corporation has introduced other legal services to complement our core business and also supplement our income.

HON. A.M. RADRODRO.- You charge legal fees for provision, do you advise your customers on other legal aid which gives free of charge legal fees and charging them a fee?

MR. A. TAKALA.- Yes we do and they sign a consent consenting to the fees that we charge but we also give them the option to go out into the market and if they can bring their own lawyer on that, they are also given that option before using our service.

MR. DEPUTY CHAIRMAN.- But it is at a lower rate compared to the private practitioner?

MR. A. TAKALA.- It is a much lower rate.

HON. A.M. RADRODRO.- Any reason why they do not want to go for a free service at Legal Aid rather than adopting for a lower fee?

MR. A. TAKALA.- I think some of them do not meet the requirements of the Legal Aid as well, depending on the threshold of income, and also time that it takes and also some of the cases are special with the Public Trustee itself especially in estate and trust related cases.

HON. A.M. RADRODRO.- You look after properties and all other assets, how do you treat them probably the Auditor-General also can advise us, how do you treat them in your

books? Is it part of your operational assets or is it part of your owing that you look after because I do not see that in your books?

MR. D. PRASAD.- Thank you for your question Honourable Member. The Fiji Public Trustee Corporation records that as other notes. Since it is not the assets and liabilities of the Corporation, it is disclosed by a way of a note, that is not in the abridged financial statement of the Corporation, but a full financial statement includes a note whereby it states all the assets that are held in trust and all the liabilities the trustee is obliged to pay to the Trust Accounts.

HON. A.M. RADRODRO.- It is part of like, in every business you just operate or gain from your assets or liabilities but in this particular one you said that it is not recorded in here, in the particular company's books, but they are charging levying fees on these particular assets.

MR. A. TAKALA.- This as highlighted by the Auditor-General is there as records. This is in accordance with International Financial Reporting Standards (IFRS) as well and also a practice done by Public Trustees in Australia and that has been the benchmark that we have been following which is also in accordance with IFRS as well.

MR. DEPUTY CHAIRPERSON.- So the benchmarking is there?

MR. A. TAKALA.- Yes.

MR. DEPUTY CHAIRPERSON.- Any more questions, Honourable Members before we break for tea?

I believe there are no more questions, so I would like to take this opportunity to thank the officials and resource personnel from Fiji Public Trustee Corporation Limited. It was a very fruitful session. We did get to know about the issues and the questions that were raised and I think it was rectified in a very good manner as per the clarifications provided.

Honourable Members, for your benefit we have some documents from the Corporation namely the Investment Guideline, the Fees and Charges Regulations and also a copy of their response as well as the Finance Manual which you could keep for your reference. I would like to also invite the resource personnel from FPTCL to join us for tea and I would like to request Hon. O'Connor just to say grace.

The Committee adjourned at 10.40 a.m.

The Committee resumed at 11.00 a.m.

Submittee: Rewa Rice Limited

In Attendance:

1. Mr. Rush Sharma - Chairman
 2. Mr. Ashish Pratap - Manager
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MR. CHAIRPERSON.- Honourable Members, members of the public and media, a special welcome to the Officer of the Auditor-General with us today, the Permanent Secretary of Public Enterprises and the officers and resources personnel from Rewa Rice Limited. Thank you, Mr. Deputy Chair, for manning the fort while I was away in Labasa. We just crossed with the Rewa Rice personnel, while they were in the West, I crossed over and went to Labasa to have a look.

We have been, as you are aware, the Committee of Public Accounts is currently looking at the issues that have been raised by the OAG in respect of the finances, accounts and internal audits of respective Government Commercial Companies, Statutory Authorities, et cetera. For that reason, we had invited Rewa Rice Limited to be present before us and addresses us on the issues that have been raised in reports. We have questions that have been prepared and I understand that you have had an opportunity to look at the questions and highlight to the Committee the areas that you think are important. Our Members will also ask questions as we go along after your presentation.

(The Chairman introduced the Members of the Committee)

With that I welcome the Chairman of Rewa Rice Limited, Mr Rush Sharma also of HFC Bank, Mr. Ashish Pratap, Manager of Rewa Rice, Ms. Laisa Bolalevu, Ministry of Public Enterprise and Mr. David Kolitagane, PS for Ministry for Public Enterprise. We request ladies and gentlemen if you can now present your submissions before we move to the questions.

MR. R. SHARMA.- Mr. Chairman and the Honourable Members of the Public Accounts Committee, our Permanent Secretary and Manager, thank you very much for giving us this opportunity to come and present to the Public Account Committee on the issues raised in the Auditor-General's Report.

We take this opportunity to enlighten the things that has happened in the recent times at Rewa Rice Limited. We are very much mindful of the audit, governance and the policy environment that we have done and in a nutshell we have brought in quite a number of disciplines into the culture at Rewa Rice. First and foremost we have fast track the audit and I must thank the Auditor-General's Office. We have just spoken to complete the two remaining years of audit by the end of November this year that is paramount. There were weakness in our internal controls, so we have appointed an internal audit accounting firm of Ernst & Young

to complete ongoing audit for us. You will probably know the importance that the board and the management have put in for the audits and implementation of these things.

These audits that have been carried out and the questions raised are around 2013. Some of the management and Board Members may not have been there, but we take the fiduciary duty to have these things implemented and addressed. That is on the governance side. Questions have also been raised on the viability of Rewa Rice before we go into details, so we just want to give you a snapshot. Four or five years back, Rewa Rice would operate three days a week, people were not being paid or there was lack of cash flow. We have just recently carried out, I stress as of our company, by again the accounting firm Ernst & Young which denotes that we got a very strong cash flow but on the balance sheet our assets and liabilities are weak. We need to tidy it up.

With the Government's support and in particular the Ministry of Finance, and as the members would know, the mechanisation processes which has gone through the rice industry with almost \$5 million worth of machines being donated by the Chinese Government, the impact of that has seen a quick result by Rewa Rice having to operate until 10 o'clock at night milling in the last two months. We milled 720 tonnes up to last year. This year until July we have milled 795 tonnes so that shows that the industry is reviving and coming up. That in a nutshell is what we want to give to you - there are two sides to it. Rewa Rice is committed to supporting Government's agenda through the Ministry of Public Enterprises, we have not been making a profit and until July, unaudited financials indicate that we have made \$120,000 profit with reclassification of grants that should have been there. This also denotes that we are getting a new mill from the investment of over \$500,000 that was injected by Rewa Rice. Our mill has left the China factory last week and expected to be here within 45 days, we are looking at the commissioning of it by the end of November.

The Government is also committed to having a more of a patriotic part of it with the change of name and rebranding ourselves which means we are taking Rewa Rice as a whole to a new height and being the catalyst of it. I will probably ask the Manager to elaborate things in the action plan that we have already implemented.

MR. A. PRATAP.- Thank you, Mr. Chair. With due respect to the Chair of the Committee and the Honourable Members, I think majority of the discussion has been covered by the Chairman, just a snapshot of Rewa Rice. I think we have circulated our response and looking at Rewa Rice's short term and long term plan, that is the first part. As mentioned by the Chairman, the company has invested in a new mill through its own cash flow plus one thing in particular we would like to cover for the new mill is the Health and Quality Standards. I think that has been lacking over the years as the mill was built in the 1970s and under the new laws and regulations it did not cover all those health and quality standard issues. We are committed to do that and also we are looking at the possibility to export our rice.

Looking at the selling of rice, it is very cheap to bring overseas rice and sell it here in Fiji. That is why we lose out because our locally grown rice is a bit expensive to our customers. That is the reason why we want to comply with all the health and quality standards so that it is

easier for us to even look at export market. That is not a immediate plan but it is future plan for the company.

As mentioned by the Chairman, our production, so within half of the year we have done the target which was the total of last year basically and we have seen an increase in production and we are quite committed that the production will continue to increase because of the Government subsidies and machinery provided through the Ministry of Agriculture.

Looking at plans for 2017, we also plan to use our bio-products and build a feed mill for the company. That will be a side investment for the company. Currently the bio products are sold in the market but not to that extent that it is not a specialised feed for specialised section of agriculture so we want to invest into that.

Also there is a plan to invest into a supermarket in Dreketi. We have properties in Nausori, mostly it is unused at the moment. It is rented out to Goodman Fielder and it is also rented out to Agro Marketing Limited. So we have plans to dispose those properties as they are not the core business of the company. We would like to invest in milling and rice farming in Vanua Levu.

Looking at investments that Rewa Rice Limited has done since receiving Government grant, we have invested about \$350,000 into a new generator, new mill, dryers, vehicles, et cetera.

MR. R. SHARMA.- Just to clarify the Government grant is not being used for these money, this has been our own funding. Government grant by virtue of the agreement is only given for us to purchase paddy. So we are using these sorts of investment from our own normal cash flow or either this mill is also being funded by Fiji Development Bank (FDB) loan.

MR. CHAIRMAN.- So with the Government grant your other cash flow is not utilised to purchase paddy which can be used for other capital development.

MR. A. PRATAP.- Exactly, that is our point.

And then as a Government entity, there are some social responsibilities for the company towards our community. Looking at the number of farmers, we currently have about 250 active farmers and it used to be more than 1,000 famers in the early 80s and 90s. Basically the rice industry went down from those years and now we are trying to revive the rice industry. That is the reason why there are a lot of subsidy programmes from Government through Ministry of Agriculture in forms of fertiliser, weedicide, free water for irrigation systems, farm machines, seeds, et cetera. Basically this is done to attract farmers interest into rice farming.

Another major factor is completion of Dreketi/Nabouwalu road where most of the farmers were employed by China Railway. The project has been completed and those farmers are coming back to farming. That is a plus point for the company as well.

Looking at the price the company is paying, we are paying about \$750 a tonne compared to the world market price, we are still paying more to our local farmers. These are some of the things that the company has been doing and with these words I hand over to the Committee for the clarification that they requested through the paper.

MR. CHAIRMAN.- Thank you Mr, Sharma, Chairman and Mr. Pratap the Manager for Rewa Rice Limited. We will now move to questions and clarification and as there are further questions, we will go along with it. Honourable O'Connor is the one who is in-charge of Rewa Rice Limited for the time, so he will ask you the first set of questions.

HON. A.D. O'CONNOR.- Thank you, Mr. Chair for those comments - being in-charge of Rewa Rice Limited. I fully understand that these were through the audited reports and the first question as an opening question - How does Grace Road impact on the operation of Rewa Rice Limited considering its objective to become the leading provider of quality nutritious rice? The year is about 2018.

MR. R. SHARMA.- We are not taking Grace Road Food Company as a competitor. They have the whole objective as the national objective to supplement rice if that is so. We probably would like to work hand-in-hand with them, also if need be, learn from them in terms of modernisation, husbandry types, et cetera. We have had a meeting together with them at Public Enterprise and there were some sort of understanding that we had about a year ago, also with Director Kim is that we should work together, where we got a mill, not necessarily they will set up a mill in Dreketi, Vanua Levu but we can always buy their rice. We do not consider them as our competitor but Rewa Rice Limited has approached them. We welcome this kind of competition and efficiencies that we will bring in as it helps people to work together. We would love to work with them should there be an opportunity.

HON. A. M. RADRODRO.- Mr. Chairman, just a supplementary question. I think this question is a very good one in terms of the viability and the going concern issue of Rewa Rice Limited. Just a simple question, I see that your farm development is basically concentrated in the North but the name Rewa Rice, so are you planning to move away from the North as initially the operations of the company Rewa Rice then or will it be concentrated in the North only?

MR. R. SHARMA.- First is that we intend to rebrand and relaunch the name which is withheld at the moment because that will come with awareness and launching of the programme and that we are looking at around October and November. It will not limit to Rewa only, I think we are looking at holistic view of element of patriotism and Fiji as a whole, the name to change is number one.

Secondly, we need to work together with the master plan of the rice which is the Ministry of Agriculture. They have a master plan and as an additional information, we have re-established the Rice Task Force together with the Ministry. One of their representatives sits on our Board, so the expectation of this year's forecast is around 10,000 tonnes, mostly in Vanua Levu.

Currently you would see that these are our plans for farm development of our own. We have seen areas in Lakena, as well there are interests in other parts of Viti Levu. We are picking rice from Tavua and Ba but if there is a plan to have rice farming in those areas, nothing is stopping us to have portable mills and mills in those areas. In our five-year plan that we have got in draft, it indicates that we will be looking at setting up mills in Viti Levu as well.

MR. CHAIRMAN.- Just a question following on from the earlier question and that is the viability issue. As the Manager of Rewa Rice Limited, Mr. Pratap highlighted that foreign rice is sold cheaper in the market and I have noticed that too. The price of Rewa Rice is more than the other imported rice. With that in mind and with a company like Grace Road Food Company that has come in, as you say, any competition is welcomed but if they start selling rice or anyone else starts selling rice at a lower price than what Rewa Rice Limited is selling than why would anyone buy Rewa Rice or why should we buy Rewa Rice?

MR. R. SHARMA.- There are a couple of things that we are doing, one is to have a niche market of our own. It is more to do with healthy rice, brown rice. Secondly we are trying to penetrate the market and have that done with rebranding repositioning.

The brown rice, even the Grace rice is currently far more than what we are selling. The brown rice that we sell right now is around \$1.50 to \$1.60 a kilogramme. If you go to MH Superfresh right now Honourable Members, in my camera I have a photo of brown rice coming from overseas and being sold at \$5.40 a kilogram, people still buy that. We are trying to penetrate a market with one segment of a different quality of rice and diversification. We could not do that because we had old machines, no separation, no filtration which we will be able to do. Rightfully the Manager has said that the compliance of HACCP, we have engaged a consultant from Australia to meet those requirements and standard for us so that we can export our rice. There is already interest shown from Australia and even from Vanuatu to get our rice across at a good premium price but we would not be able to do that because we would not be able to comply with Bio-Security requirements. We need to tidy our house on that which we have projected that we will be able to do that is one.

Secondly, the mechanisation cost of rice farming has reduced the labour intensive cost of the farmers, which the Government will also take into consideration. So there is a strong viability, it is a sound platform for us to indicate that rice industry could be turned around. This morning I just heard from the CEO of Fiji Sugar Corporation (FSC) that farmers are also encouraged to do other sorts of farming apart from sugarcane and rice is one of the things that the farmers can grow. I am also a cane farmer and I am also a rice farmer. The farmers in the Northern Division, and even in the Western Division, they also plant rice together with that and nothing is stopping them to plant at least one acre of rice for their own usage and with the extra we can pick it from their homes. So for the next two years, it looks very good for us as a viability of Rewa Rice.

MR. CHAIRMAN.- Next question. !

HON. A.M. RADRODRO.- It is now been tasked by the Board of Rewa Rice, what is the intended local market share that the Rewa Rice Executive and Board are looking at in terms of breaking into the local market and making the people aware of the products?

MR. R. SHARMA.- Currently if you look at the data it is about 40 million tonnes of rice being consumed over here, of that local consumption is around 12 percent. Of that 12 percent, 6 percent is milled through Rewa Rice. We are looking at that to increase to around 8 percent to 9 percent in the first year and then thereafter around 12 percent. That is a projection we are looking at. Honourable Member, how we are factoring it is at least 10 percent of the local production of what per the Ministry of Agriculture has given - 10 percent to 12 percent should come to us. This year they have projected 10,000 tonnes. We are looking at to mill over 1,000 tonnes. So far we have reached 790 tonnes. We still have August to December to complete; August and September will not be that peak but October comes another harvesting period. So we are there in terms of the target. In terms of the breakeven, we believe 1,300 tonnes plus makes a breakeven for Rewa Rice under the current environment and the current pricing, but the new mill, another factor is, this week either Thursday or Friday we will have a FEA power linked to our Dreketi Mill. We have been running on generators and it appeared to be a bit expensive for us, so those are the things that will add value for Rewa Rice, I think the good days are there.

HON. A.D. O'CONNOR.- Thank you, Mr. Chair. The first question is on General Ledger. The general ledger was not backed up causing loss of records when the system crashed. Can you please explain?

MR. A. PRATAP.- The point is noted, Sir. A major problem was that in the years from 2009 till 2011 mainly the company accounting system was done on a manual basis. Most of the things were done on a manual basis and when the auditors came that was the reason why we could not locate some of the documents and looking at what is happening now, we have a proper server and a filing system is all in place. From 2013, I think there is not much of these issues now. Moving on as mentioned earlier on, we have engaged internal and external auditors to look into all these issues. In 2013 the audit was done by the Ministry of Public Enterprises and the audit also highlighted in the previous years that the documents manageable system was lacking in the company and we agree to the points mentioned by the Auditor-General. I think most of the things are now in order and as mention by the Chairman the electricity in Dreketi, I think that will also solve a lot of problems where the service will be linked and the system will be online at all times. So I think the use of technology will solve most of the problems.

MR.R. SHARMA.- In addition to that Mr. Chairman, I think we have built up this culture of discipline and it was the abuse of office, et cetera so you will see the list of it and now we have looked at those things where staff need to be discipline or even rewarded and you will see that the staff have been terminated because of misconduct and all those things that we had found so that culture is being driven right now.

HON. RATU S.V. NANOVO.- Honourable Chairman, still on 2.4, can the Auditor-General's Office confirm that the explanation given by the CEO is on line?

MR. D. PRASAD.- Thank you, Honourable Member I can confirm that the system of General Ledger is now in place.

HON. A.D. O'CONNOR.- The next question is a going concern. Overall access of liabilities over assets of over \$4.8 million. How has Government adopted this proposed converting of grant to equity?

MR. R. SHARMA.- Honourable Mr. Deputy Chair and the Members, the first thing when we took over as the Board and management was we noted that liabilities were up and at that point in time we felt that the time was not right for us to ask for a conversion. One was, if we the Board and the management felt that we needed to shake up the company which demonstrate right now that we are operating up until 10.00 p.m. and with the conversion are on a sound platform and also we had to get an independent view of our stress testing done. A draft has just come to us last Friday and the Office of the Auditor-General will have full access to that report. This denote and recommendation came in that we have a very strong cash flow and we are quite aware of our cash flow because the Government has not given us the paddy premium and from our cash flow we have paid \$2,000 to the farmers. We feel that this is the right time for us to ask the Government to convert that and relook at our book because we are now coming to a position that we should be able to make a breakeven and turn this company around as we have promised to the Ministry of Public Enterprises in the year 2018 and onwards. If we had gone to the Government to turn it around, it does not look good because we were insolvent and asking them to bail us out.

The stress test and our demonstration in the last 6 to 8 months denotes that it can be turned around; Government has the shares and it is a call that the Government can make on this entity and we are looking at this. It can be turned around and restructure our balance sheet. Also in the balance sheet are certain assets that are not on a book value but they are awaiting settlements which could be in excess of half million dollars plus of agro-marketing property and the property that we in fact are looking at another property of ours sits in Main Street of Nausori which we are looking to convert it into a mall when we are on a sound platform. It is agreed that the point is justified at that point in time but we have turned it around and looking at a Cabinet Paper to turn it around now with evidence that we have put it on track and with an independent stress test which shows that the company could be viable but we need to diversify ourselves.

MR. CHAIRMAN.- Just a supplementary question on that, the issue that was raised way back in Parliamentary Paper No. 27 of 2016 dated December 2009 that as at 31st December, 2007 the excess of liabilities over assets of \$4.9 million which the company had sought to convert to a Government grant has not eventuated, had not happened yet.

MR. R. SHARMA.- That still remains pending. I think we had discussed and we at the board level said to hold on, do not convert it because there was no evidence for us whether we will become sustainable or one of those viable projects. Then the Board failed to the Ministry of Public Enterprises and discussed, whilst the Board is saying that we can turn this company around, let us engage an independent accounting firm to give us a recommendation. It just came in as a draft but there are some more feed in that we need to discuss with them to demonstrate so now it will be a time for us to take it through.

MR. CHAIRMAN.- There are two parts to it, one is the VAT component of \$4.6 million, that was also due to be converted. The Cabinet Paper was prepared then to convert \$4.6 million as grant, but there is also a VAT component of \$575,000 which the company was finding it difficult to pay the VAT component of the grant.

Is the VAT component still applicable on a Government grant?

MR. D. KOLITAGANE.- Mr. Chairman, I think we got advice from our accounting firms that discussion is going on now but I think the intent of that Cabinet Paper and that process that happened in 2007/2008 was basically on the viability of the company and as the Chairman mentioned, that was the process that was still ongoing. I think what the Board has taught now is more sustainable and a more planned approach than what used to happen in Government before. Whenever there is a stress in the company we go for a swap or a transfer of, I mean moving from grant to equity or for a Government injection. I think what they are doing now is a more sustainable approach and much better approach compared to what initially was intended but we still want to go back to Cabinet as mentioned. We want to go with a full programme with their rebranding exercise with what we looked at the benefit of the sector and as well as to the farmer as a whole. We go in for the company perspective and from government side, the benefit is to the farmers.

MR. CHAIRMAN.- Would you have data or what is the current cost of production for maybe a kilogram of rice?

MR. A. PRATAP.- The cost of production currently we did average for the year, it comes to about \$2.15 a kilogramme.

HON. RATU. S.V. NANOVO.- That includes

MR. A. PRATAP.- That includes the cost of paddy which is fully subsidise by Government Grant.

MR. CHAIRMAN.- What is the selling price, per kilogramme?

MR. R. SHARMA.- Selling price or our wholesale price is \$1.40 a kg (VIP).

MR. CHAIRMAN.- Wholesale. So, your selling price is lower than the cost of production and that is covered by the Government Grant?

MR. R. SHARMA.- Government subsidy. If we eliminate the Government subsidy then it comes to \$1.15 to what our selling price is \$1.40, then it is sustainable because what we are looking at to what level the Government will provide the subsidy? That is one question.

Secondly, from this year the VAT implications that has come in on the local produce is something that we need to also take into consideration.

MR. CHAIRMAN.- Probably in the Cabinet Paper that you may be presenting, it might also address the issue of VAT that if it is probably for this particular case, if it is exempted then the selling price goes down. The second question is, with the implementation of this new culture of probably staff and management and then revitalisation of those assets on the main street of Nausori and they want the property that has been held by Agro Marketing, the other two are moving away from diesel generators to FEA supplied power and probably more rice planting. Is it going to affect your cost of production? Are you going to bring it down?

MR. R. SHARMA.- It will, provided there is a breakeven of 1,300 tonnes. We are sustainable regardless of that production. Also even if the Government subsidised that from

\$700 to \$750 that is outside of the equation. As far as we are able to produce 1,300 tonnes, we could be sustainable on our own, the mechanisation cost, the efficiency of the new mills we have taken that into consideration to reduce our cost.

MR. CHAIRMAN.- Just a general question on the same area. When I was growing up in place called Nabouwalu there was a lot of rice planting going on from the district of Bua and there is arable land there with a lot of natural water and the rainfall is quite high there. Does Rewa Rice plan to plant those areas again?

MR. R. SHARMA.- Generally this planting Honourable Chair is done by the farmers. There are about 200 farmers who supply to us, like the Manager said when this road upgrading was done then some of the farmers had moved to the construction of road. Now they are back on the farm. Also this mechanisation has significantly helped them so all of a sudden there has been increase in production and we expect that to happen. If we look at the history of Rewa Rice, this is the first year for us to operate until 10 p.m. and almost seven days. There is a turnaround time, I mean turnaround by the farmers showing their interest and going back. We are also looking at acquiring land to plant which we have taken on a pilot face right now.

MR. CHAIRMAN.- There is some justification in bringing in that new mill from China. Your production is increasing?

MR. R. SHARMA.- Exactly. Two years back we had a plan, rather than setting up a mill in Dreketi we had a plan to set up a mill in Labasa because we were trying to cater for the areas of Wainikoro and those areas. When we found out that there was no increase there then idly we felt that there is infrastructure, there is a mill already set up so we tried to bring up a mill and set it over here that would bring more efficiency and a modernised mill than to the 30 year old mill that we are trying to spend money on. That is the whole objective of why we are trying to get a new mill.

The current mill has a capacity to produce three tonnes a day, this new mill will put it to ten tonnes a day. Basically that is what we are looking at right now. This old mill has not been dismantle, it will continue as a standby mill and of course we already have a backup generator, so we are not heavily relying on FEA.

HON. RATU. S.V. NANOVO.- Mr. Chairman, when the company was facing insolvency and yet the FDB was able to assist you. Is that correct?

MR. R. SHARMA.- (Inaudible)

HON. RATU. S.V. NANOVO.- That is right.

MR. R. SHARMA.- We have taken \$1 million in approval in principle but we will utilise only \$500,000. We do have other capital expenditures should the Government not consider, then there is some back-up for us with a strong cash flow that will be able to pay them.

MR. A. PRATAP.- Just to add on to that, with regard to the FDB issue, I think in 2011, we had a FDB loan of \$50,000 which we paid off in 2014.

HON. A.M. RADRODRO.- Just another question regarding this going concern issue. A request for revision of loan to grant from Government. Which ministry gave the loan? It says a loan from Government.

MR. R. SHARMA.- That is a debt to equity, loan conversion, it will be Ministry of Finance.

HON. A.M. RADRODRO.- Ministry of Finance gave the loan or was it a grant?

MR. CHAIRMAN.- The injection by the Ministry of Finance.

MR. R. SHARMA.- Normally the Ministry of Finance.

HON. A.M. RADRODRO.- This is the first time I hear Government giving a loan.

MR. R. SHARMA.- Is it a grant or is it a loan?

MR. CHAIRMAN.- Volume 26.

MR. R. SHARMA.- It would be reflected as a liability.

MR. D. PRASAD.- Thank you for your query, Honourable Member. The records of Rewa Rice shows from prior years that is being a loan that is on the verge of being converted to grant or to equity but we can confirm that to the Committee.

HON. A.M. RADRODRO.- Thank you Mr. Chair. Can we request the OAG to confirm these details of loan from Government of \$1.9 million and I take it that this is the amount that is to be converted.

MR. R. SHARMA.- Exactly, to be converted.

MR. CHAIRMAN.- Next question, Honourable O'Connor.

HON. A.D. O'CONNOR.- Next one is the increase in the price of paddy without reviewing the cost of the finished product. Please explain.

MR. R. SHARMA.- The point is noted, Mr. Chair and the Honourable Members. Increase of price. This whole price is considered as to be a subsidy provided by Government for the time being. The whole objective is to get the farmers back for planting. We have reviewed our cost structure like we would say without subsidy and with subsidy as to what the price is to \$2.00 to \$1.14. That is discussed in every Board meeting and also in consultation with of Ministry of Agriculture to maintain the price for the time being until such time we get an economic scale of production.

We know that Government is trying to subsidise the farmers, so this point is taken into consideration. Every month we look at the price and even the price of paddy is been agreed in consultation with the farmers. We do understand that our price is slightly higher than what is the world market price but we would like to get the interest of the farmers back generally to do that. So these things are taken into consideration; actual production cost, mill efficiency cost,

administrative cost and the Auditor-General's Office can always look at the books that is presented to the Board and these costs are always taken into consideration.

MR. CHAIRMAN.- What is the price of paddy at the moment?

MR. R. SHARMA.- Paddy price ranges from \$650 to \$750 per tonne and this depends on the quality of paddy that the farmers supply because the paddy also consist of the moisture content. We have got a grading and scaling system that gives them equal benefit for the quality of paddy that they supply and that is how it is worked.

MR. CHAIRMAN.- With the injection of machines from China, those machines are believed for ploughing as well as harvesting.

MR. R. SHARMA.- By the Government. In fact with the current history, farmers do not know how the sickle works now. That is what they have seen because it is a mechanisation that starts from planting to harvesting, packing it into bags and then they bring it to us, a lot of cost to deduction has been done.

Actually we are doing our own pilot project of five acres of rice planting. The cost of five acres for us is \$1,500 and from one acre it is expected to give us 1.5 tonnes so around \$8,000 of gross income and six months we will get it, less the cost of \$1,500. We are making around \$5,000 straight out in six months. Twice a year you harvest, you get \$10,000 in five acres. Relatively, it is very good for the farmers as well as for the miller.

MR. CHAIRMAN.- You are also providing transport for the paddy to be transported to the mills?

MR. R. SHARMA.- This is something that is part of our obligation, we thought was to encourage the farmers but we will be looking at some sort of pricing structure on that. We go to a distance of about 50 to 60 kilometres or even anywhere, we pick it with no cost to the farmers. Relatively to other crops the farmers take it to the mill themselves, but here we are going door to door to pick it up from the farmers to get their interest back and again we pay the same price to them.

MR. CHAIRMAN.- That is basically where I was coming to. You are paying \$650 to \$750 per tonne without the injection from your part of harvesting machines and transport. Now with that, technically the cost of paddy be brought down because now part of the production cost is taken over by yourself.

MR. R. SHARMA.- Mr. Chair, that factor we have just taken that factor into consideration. I think in our Rice Task Force it has also been looked at by Deputy PS and the Chairman of the Rice Task Force, what has been relatively the cost of doing rice farming before to what it is been now with mechanisation and the benefit that has been passed down to the industry and the farmers. We are also looking at the transportation cost that we may have to deduct from the proceeds. That is there on the agenda that we have to run it off with our Board and also the stakeholders, but we do not want to demotivate the farmers for the time being. The whole objective of the rice industry right now is that at least we come to some level of self-sufficiency which is around 5 percent right now. That point is very much taken into consideration, that is in our work plan that we will finalise in the following week to take into consideration.

HON. A.M. RADRODRO.- Regarding the price of paddy, \$700,000 is paid by Government through grant to subsidise. What is the timeline that Rewa Rice Limited will be looking at ceasing these grants or will it continue with its operation?

MR. R. SHARMA.- There are two things Honourable Member, one is if Rewa Rice Limited has to do it on their own then we will relatively be looking at a market price which comes to around \$550. Practically, if Rewa Rice Limited needs it then we will be offering farmers \$550. Then comes a question of our farmers' interest and all that. We can do that from 2018, pay the farmers \$550, put it to a equation of the mechanisation impact that has come in. That is still be done by the Ministry of Agriculture. At present we are looking at, if the Government could continue to support not Rewa Rice Limited, they are not supporting Rewa Rice Limited, the whole \$700,000 that has been going, not even a single cent is taken by Rewa Rice Limited, it goes to the farmers' pockets. If the Government continues, well and good for the farmers.

HON. A.D. O'CONNOR.- The last question is on the lack of documentary evidence of monthly stock-take and reconciliations?

MR. R. SHARMA.- Comments are noted. We have enhanced that and we will continue to enhance that in our stock management with MYOB programmes, I believe. We do have some weaknesses in the internal controls but we continue to improve on that. We have just engaged, like I said, the internal auditors apart from the Office of Auditor-General to look at further improving, there are issues that we have, any operation entity will have that but we continue to do that and we have taken that into consideration. We welcome the auditors to come and look at the books, you will find that there is a massive improvement now.

HON. A.D. O'CONNOR.- Just one last question, definitely it is not mine, but do you the viability of the company in the future, I think you have fully explained that and taken on board. Thank you again CEO and Manager.

HON. M.M.A. DEAN.- Actually that was my question.

MR. CHAIRMAN.- I had jumped the gun by asking the question first and that has been quite aptly explained by the Manager and the Chairman. There are few other questions that were on my part but I was in another Committee, so I did not actually put that on paper but they were in the Volume No. 27 of 2016 (Auditor-General's Report) and there are some issues there that I would like to highlight now. If you do need time to address those, probably you can come back to us in writing later.

On page nine of the report as at year ended 31st December, 2007, there is a notation that there was a general lack of internal control over receipt custody and banking of company funds. Has that issue been rectified by Rewa Rice Limited?

MR. R. SHARMA.- I do not think we have access to the Auditor-General's Report at the moment but Mr. Chair for your information that has been continuously addressed, that has seen people being terminated. Lack of accounting, people giving money, abuse of sales, that we have done and continuously monitored and you will see in our record that three people had been terminated from the company.

MR. CHAIRMAN.- Has there been any steps taken to recover that money from those people?

MR. R. SHARMA.- Recently one of the person has paid.

MR. A. PRATAP.- After 2013 we have recovered all the money from them – one was through court and the other two paid before going to court.

MR. CHAIRMAN.- That is good enough. But has there been any steps taken to report these kinds of incidents to the authorities - FICAC or Police?

MR. R. SHARMA.- There is a case with FICAC, it may not be with the Auditor-General's Office. There has been a case of abuse of vehicle, abuse of powers of a sales person, the case is with FICAC and we have been continuously following up but no progress has been made so far on that.

MR. A. PRATAP.- Just to add onto what Mr. Chairman has mentioned, I think the progress is quite slow because of lack of documentation. These are cases from 2007 till 2010. It is still going on.

MR. CHAIRMAN.- You have been provided with Parliamentary Paper No. 27, page 11 – Specific Report on Rewa Rice Limited. Further down the line at paragraphs 2.6, it says, “Alleged abuse of office”. I will just read the citation it says, “Discussion with the Accountant revealed that the manager had requested an attaché to be paid an hourly wage of \$2.00 and not the usual attaché of \$10.00 a day. The Accountant believed that the manager may have had personal ties with the attaché. This shows that there is no control over the compliance of company policies and this could give rise to fraud. The recommendation was, the company needs to ensure that policies on employment of any other duty is carried out free from bias or biasness. Is that issue prevalent at Rewa Rice or has that been curtailed?

HON. M.M.A. DEAN.- Just adding on to that, OAG Office, comments like personal ties in your report, are you jurisdictioned to do that?

MR. CHAIRMAN.- It should be more elaborate but no harm in doing that.

HON. M.M.A. DEAN.- It is no harm in doing that but like those comments. What does your guidelines and policy say about comments like that?

MR. D. PRASAD.- Thank you Honourable Member for your question. I understand that the issue that is highlighted in 2.6 is a bit personal. At this stage I really cannot comment if this is what we are really supposed to be doing. In the management meeting recently we have been discussing about these issues on quoting personal links, et cetera. I think the office is now refraining from doing that and we are directing these matters to the relevant authorities instead of quoting names and positions, we simply do not want to end up in a situation where we can be facing legal challenges. So, going forward the office is taking the step to ensure that the personal information is not detailed in the report unless it is requested by the Committee. We will still have this information in our files and if requested by the Committee, we can submit the information to the Committee.

HON. M.M.A. DEAN.- I think such comments could have come up in a more professional manner because that is a legal issue as well.

MR. D. PRASAD.- Yes, thank you.

MR. CHAIRMAN.- Manager, what were the comments? Currently these issues have been taken care of?

MR. A. PRATAP.- Yes, Mr Chair. We have a HR Policy being implemented and all these issues are outlined strictly there and it is strictly followed by the company. It is all in order now.

MR. CHAIRMAN.- There is no recurring problem of such nature with Rewa Rice?

MR. A. PRATAP.- Yes.

MR. CHAIRMAN.- The company comment was that the manager was under Police investigation for his doings and has been suspended. So, he has been suspended, but has the Police investigation completed?

MR. A. PRATAP.- I have to check on that Mr. Chair. I think there is no record of that in our office. I mean this incident but there is another case pending against this manager.

MR. CHAIRMAN.- He seems to be a very star of a manager because the next one is also about him. It states that at 2.7 - Unpaid Pay As You Earn tax. This manager is the same person. He instructed the accounts staff not to pay his pay as you earn taxes because he was a pensioner, a retiree. The Audit Office has picked up that FRCA if it conducts a spot check, the Rewa Rice may be found liable and may incur a fine for that and that affects your cash again. You are exposed to liability.

HON. M.M.A. DEAN.- Mr. Chair, just one small comment.

MR. CHAIRMAN.- Yes.

HON. M.M.A. DEAN.- That is a hands-on question and I believe they were not submitted, so I think the choice will remain, if they want to answer....

MR. CHAIRMAN.- If they do need time to answer that we can but....

HON. M.M.A. DEAN.- But since the question has come, probably later you can

MR. A. PRATAP.- (Inaudible)

HON. M.M.A. DEAN.- If you can elaborate that is good.

MR. A. PRATAP.- Those Board Members and the Manager no longer exists, I believe. There were cases before that and there is a case with their ex-manager in the court. These things were taken note of, that is the abuse that has gone through. That is why we have put policy measures, clear recruitment process and all those things which are pretty much under control right now. We do note that these were the abuses that was happening at that point in

time, but it is all very much compliant with what is required. The books are open to be audited by the Office of the Auditor-General.

MR. CHAIRMAN.- There is totally a new board now for Rewa Rice?

MR. A. PRATAP.- Totally new board.

MR. CHAIRMAN.- How many members would there be in Rewa Rice Board?

MR. A. PRATAP.- Four board members and the board itself has its Board sub committees of Audit and Finance, Human Resources, Rice Milling and Farm Development. The Ministry of Public Enterprises would have the minimum requirement.

MR. D. KOLITAGANE.- Can we come back to that question, Mr. Chairman?

MR. A. PRATAP.- We do have four board members actively involved with the day to day operations is with the management, but good governance and all those things prevail. Three of the board members they live in Labasa for effective coordination and controls and they come with a sound background of finance, milling and as well as the expertise that is required.

MR. CHAIRMAN.- Are there any final round of questions Members?

HON. A.M. RADRODRO.- Mr. Chair, just one final round of questions in terms of the viability of Rewa Rice. I understand that there is a big challenge now for Rewa Rice to make it into the market especially now with the Grace Road Company that is in existence now in Rewa and also in Navua. What arrangement will you be making with them and monitoring of that arrangement? Also, I am surprised that the importing of rice is costing less than the local production. How is the executive trying to influence that arrangement to turn the table to favour Rewa Rice Limited?

MR. CHAIRMAN.- I think he has answered part of that by saying that they are implementing changes to make it more viable, to compete with the...

MR. A. PRATAP.- Policy and the pricing structure, penetration of the market, rebranding ourselves and re strategizing ourselves. On the Grace Road Company, we are awaiting for Mr. Kim to come back to us. We have had a talk together with the Ministry of Public Enterprise. Any suggestions that he will look at, we will welcome it, provided it is for the benefit, first is for the benefit of the industry, second is for the benefit of all those stakeholders and for Rewa Rice as a whole.

HON. A.M. RADRODRO.- (Inaudible)

MR. R. SHARMA.- Again those countries are also getting the subsidies on wages. I have come from Thailand looking at the rice farming, they continue to be subsidised by the government of the day and it very heavily subsidise that is the thing that will have to note. Also there is a massive production. At one place I had gone to, Honourable Members, there are 40,000 farmers as a co-operative producing. So, when you buy - the quantum of rice, we are also exploring it if there is a need. If we get five, six containers of rice then it is an economic of scale to get a price structure. That is the thing that we are looking at it. What we are looking

at for Rewa Rice is to have a premium quality, a concept similar to Fiji Water that we can have our niche market and niche target market for health and that. That is what we are looking at.

MR. A. PRATAP.- I think those countries producing rice they produce in large volumes, I think when the production increases it is the right time to do the infrastructure increment as well because our mill is built in 1970s and now we are talking about big production. That mill is not capable of producing a quality rice to meet those standards that these higher producing countries have. That is the reason why we are bringing this mill. For massive production, the cost will decrease so the mill will be utilised at the optimum level so that is the reason why we are applying pressure. To add on to our product itself, we do not use any chemical process in our milling. Our rice is like chemical free in terms of milling and in comparison with Grace Road rice they have control over the farms so their rice is organic and that is why it is expensive. They market their product as organic and it is expensive. Compared to competition bit, currently we are seeing that the demand in Viti Levu basically in the Suva area is increasing for our rice which shows that we have the potential to do well.

In the coming weeks, we are trying to appoint a sales person full time based in Suva. These are some of the things that we are doing at the moment and that is our competitive edge.

MR. CHAIRMAN.- Thank you very much Members. The Rewa Rice team – the Chairman and the Manager have explained to us the points that were raised by the Office of the Auditor-General regarding internal control measures and we are satisfied that a number of policies have been implemented in terms of staff labour and also internal controls. The Auditor-General's Office has also confirmed that a lot of things have been adopted. As far as viability is concerned, though it was not part of the report itself but it did border into some of those, in terms of viability, production price of paddy et cetera, that has been aptly explained to us also.

Rewa Rice Limited generally has been quite up to-date in reporting. We have seen that up to 2013 the accounts have been submitted for auditing and they have been presented. I think up to 2015 is still with Office of the Auditor-General's Office. Rewa Rice Limited is pretty up to-date in terms of their financial requirements. There are some issues that we have highlighted and I think most of that has been explained properly.

Should we have any other clarifications needed, we will definitely contact the Chairman and the Manager and we will definitely take your invaluable submission and question and answers in our report. Should we need your presence again we will again send you a colourful invitation.

With that, I would like to thank the Chairman of Rewa Rice Limited Mr. Raj Sharma and the Manager Mr. Ashrit Pratap for appearing before this Committee and enlightening us with their views. Thank you very much and we are ready to hear the next submission.

The Committee adjourned at 12.02 p.m.

The Committee resumed at 12.10 p.m.

Submittee: Fiji Ports Corporation Limited

In Attendance:

- | | | |
|-------------------------|---|-------------------------|
| 1. Mr. Vajira Piyasena | - | Chief Executive Officer |
| 2. Mr. Kirtan Lal | - | Manager Finance |
| 3. Ms. Karalaini Tukana | - | Board Secretary |
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MR. CHAIRMAN.- Thank you, Honourable Members, members of the media and members of the public. We have before us today the resource personnel and members from Fiji Ports Corporation Limited. Today we have before us the team from FPCL to highlight to us the issues that we have questioned them on.

We have sent written questions down to FPCL in respect of issues that have been raised by the Office of the Auditor-General in terms of your management and finances. As you are aware that the Public Accounts Committee is undertaking this task of reviewing all the Government entities, statutory enterprises, Government Commercial Companies, et cetera. As part of that exercise, PAC has invited your team to present to us answers to those questions that have been raised by OAG. We will let you do a brief introductory statement before we move to the questions. Now, I give the floor to CEO, Mr. Piyasena.

MR. V. PIYASENA.- Good afternoon, Honourable Chair and Honourable Members of the Committee and also the PS of Ministry of Public Enterprises. I have my team here with me this afternoon.

Thank you very much for giving us this auspicious opportunity to clarify these matters in here. First and foremost that we also have to mention that FPCL had gone through a privatisation process last year and also previously in 2013, Ports Terminal Limited went through a privatisation process.

Majority of these issues relating to Ports Terminal Limited was cleared before its privatisation. Similarly most of the issues, again, some are not actually in here but had been cleared before the privatisation of FPCL in November 2015. The current FPCL, the shareholding is 41 percent the Government, 39 percent the FNPF and 20 percent Aitken Spence PLC (Overseas Port Management Company). That is the current structure in here.

In terms of operations and services, the Ports Terminal Limited had been rebranded to Fiji Ports Terminal Limited is now called FPTL and Fiji Port Corporation Limited is FPCL. Also the other company, the Fiji Ships and Heavy Industries Limited remains as a 100 percent subsidiary of Fiji Ports Corporation Limited. With that, I will ask our Finance Manager to go through the issues with the permission of the Honourable Chair.

MR. CHAIRMAN.- Just to clarify, Fiji Ports Corporation Limited and Fiji Ports Terminal Limited are now all under one banner?

MR. V. PIYASENA.- Yes, in the past before both privatisations, Fiji Ports Corporation Limited was the main company and we had Ports Terminal Limited which was 100 percent

owned by Fiji Ports Corporation Limited and also Fiji Ships and Heavy Industries Limited, 100 percent owned by Fiji Ports Corporation Limited. That was the structure before.

MR. CHAIRMAN.- What is the structure now, still the same?

MR. V. PIYASENA.- Yes, now as far as Fiji Ports Terminal Limited is concerned, 49 percent is owned by Fiji Ports Corporation Limited and 51 percent is owned by Aitken Spence PLC.

MR. CHAIRMAN.- I am sorry what is that?

MR. V. PIYASENA.- 51 percent is owned by Aitken Spence PLC that is overseas Port Management Company.

MR. CHAIRMAN.- What is the structure of Fiji Ships now? 100 percent? FPCL used to own Fiji Ships.

MR. V. PIYASENA.- Fiji Ships, 100 percent owned by Fiji Ports Corporation Limited.

MR. CHAIRMAN.- That is right. We can now go to the specific questions.

HON. A.M. RADRODRO.- I hope you will be able to answer the questions that we are posting through for the three different entities.

MR. V. PIYASENA.- Yes.

HON. A.M. RADRODRO.- I will just staff off with the first issue on Parliamentary Paper No. 31 of 2016. The financial statements that is for the Financial Year 2009. The Group and the Company, can you please just explain the differences for record purposes as you have highlighted you can read or....

MR. K. LAL.- Our comments states, "Company" refers to Fiji Ports Corporation Limited so Company is the holding company. The "Group" refers to Fiji Ports Corporation Limited, Fiji Ports Terminal Limited, Fiji Ships Heavy Industries Limited.

Ports Terminal Limited, Fiji Ships and Heavy Industries Limited was 100 percent owned by Fiji Ports Corporation Limited back then and financial statements referring to company contain Financial Statements of Fiji Ports Corporation Limited while Financial Statements of Fiji Ports Corporation Limited while Financial Statements referring to group contain the consolidated Financial Statement of the Company and the two subsidiaries back then.

HON. A.M. RADRODRO.- So the group contains the three.

MR. K. LAL.- Yes, the results of the three companies are portrayed by the group.

HON. A.M. RADRODRO.- Thank you. On the second question, what was the price of takeover by Fiji Ports on Fiji Ships and Heavy Industries Limited and how much did Fiji Ports pay for this takeover?

MR. K. LAL.- FPCL paid \$300,000 for takeover of Fiji Ships and Heavy Industries Limited. However, Fiji Ports Corporation Limited recorded investment of \$6.6 million in the books.

HON. A.M. RADRODRO.- Just a clarification. This price of \$300,000, who decides on this purchase price? Was it Ports Authority or the shareholders?

MR. K. LAL.- I think Fiji Ports Corporation Limited.

HON. A.M. RADRODRO.- Probably we have some supplementary question to that but I will come back to it.

Question 3.4 - Internal Audit, has the recommendation for provision of internal audit been implemented by management? If not, why not?

MR. K. LAL.- Yes, implemented. The Internal Audit Contract was awarded to KPMG from 2010 till to-date.

HON. A.M. RADRODRO.- Mr. Chair, just a supplementary question to that, basis of formulation of internal audit. Just on the question of clarification. Has Fiji Ports Corporation Limited considered it prudent to appoint an internal auditor from outside or is it prudent to consider appointing an internal audit in-house to do a thorough internal auditing process on a fulltime basis? Whether it is prudent to appoint internal auditor like KPMG, which is an external or internal auditor or making appointment in-house fulltime to be employed by Ports Authority.

MR. L. LAL.- That was the Board's decision at that time because this particular internal audit is mainly for the Board's oversight. If the Board decides to appoint these internal auditors then they will take a decision or sometimes they will say that the internal auditors are not required but of course when going over previous records, what the management have identified here is that there had been a change and then during that time there was a period where there were no internal auditors appointed because of the change. That is what we have found when we went through the previous records.

HON. A. M. RADRODRO.- Just a question for the Ministry of Public Enterprises, whether in other commercial entities that we have previously interviewed, there seems to be a lack of internal auditing components within the entities, whether the Ministry will also consider standardising these requirements through all the Government Commercial Companies? Probably not only standardising but also formulating the best template to engage on the termination of permanent full time internal auditors or engaging external/internal auditors in such a manner that would be beneficial to the company.

MR. D. KOLITAGANE.- - I think in some of the companies where applicable, they have both internal and external auditors, given the volume of transaction and the complexity of the business, but it is an operational issue for the Board to look at. We certainly encourage Board members to have a very good oversight of the finance and controls within the companies. As a shareholder, we do encourage the Board but it is up to the Board and it is a policy matter to be considered by the Board.

HON. A. M. RADRODRO.- Just for the information of the Committee, what is the price that you pay for the engagement of KPMG as an internal auditor for the company?

MR. V. PIYASENA.- Normally we go through a three-year sort of contract period, \$45,000 for the group per annum for all three companies but that was in the past. Now with the Fiji Ports Terminal Limited not part of the group, Fiji Ports Terminal Limited's audits and all that is handled by the Fiji Ports Terminal Limited.

HON. A.M. RADRODRO.- 3.5 – Trade debtors statement - has the company been able to resolve these variances in terms of trade debtors statement as highlighted by the Auditor-General's Office?

MR. K. LAL.- Yes, the issue has been resolved. The new accounting software Navision was implemented in 2009 has rectified the issue.

HON. A. M. RADRODRO.- Can that be confirmed by the Auditor-General's Office.

MR. D. PRASAD.- Confirmed Honourable Member. In our reports for 2010 and 2011, this issue has not been recurring. Since we are not the actual auditors of Fiji Ports Corporation Limited now, whether there has been some changes in 2015, that we would not be able to confirm because normally we confirm that through our audit so if things have changed in 2015, then I will not be in a position to confirm that.

HON. A. M. RADRODRO.- You are no longer auditing Fiji Ports Corporation Limited in 2016?

MR. D. PRASAD.- No, and the team from Fiji Ports Corporation Limited can confirm this, since the change in the structure now, I think the Board has the power to appoint their own auditors, but to-date Auditor-General has not been notified of, maybe Ministry of Public Enterprises can also comment on the appointment of the auditors for Fiji Ports Corporation Limited. I believe the decision lies with the Board now.

HON. A.M. RADRODRO.- Issue 3.6 – Fiji Military long outstanding reimbursement cost - has the management resolved this long outstanding reimbursements with Fiji Military Forces?

MR. K. LAL.- Yes Honourable Member, the Board's Finance Audit Risk Sub-Committee in 2014 approved the writing back of the RFMF Account to FPCL's income. So all avenues were exhausted and then the right off was approved.

MR. V. PIYASENA.- Honourable Member, the backup up to 2015, we have engaged Viti Solution to the data backup but after 2015 we went to a further state where the live backup is now available with Vodafone Fiji Limited.

HON. A.M. RADRODRO.- Issue 5.4 – Fixed assets - has the fixed assets register been rectified and reconciled?

MR. K. LAL.- Yes Honourable Member this has been fully rectified when Fiji Ships and Heavy Industries Limited submitted 2014 tax lodgement in May 2015. Fiji Ships and Heavy Industries Limited also did a comprehensive fixed assets verification exercise in June

2014 and a Board paper was also done to seek the Board's approval for disposal of those items that had zero WDV and was not in existence. Another verification exercise was done by the internal auditors, KPMG, in late 2014.

There was a list prepared so there were a couple of assets which were physically not in existence. When we looked at the value it had zero WDV so the Board approved it in that regard.

HON. A.M. RADRODRO.- Supplementary question to Fixed Asset for Fiji Ships. There is currently two sites for Fiji Ships and Heavy Industry Limited, one is in the marine and one is in the shipyard. What arrangement is made in the ship yard and also at the slipway?

MR. V. PIYASENA.- Honourable Member, in the main site we have these three slipways - 100 tonnes, 200 tonnes and 400 tonnes slipways, and then the other side which was actually earlier used for construction of small crafts. So that site have all workshops where they have used for the construction of small boats and also the smallest slipway - 100 tonnes slipway which is currently not in use because there is no market for the 100 tonnes slipway.

HON. A. M. RADRODRO.- There is a submergible slipway at the slipway area - the big slipway

MR. V. PIYASENA.- Honourable Member, are you referring to that drydock. The floating belongs to Industrial and Marine Services Limited (IMEL) that actually belongs to Carpenters Shipping Group.

HON. A.M. RADRODRO.- Is it paying any rental on the ways its operating right now?

MR. V. PIYASENA.- Yes, Honourable Member. We have a special port licence charge for this slipway and we charge \$40,000 per annum as the Ports issue licence for their operations.

HON. MEMBER.- (Inaudible)

MR. K. LAL.- Yes, Honourable Member. The issue has been rectified in 2011. When the role over was done in 2013 from old MYOB software to a new Navision, all balances were reconciled then. Creditors, the current ledger balance is up to-date. It is being reviewed on a month to month basis and it is up to-date.

HON. MEMBER.- (Inaudible)

MR. K. LAL.- Yes, Honourable Member. The variances have been fully rectified and reconciled. All lodgements are done on a timely basis, refunds are followed up and receipted.

HON. MEMBER.- (Inaudible)

MR. K. LAL.- Yes, Honourable Member. This was done in 2014 via comprehensive fixed assets verification exercise and another verification done by the internal auditors in 2014 as well.

HON. MEMBER.- (Inaudible)

MR. K. LAL.- The receipting process is as follows:

- The debtor's officer receives the money and does the receipting in GL.
- Debtor's officer prepares the banking deposits which are checked against GL receipting by the Accountant.
- The receipts are also checked whilst doing bank and VAT reconciliations by the Accountant.
- When monthly accounts are prepared, I do the checks on Bank and VAT reconciliations.
- Debtor's reports are also prepared and discussed and we ensure that money receipted is actually receipted properly.

HON. A.M. RADRODRO.- (Inaudible)

MR. K. LAL.- No more manual. There was a better accounting software implemented which has fully rectified the issues.

MR. CHAIRMAN.- On that point, OAG Office, are you satisfied with that so far in relation to both ports and Fiji Ships?

MR. D. PRASAD.- Mr. Chairmna, the comments of the client is verified and we can confirm that the system has been in placed to rightfully receipt the cash coming in.

MR. CHAIRMAN.- Yes, we may move on.

HON. A.M. RADRODRO.- (Inaudible)

MR. V. PIYASENA.- Honourable Member, prior to privatisation, the operational activities of Ports Terminal Limited is receiving of cargo, delivery of cargo and stevedoring functions which include loading and discharging of cargo. The other function that was associated with that was the storage function which was handled by Fiji Ports Corporation Limited.

In 2013 after the privatisation, Fiji Ports Corporation Limited handed over the storage function also to Ports Terminal Limited. Currently, Fiji Ports Terminal Limited carries out these services that is receiving of cargo, delivery of cargo, stevedoring and storage.

Fiji Ports Corporation Limited as the landlord of the port, we provide all repair and maintenance of all wharves, safety security, pilotage, tugboat services, berthing, mooring and unmooring and anchorage.

HON. A.M. RADRODRO.- Supplementary question to that, who is in charge of the piloting operation of vessels?

MR. V. PIYASENA.- Piloting of vessels, Honourable Member, we also have another private pilot company there which is Sea Pilots Fiji Limited and with the current Maritime Transport Act, there is a provision that other pilot companies can also form. With that

provision, there is a new pilot company recently formed. Altogether the Maritime Safety Authority Registration, there are three pilot companies including FPCL pilot service.

HON. RATU S.V. NANOVO.- Just another supplementary question, Mr. Chair to the CEO of Ports Terminal Limited. Who is in charge of removing all the derelict ships in the harbour?

MR. V. PIYASENA.- Honourable Member, the removal of derelicts is technically with Fiji Ports Corporation Limited, however with the Sea Port Management Act, the responsibility to remove the derelict lies with the owner of the derelict vessel. The Fiji Ports Corporation Limited will issue a removal order to the owner of the vessel. If the owner does not comply with that order within 21 days, the FPCL can remove this derelict vessel at the owner's expense as per the Sea Port Management Act 2005.

HON. RATU S.V. NANOVO.- But some of these derelict ships have been there for long. What actions have you taken in regards to that?

MR. V. PIYASENA.- Gradually we are removing these vessels, Honourable Member. During the last two years we have removed about six vessels. In fact this morning we removed two vessels that were near the Government ship yard area that have been there for over eight to ten years. This removal had cost around Fiji Ports Corporation Limited \$230,000. We had an attempt earlier for \$8,000 but we could not remove it. So we also had another contract with two other parties to remove \$130,000 so, because it is a top priority, because the Government Shipyard area is congested with derelict ships, so it was removed this morning. Basically, the cost of removal is the one that is hampering this effect.

MR. CHAIRMAN.- Following on from that, is that the company that owns the ship in the last eight to ten years might have disappeared. How will you attempt to recover the \$230,000 from the owners, are they still around?

My question was that usually when you remove a derelict ship, you go and claim the cost from the owner of the ship whose responsibility it was but in this particular case the one that happened this morning is about eight to ten years old, is the company still there for you to recover?

MR. V. PIYASENA.- Yes, for most of these vessels the owners or the companies are not there. That is the problem we are facing and most of these companies have abandoned their vessels and the companies are no longer there.

HON. A.D. O'CONNOR.- Mr. Chair, the one that they probably removed this morning belonged to the Fiji Government, it was probably one of the old Government vessels.

MR. K. LAL.- Yes, Honourable Member, what happened there with this vessel, the Government had sold this particular vessel to a scrap metal company. The scrap metal company went bankrupt and the vessel was there. So we are in a situation where we cannot find anyone, but now Fiji Ports Corporation Limited had to spend all these money to clear this up.

MR. CHAIRMAN.- Maybe some attempts to remove the vessels earlier, probably within a year or within a few months so that you can actually trace the company back and lodge

a claim, if the company is going bankrupt, you can lodge your creditor's claim with the official receiver if that happens. So many years down the lane, there is probably no chance of recovery. Is there an option that Ports is considering to start removing the derelict vessels earlier so that you can lodge your claims in the log of claims against the company?

MR. K. LAL.- Mr. Chair, what happened with these vessels is that all these vessels have different types of insurance, that is, they have their hull and machines for the vessel and the cargo. If the vessels sinks, for the cargo, that is the cargo insurance. The third type of insurance is called the Wreck Removal Cover. None of these vessels have Wreck Removal Cover because for these old vessels they cannot simply obtain these removal covers. If they try to obtain that, all these companies will go out of business so this is our problem right now, but we are now discussing and also we have informed the Board that some kind of a syndicate insurance system has to be put in because things like the *MV Sullivan*, the vessel that went down last year, we have gone through an assessment report. The assessment report cost us US\$38,000 just to assess and then the assessment report came up with the removal cost of US \$26 million. So who is basically going to remove this for US\$26 million? Port blockage, we do have insurance for \$3 million, that we cannot do anything, what we are suggesting is that the Ports will have \$10 million, MSAF may have another fund for \$10 million and the Government has something, now they have \$10 million, at least US\$30 million minimum insurance cover to address this matter.

HON. A. M. RADRODRO.- Looks like the boat owners leave all their junk for Fiji Ports Corporation Limited to clear up. Is Ports considering levying some sort of cost to be borne by the operators while they are operating to avoid being billed during times of accidents like the *MV Sullivan*.

MR. K. LAL.- Comment taken, Honourable Member. We have done that, the recent vessel that is going down right now, from last February we issued a removal order because we now have a system where we monitor all these vessels and then when we identify, certain vessels are at risk we will immediately remove them. But that again, we had to engage in a lengthy legal process to take this out and prosecute these companies.

HON. RATU S.V. NANOVO.- Still on that Mr. Chair, we also notice that there are so many fishing vessels anchored out there for so long. Maybe it is best you start acting on those now otherwise they might also sink there and you will face the cost of removing them.

MR. V. PIYASENA.- Sir, what happened to these fishing vessels is that recently all these fishing companies went through a very bad period as they were all engaged in tuna fishing. When we tried to take them from anchorage, there was intervention from the Ministry of Fisheries also, otherwise they have no place to keep their vessels. The other option would be that if they do not remove then we have to remove it and scuttle it out at sea. Basically we have to get legal advice on that because we will be just forcibly taking these vessels and scuttling it down because before we scuttle it, we have to get MSAF's approval as to where to sink these vessels. That can be done, but at the end of the day it can create problems with these companies that we are taking their ships and scuttling it at sea. We have also, with some Committee we had mentioned that with the Sea Port Management Act we do not have enough powers, for example the CEO does not have any magistrate powers to enforce any fines. So we have to rely on the lengthy legal process where we have to prosecute these companies and then at the end of the day if we cannot prosecute them, they can basically turn back and sue us.

This is where we have the issue with the Sea Port Management Act; the Act says a lot of fines and imprisonment but to implement that, is a long legal process.

MR. CHAIRMAN.- I think we are quite satisfied with that area. Can we now move to the next question?

HON. A.M. RADRODRO.- (Inaudible)

Issue 6.3 - Abridged Balance Sheet - can PTL explain the sudden increase in interest bearing borrowing from #398,000 in 2008 to \$3 million in 2009? What was the borrowing for? Who owns Ports Terminal Limited now?

MR. K. LAL.- Honourable Member PTL's intercompany loan was given during the period 2009 to 2010 and the first one was done due to the company's financial constraint affected by the tariff review and second one was for the purchase of new forklifts for their operation. Loan was given in 2009.

The current shareholder arrangement is 51 percent - Aitken Spence PLC and 49 percent - Fiji Ports Corporation Limited.

HON. A.M. RADRODRO.- Question on the purchase of forklifts, is this the big crane or is it just the forklift?

MR. K. LAL.- Honourable Member, not the crane, this is for the cargo handling machinery.

HON. A. M. RADRODRO.- Issue 6.8 – Lack of supporting documents - has management written-off these accruals of \$17,000 and what was the basis of this write-off?

MR. K. LAL.- Honourable Member, all unsupported accruals were reversed subsequently. Management notes that there were lack of supporting documents, however this one was resolved subsequently. So all unsupported accruals were actually released.

MR. CHAIRMAN.- Thank you members from Fiji Ports Corporation Limited. There were some issues also raised in Parliamentary Paper Nos. 26 to 29. What I will do is I will email you those questions and then we can have a look into that probably by written submission or we will invite you again in respect to those questions.

However, the last question in that regard is Parliamentary Paper No. 39 - please provide an updated status report on the issues raised by OAG in respect of the Fiji Ports Corporation Limited, Ports Terminal Limited, Fiji Ships and Heavy Industries Limited. That question is for the Ministry for Public Enterprises.

HON. MEMBER.- (Inaudible)

MR. CHAIRMAN.- You have mentioned, I think Ports has highlighted that.

MR. D. KOLITAGANE.- I thought we have just covered it in the past.

MR. CHAIRMAN.- Alright, is there any follow up question?

HON. A.D. O'CONNOR.- Just one off the cuff CEO, all the vessels that are anchored or moored in the harbour precincts, you getting port dues from all those vessels? Are they up-to-date, are you not going into the 30, 90 or 120 days account with those?

MR. V. PIYASENA.- Yes, Honourable Chair. The vessels anchorage there is an anchorage fee but of course this anchorage is very minimal and also there is no time limit given for like how long a vessel can be in anchorage. We are trying to limit this, but under no law, it says, the time limit that had been set for any vessel but anchorage fees are being charged, recorded and monitored.

HON. A.D. O'CONNOR.- Particularly the fishing vessels, would the authority not be inclined to have them go and anchor in the Port of Levuka?

MR. CHAIRMAN.- I do not think there is a question that touches on the aspect but you may choose to answer that.

MR. V. PIYASENA.- That will be an option. The fishing companies, they always say that for them to travel there and then keep their vessels and monitor there, because the company officers are here most of the time in Suva. Mr. Chairman, that is the difficulty that they are facing, but we cannot force them to move there.

HON. A.D. O'CONNOR.- I think some of those vessel owners operate from a mobile vehicle.

HON. RATU. S.V. NANOVO.- Just a last question, Mr. Chair, I think we have heard this morning that so many hindrances in regards to the current Act that you currently using at the moment. Do you not think maybe this is a time to review the Act in order to facilitate all the issues that has been raised with you this morning?

MR. CHAIRMAN.- That also is a legal question, to review the Act is not your jurisdiction.

HON. RATU. S.V. NANOVO.- (Inaudible)

MR. CHAIRMAN.- With the powers currently, whatever the Act and whatever the requirements are, that is what we can open up. The ones that are in future or if there is an internal policy issue, if you want to have the Act reviewed and widened.

HON. A.M. RADRODRO.- Sea Port Management Act who is currently enforcing that, which Ministry? Sea Port Management Act as highlighted.

MR. V. PIYASENA.- Honourable Member, Sea Port Management Act 2005 is the current one that governs all port boundaries and port operations.

HON. A.M. RADRODRO.- Mr Chair, just three last questions. One is the Port Master Plan. There has been talks and discussions about the expansion of the Port and the Port Master Plan along the Walu Bay area, can we just get an update on that. Secondly, the Fiji Ships and Heavy Industries operation repairing of vessels, whether the company has any vision to

establish in the West also to attract the repairing of vessels that operate in the West. Thirdly, is shipbuilding? Fiji Ships and Heavy Industries is also ship building is its operation whether the company is also looking into venturing into that shipbuilding operations under Fiji Ships and Heavy Industries.

MR. V. PIYASENA.- Honourable Member, Fiji Ports Corporation Limited, one of our strategic goals is to revive this shipbuilding activity in Fiji again. We had discussed that in the past number of interested some parties. Even the plan to develop that shipyard area we have allocated one area specifically for boat building area. This had been discussed and conveyed, even with the Master Plan Developing ADB Consultants but at the moment nothing has been received so once we receive the draft, we will see how these things will be incorporated into the plan.

MR. D. KOLITAGANE.- Sir, just an update, we are looking at finalising the plan before the National Development Plan for Government is finalise so that Master Plan feeds into the National Development Plan (NDP) for Government. It is not for Suva alone but it also including the North and the West.

MR. CHAIRMAN.- Alright, that being the final question. That bring us to the end of the presentation by Fiji Ports Authority, Fiji Ports Corporation Limited and Fiji Ship Building. We are grateful for your presence here Mr. Piyasena, Mr. Lal and the Board Secretary, Ms. Karalaini Tukana together with the team from the Ministry of Public Enterprises and also the Office of the Auditor-General. That was the last submission for the day.

The Committee adjourned at 1.00 p.m.