

VERBATIM REPORT OF MEETING CONDUCTED BY THE PUBLIC ACCOUNTS COMMITTEE HELD IN THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS, ON WEDNESDAY 31ST AUGUST, 2016 AT 10.54 A.M.

**Submittee: Ministry of Public Enterprises
(Viti Corporation Limited)**

In Attendance:

1. Mr. David Kolutagane - Permanent Secretary, Ministry of Public Enterprises
 2. Ms. Laisa Bolalevu - Acting Director Monitoring
 3. Ms. Salote Lalabalavu - Senior Analyst
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MR. DEPUTY CHAIRMAN.- Honourable Members, good morning to you all once again and good morning to the officials present from the Auditor-General's Office.

Madam, welcome back, how are you? Sir, PS (Permanent Secretary), it is good to see you again, you are looking nice and fresh. For the benefit of the information of those officials who were not present here this week and who are present here today, I would like to just briefly introduce our Committee, the honourable Members and the staff who are working and assisting us with the work of the Committee.

(Introduction of Honourable Members)

I believe we also have the officials from the Auditor-General's Office who are assisting us whilst we go over the Report and if any issues arise, we do seek clarifications from them.

I would like to welcome the Ministry of Public Enterprises. I believe you are here to make submissions on the issues and questions we raised about a certain entity and that is Viti Corp, so before we do so, I would like to just request the PS if you could introduce your officials and probably give us an overview as to why your Ministry decided to submit on behalf of Viti Corp, what is the underlying reason for that? Thank you, Sir, you may now have the floor.

MR. D. KOLITAGANE.- Thank you, Mr. Chairman and Honourable Members of the Committee, as requested, I will introduce the two ladies.

(Introduction of members of team by PS)

As you correctly mentioned, Mr. Chairman, we are now managing Viti Corp. At the moment it is basically a holding company which is basically managing the land that are leased to Viti Corp. As per a Cabinet decision, at the moment, FNU is the main entity that is sub-leasing from us, so they are using that piece of land for their purpose. It is a Government policy so we are just managing that relationship. It is not a very big company per se, but may be how it is interpreted or may be perceived in their report.

Before, Viti Corp used to be a company that has its office in Navua, its workers and labourers with the normal expenses of a company but at the moment, our main expenses is basically the alignment of our report as I mentioned, I think, in our last appearance. We acknowledge that the reports are being delayed – the financials and the audit that are now before the Committee but we have appointed an accounting firm to update the reports. The financials are ready, it is just a matter of alignment which we hope to complete in the next week. So that basically, Mr. Chairman, is the background of the company and our involvement as a State-owned entity.

The practice in the Ministry is, when we are reading from the reports – the accounts that is before us, 2004, 2005 before it was divested, this company faced financial difficulties back then so at the moment since the lease is now back in Government, we are managing that at the Ministry level so basically our main expenses is as I mentioned earlier.

Most of the time, what we call our red flag entities, the Ministry steps in to take over the secretariat role, especially if the Board is not properly in place, some signals have been coming in for financial issues that are delayed, so this is one entity where we stepped in but more importantly, it is basically a holding company that is managing the lease.

MR. DEPUTY CHAIRMAN.- I just have two issues to raise before we proceed to our questions and issues. The first and foremost reason is that, you have considered the company having red flagged, meaning the overall structure of the company, the way it was operating when you saw it you decided to keep it completely under the control of your Ministry. That, I think pretty much answers the question on that line.

I am just curious to know about the arrangement that was done. When you said that you have sub-leased to FNU, can you further elaborate on what this arrangement is like? What roles and responsibilities does FNU now have there in terms of operating this entity?

MR. D. KOLITAGANE.- Mr. Chairman, the lease conditions as approved by Cabinet, we are supporting their educational functions. So the objective of that lease was to bring in operators that want to farm and continue farming whilst at the same time, align it for practical reasons for FNU. One benefit that we are receiving at the moment is with Grace Roads. They are not in our property but it is near FNU establishment. When Grace Road was established in there, I understand they had an agreement already whereby when operating, students who are doing farm or agriculture-related courses go and do practical on site. That is the arrangement. There are some prawn farms that are established there. Another example is that the company that is doing the turf at Albert Park are also one of the leaseholders on this land.

MR. DEPUTY CHAIRMAN.- The lease arrangement is basically socio-economic; socio in terms of educational emphasis and economic in terms of learning about agro-business, et cetera. I think that was a pretty much good move from your enterprise.

HON. A.M. RADRODRO.- Sir, just a clarification on this arrangement with FNU. Grace Road is not leasing to FNU?

MR. D. KOLITAGANE.- Grace Road is a different piece of land. I think they get it directly through *iTaukei*, it is communal land so it is not under Viti Corp land but since it is located near the FNU establishment, they are using that access.

HON. A.M. RADRODRO.- I thought that used to be owned by Viti Corp. Previously, that piece of land next to the roadside, the main road.

MR. D. KOLITAGANE.- Not the boundary, the ones on this side, yes.

HON. DEPUTY CHAIRMAN.- May be the land areas are beside each other, that is why the assumption is there. Anyways, thank you, Sir, for raising and answering those general issues that we raised.

I would like to ponder the attention of the Honourable Members and officials present on the issues and the questions we wish to raise before this Committee today and the first issue is from Parliamentary

Paper No. 31 of 2016. I would like to invite the Honourable Member whom this report was designated to lead us with the questions.

HON. A.M. RADRODRO.- Thank you, PS, for the information. I think most of the issues that we have highlighted, you basically tackled it in your introduction, especially on this particular issue on the audit opinion. Probably if you would like, you can just take us through with the responses that you have on the audit opinion. The question was basically whether the Company has attended to the qualified audit opinion in 2006, 2005 and 2004. If yes, when and how?

MR. D. KOLITAGANE.- Thank you, Mr. Chairman, we confirmed that we have addressed that in the audit qualification issue. When the 2006 Report was done, there was no issue raised in that audit.

HON. A.M. RADRODRO.- Can you just advise the Committee on the status(update) of the audit of Viti Corp, what year is the latest audited financial statement?

MR. D. KOLITAGANE.- Mr. Deputy Chairman, last year was 2006 so we are working on 2007 to 2012 now. As I mentioned earlier, we are working on the realignment. The Management Reports are there, we will be liaising closely with the Auditor-General once we have finished the realignment work.

HON. A.M. RADRODRO.- On the new arrangement - holding company lease holding, the functions of Viti Corp then was divided into Pig Unit, Agriculture Unit, Dairy and Beef Unit, Crop and Maintenance Unit - are those Units still in existence under the new arrangement of the holding company?

MR. D. KOLITAGANE.- We confirm, Mr. Deputy Chairman, that those are now dissolved - all its small business units. At the moment, the focus of Viti Corp is mainly on the management of the lease and the leasing arrangement between Viti Corp and FNU.

HON. A.M. RADRODRO.- The land for Viti Corp is only in Navua?

MR. D. KOLITAGANE.- Yes, about 2500 acres.

HON. A.M. RADRODRO.- Thank you. On the second issue - Financial Income Statement - Operating Income of \$146,673, what it is for?

MR. D. KOLITAGANE.- Mr. Deputy Chairman, the answers before comprise of the Government grant, \$58,667. On the sale of shares - \$509,100 and other income - \$87,497. We are basically capturing this from the 2006 accounts and whatever reports that are available. As you may know from the management comment, some of the reports were missing, given the flood in 2004. So one is the lapse time, that is our difficulty at the moment, and the reports that were out at that date but we are working closely with our accountant to try and resolve that issue.

HON. RATU S.V. NANOVO.- Still on that, Mr. Deputy Chairman, can we be clarified on what they mean by "creditors written back to the value of \$87,497"; what does that entail or mean?

MR. DEPUTY CHAIRMAN.- You are referring to issue 7.2?

HON. RATU S.V. NANOVO.- Yes.

MR. D. KOLITAGANE.- Mr. Deputy Chairman, may be those were the payments that were to be paid out but it never actualised.

MS. F. NAGERA (OAG REP.)- Mr. Deputy Chairman, if I can just provide assistance to the PS, Public Enterprises. Creditors are liability account. When creditors do not come back and claim the debt from Viti Corp, that means basically there is a saving. They are not going to pay for that, so it goes back to income.

The issue that we raised is that, although it was written back to income, there were no details provided on who the creditors were, and I think that goes back to the issue that the records were destroyed in 2004 because of the flood. So, the accounting treatment, writing it back to income is alright, but there was no supporting documents to those creditors.

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

MS. F. NAGERA (OAG REP.)- Mr. Deputy Chairman, through you, it is a book entry, there is no cash.

HON. A.M. RADRODRO.- Mr. Deputy Chairman, the other question is on the revenue of Viti Corporation and this is relating to 2005 on the breakdown. Probably, if I may add on to that, how is the revenue generation now in terms of the new arrangement that is currently in place? If you can add on to the answers that you have provided there.

MR. D. KOLITAGANE.- Mr. Deputy Chairman, the breakdown of revenue has provided the rental income and livestock (sale). At the moment, as I mentioned, our main revenue line is from the rental land lease, income that is coming from FNU so it is around \$150,000 a year. It is under the normal periodic valuation that was done on that and as I mentioned, there is no other major expenses that are coming out. We do not employ workers on the ground so it is looked after by FNU.

HON. A.M. RADRODRO.- How long with the term of the rental lease arrangement be?

MR. D. KOLITAGANE.- I can come back to you, Honourable Member.

HON. RATU S.V. NANOVO.- Still on that, Mr. Deputy Chairman, when we go past that place, we normally see so many cattle and this is the only income that can be derived from that, that is on an annual basis.

MR. D. KOLITAGANE.- Honourable Member, you will understand that this is the 2005 Report, so currently, may be it is FNU cattle, that is not our asset.

HON. A.M. RADRODRO.- The other one is the Government grant. At the time, Government grant totalling \$58,667 was received to pay off creditors and \$87,000 was unaccounted for. The question at that time was, who were these creditors especially when Government had given that grant to pay off the \$87,000?

MR. D. KOLITAGANE.- Obviously, there were some payments done but as clarified by the Auditor-General, the breakdown cannot be ascertained at that time and when that payment is not done, it goes back into cash revenue for the company.

HON. A.M. RADRODRO.- In this particular case, if you can explain whether \$58,000 was actually paid out or returned to Government in addition to the \$87,000 that was mentioned earlier?

MR. D. KOLITAGANE.- I can confirm, Honourable Member, that whatever payment was done to creditors that can be properly recorded or qualified, that was carried out. Otherwise, the balance was kept with the company, there was no extra payment that was done without the records.

Normally, these claims would come with proper documentations. If the company does not have it, they can bring it at that time but there is also the Limitation Act that limits the claim to go beyond seven years, I understand. In our view, it is a small amount, it was addressed at that time. I think the management at that time tried to resolve the issue. As mentioned by the Auditor-General, that is the issue but there was no money lost from the company, it went back into the bank as cash flow.

HON. A.M. RADRODRO.- On the response that you gave, you said you were going to be discussing with BDO, any result of that discussion on this particular matter?

MR. D. KOLITAGANE.- Mr. Deputy Chairman, that is part of the realignment process that we are working on because they are our appointed accounting firm that are working on the process.

HON. A.M. RADRODRO.- The next one is regarding the long term liability of \$3.5 million in 2005. Which institution was the Long term liability borrowed from?

MR. D. KOLITAGANE.- This was from Government. There was a Cabinet Paper on that back in 2005.

HON. A.M. RADRODRO.- Just a question, this is a similar incident like we tackled yesterday, the Ministry of Finance giving out loans. This is the first time I have heard about it. Usually the other institutions give out loans but this is a ministry.

MR. D. KOLITAGANE.- It is a normal practice for the Government to support those problematic entities. I mean, this was done back in 2005 to support this company. They cannot borrow from the financial institutions.

HON. A.M. RADRODRO.- Thank you, our next one is 7.3 - the details of \$6 million and shared deposits of \$400,000.

MR. D. KOLITAGANE.- Mr. Deputy Chairman, as per our answer the details are provided to the Honourable Members. There is standard practice for the shares to be written under the office of Government.

HON. A.M. RADRODRO.- Is it still remaining now since now the changes in the positions have inactivated?

MR. D. KOLITAGANE.- We are going through that process, Mr. Deputy Chairman, and I can come back to the Committee on that.

HON. A.M. RADRODRO.- At the moment, it is still under these two – Fusi Vave and Narube?

MR. D. KOLITAGANE.- I think so, Mr. Deputy Chairman.

MR. DEPUTY CHAIRMAN.- Alright.

HON. A.M. RADRODRO.- On the Controls Accounts Payable, has the Ministry of Public Enterprises confirmed the write-off of \$87,495? This is probably one of the Auditor-General's issue.

MR. D. KOLITAGANE.- Mr. Deputy Chairman, as I mentioned, we are going through that process. If the creditors needed this and the details cannot be identified, then we have to follow the proper write-off process with the accountants.

MR. DEPUTY CHAIRMAN.- I think that flood caused a lot of damages in terms of keeping the documents?

MR. D. KOLITAGANE.- Yes, Mr. Deputy Chairman.

HON. A.M. RADRODRO.- Just on the Fixed Assets raised here with this arrangement that you have, Viti Corporation have their assets and they were in the Assets Register then. What is now the arrangement with a new holding arrangement, are there any assets held by the new Viti Corporation?

MR. D. KOPLITAGANE.- At the moment, only the land at the moment. That is the only asset that we own - Viti Corporation.

HON. A.M. RADRODRO.- Thank you.

I think most of the issues here are pretty much self-explanatory. Just on 7.6 and 7.7, who are the current Board of Directors and have the VAT returns been lodged on time?

MR. D. KOLITAGANE.- Yes, I mean, those returns can only be finalised once we clean up the accounts, finalise the financials so that it is in the process, as well as for VAT.

HON. RATU S.V. NANOVO.- When are you..... (inaudible)

MR. D. KOLITAGANE.- As I mentioned at the end of next week. We are already in the process of finalising the accounts.

HON. A.M. RADRODRO.- Just on the board members, is it complying with the minimal board requirements for the Company?

MR. D. KOLITAGANE.- Yes, Sir. I am not sure about the maximum but I think in the current Act the minimum is two, but given the size of the Company, it is basically managing the leases and three, in our view, is more than sufficient.

HON. A.M. RADRODRO.- What was the Board membership number previously, prior to this arrangement?

MR. D. KOLITAGANE.- Normally, it is the three PSs from the three entities that were involved. I think when it was a Company, it had more than the normal....

MR. DEPUTY CHAIRMAN.- 11.4 - Loan Balance Variances.

HON. A.M. RADRODRO.- Yes, I see that there is no response by Viti Corporation.

The Company should liaise with the Ministry of Finance and reconcile the variances on the correct loan balances.

MR. DEPUTY CHAIRMAN.- So I believe you can always get back to us on that.

MR. D. KOLITAGANE.- We are already discussing with the Ministry of Economy and it is also part of the process of the finalisation of accounts.

HON. A.M. RADRODRO.- The last one regarding Going Concern of the Company, I think this is also part of the process but if you want, you can state your responses for the record.

MR. D. KOLITAGANE.- As we had mentioned in our draft response, there are revenue opportunities. Once we are given the policy directions of Government and the business that is going on now, it is not fully on a commercial basis. We are supporting education at the Fiji National University (FNU). I think the benefits also come indirectly and to the Government, it is part of the build-up in the Agriculture Sector. We want to support growth in our Agriculture Sector and for food security reasons for the whole economy.

However, as we had mentioned we are open to consider other options once we work on our planning documents and finalise the financial position of the Company. Obviously, we will come back to Government and look at options to build the Company moving forward, Mr. Deputy Chairman.

MR. DEPUTY CHAIRMAN.- Honourable Members, do you have any more issues and questions to raise?

HON. A.D. O'CONNOR.- Yes ,Mr. Deputy Chairman, I just wondered whether the Office of the Auditor-General has any comments on those last two, particularly 11.4 and 11.5 we have just discussed on loans and Going Concern as in your Audit Report it was to be confirmed? Do you have any comments?

MS. F. NAGERA (OAG REP.).- Mr. Deputy Chairman, through you, 11.4 we probably just accept the explanation of the PS Public Enterprise in that they are currently working with the Ministry of Economy to reconcile these variances because the loan was taken from the Government. What we did during the audit was obtained the Ministry of Finance's records. They were supposed to reconcile but there was a variance that we noted, thus this was included in the report.

Going concern issue, I believe the PS Public Enterprises has explained what the Ministry and the Government's plan is with regards to the Company going forward, so that should be resolved.

MR. DEPUTY CHAIRMAN.- I believe that is the end of our session.

HON. RATU S.V. NANOVO.- Mr. Deputy Chairman, we understand that the Ministry is currently reviewing the operation of the Viti Corporation. Rather than just relying on lease rental income, are you also thinking of diversifying into other businesses in order to make full use of the resources that you have under Viti Corporation?

MR. D. KOLITAGANE.- Mr. Deputy Chairman, as I mentioned, it is a policy decision of Government. We understand that the same approach was done prior to 2005 (2002-2005). It was operating as a commercial but there was no discipline, no resource that was available at that time. Given the current scenario, first we want to plan very well and we consolidated the company. Obviously, at the moment, we are paying off our debtors, we have cash flow that can support the operation, we are not borrowing additional from Government but certainly there are always opportunities that are there. Grace Roads has established beside us. We have opportunities from other SOEs (State-owned Enterprises) to operate so those are the considerations that need to be taken on board. Obviously, there is potential but it needs to be backed up with a very good structure, the resourcing of governance issues which had happened before but certainly that is on the radar for the Board.

MR. DEPUTY CHAIRMAN.- It is understandable, the future plans can only commence once the previous issues and problems have been rectified but, Sir, it is very good to see the way that the Company was left in terms of its accounts and operations and on top of that, there was a natural disaster which basically destroyed the evidence which are the financial documents. It is good that we can see something happening to the Company rather than the Company being completely closed or bankrupt.

As a person of education background myself, it is also good to see some sort of investment in the Company in terms of providing educational benefits to the children of Fiji has been there. There is just one request from the Committee, once you are done with all the accounts, et cetera, probably you can just refer back to our Secretariat staff and then later on during the year, let us say that we can have another session just to get a follow up on Viti Corp because in Parliament, we always want to give a very positive response that things are going well when it comes to entities. I think this entity will also be a very classic example as to how it was before and how it has been improved. That will provide that sense of encouragement to all the people out there who will be listening to our reports, et cetera.

Before I conclude our meeting today, Honourable Members, if you have any further questions or comments, you are free to ask.

HON. A.M. RADRODRO.- Sir, just one last comment to the PS on the issue of 'going concern', I notice that the costs are currently incurred with the current operations and see that the whole operation is being managed from the office of the Ministry, the Board members are current PSs, so I am just interested to know what are the costs overhead or administration that are incurred by the entity currently, whether there is any cost or is it on a 'free of service' basis?

HON. D. KOLITAGANE.- Mr. Deputy Chairman, as I mentioned, it is now part of our monitoring and it is an entity which we are building up. This arrangement was there back then when the company was sold in 2005 so we are continuing with that. Now, with a solid footing and once those are finalised, then we can consider creating a really separate entity but it is normal. As I mentioned in my opening remarks, those problem entities, we take the secretarial role. We do not charge anything, it is part of our monitoring process. Once they recruit a new board, they establish a company, recruit a CEO and establish a proper structure then we hand it over to the company. So, it is the responsibility of the Government to look after it, either to continue or close the company.

MR. DEPUTY CHAIRMAN.- I think that was very clearly defined when you were making introductory remarks that this work is part and parcel of your Ministry to carry on the administration of entities like these ones that come under the red flag, so I think that has been well-answered.

Honourable Members, if there are no more questions and comments, once again, I would like to thank you PS and your staff for availing yourselves, including the Office of the Auditor-General who are also here today.

I welcome you also, Kalo, I thought you went to a conference somewhere. Honourable Members, we have a good half an hour for tea. At 12 o'clock we are meeting officials from the Public Rental Board.

PS, on behalf of the Committee, I would like to invite you if you could just join us for tea.

The Committee adjourned at 11.31 a.m.

The Committee resumed at 11.50 a.m.

Interviewee: Public Rental Board (PRB)

In Attendance:

1. Mr. Patrick Veu – Manage Properties, Rental and Customs Services and Acting General Manager, PRB
 2. Mr. Ajay Kumar – Manager, Finance and Administration
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MR. DEPUTY CHAIRMAN.- Honourable Members and Officials, I believe we are ready to start this session and continue as usual. For the benefit of the Public Rental Board (PRB) resource personnel, let me j introduce our team here.

(Introduction of Members and OAG Officials by Mr. Deputy Chairman)

Honourable Members, we have before us the two gentlemen from PRBI would like to welcome you to our Committee. I believe you have been sent some issues and questions as were raised by the Committee whilst we were going over the audit reports of your entity. Please, consider this as more like a positive discussion session. We just need to know more about the entity and whether the issues that were raised have been addressed and what the plans are for the entity in future. So far, all the entities that have visited us have been providing us with very good feedback and likewise, I think we will be getting very good feedback from your entity as well. Without further ado, I now request that you briefly introduce yourselves, your role and responsibility and about the PRB as well.

MR. P. VEU.- The Honourable Mohammed Dean, Chairman of the Public Accounts Committee; Honourable Members of the Committee; PS Ministry of Public Enterprises and officials; and Officials from the Auditor-General's Office; thank you for the opportunity to respond to the audit issues that have been raised and would like to introduce our team.

(Introduction of PRB Officials)

We have a written response and we will be glad to respond to any further queries from the Committee on the audit issues that have been raised.

MR. A. KUMAR.- Mr. Deputy Chairman, thank you very much. As Manager Finance and Administration at PRB, I am in charge of finance and administration duties. I am also the Board Secretary for the PRB Board of Directors. I have been with PRB for more than 10 years now, going on to the 14th year, and would be happy to respond to any questions of the Standing Committee.

Thank you, Mr. Deputy Chair.

MR. DEPUTY CHAIRMAN.- Can I just ask one of you gentlemen to briefly highlight to us the roles and responsibilities of PRB and your work for the benefit of the Honourable Members.

MR. P. VEU.- Thank you, Sir. The PRB was established in 1989 under the Housing (Amendment) Decree No. 12 to manage the rental portfolio of the Housing Authority. In 1989 about 1,745 rental units were transferred to the PRB from the Housing Authority and together with it, \$20 million of debt loaned from Fiji National Provident Fund (FNPF) was also transferred to the PRB.

The Board was mandated to sell part of these properties to repay the FNPF debts. In 1998 Government took over the servicing of the debt, hence the Board's decision not to sell any further rental flats but because of the demand that is out there from the general public, we continue to maintain the flats and also to develop more flats.

At the moment we are thankful to the Government for allocating funds on development. We have a project now in Savusavu to construct 48 units, we have an ongoing project at Kalabu to construct 36 units and in this coming year's budget we have funds allocated to construct a project in Simla, Lautoka for 36 units.

MR. DEPUTY CHAIRMAN.- Thank you, Sir, for that brief highlight. My apology, actually I requested for a tenancy agreement because the new units that are coming up looks very lucrative. We were just a bit eager to know about the nature and conditions as to what are available there for the tenants because I believe the people who are mostly your clients in residential areas are mostly low income earners, I believe. That was actually the reason why we asked for an agreement.

The other issue I wish to raise before I hand over to other Honourable Members to ask their questions as per the Audit Report, this \$20 million loan from FNPF, if you could just further elaborate on what that loan was for and perhaps, some other added information to that as well?

MR. P. VEU.- What actually we gathered from Housing Authority, it was just the transfer of the debt, together with the properties - the 1,745 rental units that were transferred at that time for us to service the loan by selling off those properties.

MR. A. KUMAR.- Mr. Deputy Chairman, if I may just elaborate the loans were raised in early 1980s by Housing Authority through FNPF to construct flats.

MR. DEPUTY CHAIRMAN.- Oh, to construct flats?

MR. A. KUMAR.- At that time, Mr. Deputy Chairman, the Housing Authority were doing mortgage sale, land development and also looking after rental. They had three diversification of business structures.

MR. DEPUTY CHAIRMAN.- They took loan to all that.

MR. A. KUMAR.- That is right, Mr. Deputy Chairman. They borrowed loans from FNPF to construct those flats and eventually when the decision was made pre-1989 (1987, I guess, when they were doing some reports through Asian Development Bank (ADB) and all that), the actual transition took place in 1989 when PRB was created, and these properties for which Housing Authority had borrowed loans were also transferred in PRB books. So we had this \$20 million that was transferred which was the outstanding balances in 1989 in FNPF records that were transferred to Housing Authority.

The mandate was, as has been elaborated as well, that PRB is to sell because it was not financially viable so they had to sell these properties to be able to pay off these loans. That is the brief history of these debts. Mr. Deputy Chairman, those debts have been fully paid as at 2012, so those debts no longer exist in PRB books. We are very thankful because the Government at that time stepped in 1998 and started to pay off these debts. Otherwise, PRB would have had no business, in the sense they would have to close operations but there was a real demand out there that was more than enough for the Government to see that we need to continue to construct flats because there is always going to be a rental market.

MR. DEPUTY CHAIRMAN.- Honourable Radrodro, I believe you wanted to ask first, if not then Honourable O'Connor.

HON. A.M. RADRODRO.- Mr. Deputy Chairman, just a bit of clarity on the properties that came with the loan in 2009 which properties are these particularly?

MR. A. KUMAR.- Those relates to all the properties that PRB has at the moment.

MR. P. VEU.- Thank you. We had properties in the Central Division, such as Raiwai (four storeys), Raiwaqa (four storeys), MacFarlane (the old three storeys), Kia Street, Charles Street (three storeys), Mead Road (three storeys), Reba Circle (single terraced buildings), Kalabu, Newtown and Makoi.

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

MR. P. VEU.- We have disposed some; in Makoi we have sold out 78 units, 74 units at Grantham Road and 26 units in Newtown. We have properties in Natokowaqa in Lautoka, Simla (three storeys), Golf Link (two storeys), Vakatora, Natabua and Namaka. Also in the Northern Division, such as Savusavu, Vunimoli, Naodamu and Tuatua. A total of 1,745 rental flats were transferred.

MR. A. KUMAR.- Mr. Deputy Chair, it adds up to about 20 estates that were transferred from Housing Authority.

MR. DEPUTY CHAIRMAN.- Sir, do you have a rough idea on the total valuation of the properties that you owned so far?

MR. P. VEU.- Mr. Deputy Chair, the market valuation is about \$40 million.

MR. DEPUTY CHAIRMAN.- That is good.

Without further ado, I would like just refer your attention to the issues and questions we have as per the Audit Reports, and I would like to request the Honourable Members to have this opportunity to raise and asked these issues.

The first one is regarding the Parliamentary Paper No. 30 of 2016. Honourable Member now you have the floor.

HON. RATU S.V. NANOVO.- Mr. Deputy Chairman, we do thank the presenters who are here this morning, even though they have already prepared answers to the question raised but we will keep on asking them in order for us to record all these answers.

On Part A - Financial Information, can they please provide details of the borrowings and also deferred revenue for 2009? Also please provide an updated status report on the issues raised by the Office of the Auditor-General (OAG) in respect of Part B - Controlled Issues - Items 5.4 and 25.9?

MR. A. KUMAR.- Mr. Deputy Chairman, Part A - Financial Information, information with regards to borrowings; these are the borrowings by Housing Authority that were transferred to PRB in 1989 and were paid on bi-annual basis over a 20 year period with the interest rates ranging from 7.095 percent to 8.375 percent. The Government started paying these loans in 1998 and it is now being fully paid in 2012.

With regards to the details on deferred revenue, Mr. Deputy Chairman, this relates to the grants received by Government for reconstruction of flats. As one of the Accounting Standards requires that this

grants be deferred over a period and over the cost of the buildings. This grants relates to those properties that were reconstructed in Newtown – the Kaukimoce Flats, Newtown Stage 2, Kia Street, Newtown Stage 3, Raiwai and Raiwaqa single storey terraced flats in 1997, Community Halls at Vakatora in 2005, Vunimoli and Natokowaqa Community Halls in 2008, the Kalabu Community Hall 2009, plus the Newtown, Simla and Golf Link Community Halls in 2011. As I mentioned, the revenues are brought into account over the period necessary to match the related cost of the buildings.

Part B - Control Issues: 5.4 - Arrears Management and Collection; the update that we will have to provide to the Committee, Mr. Deputy Chairman, is that we have an Arrears Recovery Action Plan and we do daily follow ups with our tenants who are in rent defaults. Forthe information of the Committee the arrears has reduced in 2009 by approximately 37 percent and rent arrears as at December 2015 stands at \$110,527 which equates to approximately 3 percent of the Total Operating Revenue. Those are the information of 2015, Mr. Deputy Chair.

MR.DEPUTY CHAIRMAN.- I am sorry, Kalo, do we have the responses?

(Copy of responses given to Mr. Deputy Chairman)

Thank you, you can continue.

MR. A.KUMAR.- There are few items, Mr. Deputy Chair, in Part B - Control Issues that I need to address.

The next items is item is 5.5 - Increases in Tenant Credit Balances. I must update the Committee that the credit balances has reduce by approximately 32 percent from year 2009 when this report was issued, to 2015. We are keeping proper reconciliations of all tenants and offset what we call in our system `an allocation` against the rent charge. In simple accounting terms would be, Mr. Deputy Chairman, the invoices that are appraised by any organisation, payments received are offset against that invoice.

We have a systematic way of charging rent, it is charged on a weekly basis in our customer accounts. We do not issue invoices because we got about 1,500 tenants and we charge weekly rentals, so it is a systematic way of charging but we do give them statements every quarter. When the payments are received, it is allocated against that rent charge to have a zero effect. So, that is the real time reconciliation done into the tenant database.

We have just updated our database last year. We have the latest MIS software which is able to provide that added process in our credit balance reconciliation, so we do not have an issue with regards to any credit balance reconciliations. The credit balances that we have in our tenant database are the genuine credit balances, and if you go down into detail, Mr. Deputy Chair, we would be able to provide details. I must also say that Government is also giving rent subsidy as well, so we have a criteria in place on rent subsidy.

MR. DEPUTY CHAIRMAN.- What is the portion of the subsidy?

MR. A. KUMAR.- The threshold is someone who is earning zero dollars a week, zero dollars in a year up to maximum of \$13,000, we have been increased that threshold recently.

(Inaudible)

MR. A. KUMAR.- That is the income, the threshold in order to qualify for subsidy.

MR. DEPUTY CHAIRMAN.- What is the subsidy like?

MR. A. KUMAR.- They pay a portion based on how much they earn, so if someone is earning \$100 they pay 5 percent which means they pay \$5 towards their rent. The rest is subsidised by Government. That is on the lower end. The maximum which is \$13,000 per annum which calculates about \$250 a week, they pay 20 percent of the income and the rest is subsidised through Government.

MR. DEPUTY CHAIRMAN.- The Government has a separate allocation as per the budget for....

MR. A. KUMAR.- That is right, Mr. Deputy Chairman. We have a one million allocation every year in the budget.

MR. DEPUTY CHAIRMAN.- \$1 million allocation.

MR. A. KUMAR.- Yes, Mr. Deputy Chairman.

MR. DEPUTY CHAIRMAN.- Just a supplementary question on 5.5, Sir, what was the main driving force behind this reduction of 32 percent? I mean, what were the changes and the reforms that made you achieve this?

MR. A. KUMAR.- Mr. Deputy Chair, we took heed from what the Auditor-General's Office reported, that we need to be seriously consider because that is a huge liability sitting in our books, so we have taken the bold steps in trying to reconcile the balances and refunding to tenants. Some tenants have the perception that we are a bank, we can keep the money safe in PRB records and get refund but as I said, we took heed from their advice and we are able to reconcile the accounts and reduce the balances. We had a balance running around \$700,000 in 2008, now it stands at \$412,000.

I must also update the Committee, Mr. Deputy Chairman, that at any given point in time we would have a credit balance of around \$300,000 because we have a policy that the rent needs to be, at least, a month in advance in the tenants' accounts.

MR. DEPUTY CHAIRMAN.- Honourable Radrodro?

HON. A.M. RADRODRO.- Sir, a supplementary question regarding rental for PRB customers, what is the standard rental rate? Is there a schedule rate that the PRB levies to each customer?

MR. A. KUMAR.- Mr. Deputy Chairman, the rates ranges, we have a range, the lowest is \$23 a week.

(Inaudible)

MR. A. KUMAR.- No, Mr. Deputy Chair, it is based on the location, the type of flat, the number of bedrooms, so it is based on what we can probably say is, the market factor. It ranges from \$23 to a maximum of \$92. These are the estates, what we call a sort of 'norm estates'. What I mean by 'norm estates' is, these are all freeholds properties with us and we are maximising the returns as much as we can to be able to be self-sustainable. Except for the Raiwai flats, the recent construction through the Chinese Exim Bank Loan, the rates are \$99 a week for one bedroom and \$111 for a two-bedroom because we are servicing a debt of \$9 million, so the rates need to be a bit higher to be able to service those debts. For Raiwai, an added information to the Committee is that the income criteria for them is a bit different, so that is the only estate for which we have a different way of categorising or allocating flats. Incomes are in the range from \$16,500 to a maximum of \$25,000 per annum.

MR. DEPUTY CHAIRMAN.- We will have a last supplementary question on that issue before we move on to the next one.

HON. RATU S.V. NANOVO.- Mr. Deputy Chairman, just another clarification; under the borrowing heading that loan that has been paid off in 2012, was it paid by the entity itself or by the Government?

MR. A. KUMAR.- By the Government, Mr. Deputy Chairman.

HON. RATU S.V. NANOVO.- You did not pay, not the PRB?

MR. A. KUMAR.- No, Mr. Deputy Chair.

HON. A.M. RADRODRO.- Mr. Deputy Chair, just a supplementary question on that rental arrangement; you mentioned that the fees that are levied by PRB is scheduled - legislated fees. What about the current or new one with the Raiwai flats, is it also a schedule legislative fees?

MR. P. VEU.- Thank you Mr. Deputy Chair. With the Raiwai flats the rent is based on the development cost and the ability for us to repay the Chinese Exim Bank loan to Government.

HON. A.M. RADRODRO.- What I am saying is that, the rent that is levied, is it a scheduled legislated fees that PRB applies to its rental or is it just a fee that is levied outside of the scheduled fees? You have your scheduled fees which you have to levy to your customers but whether that Raiwai fees is part of that levied fees or it is outside of the scheduled legislated fees?

MR. DEPUTY CHAIRMAN.- Before you answer, I just want to draw your attention, like supplementary questions were not given in written and you can see it hands on. So, the onus is on you whether you want to answer or not because we do understand that you also need some sort of preparation. It all depends on you, if not then you send us a written submission.

MR. A. KUMAR.- Mr. Deputy Chair, I may be able to respond. What we call legislated rates in PRB is those that the Board of Directors approve, and I hope I have interpreted the question correctly. For Raiwai, the Board of Directors has also approved those rates because of the reasons that we have given because it is a loan and we are servicing that loan. The tenant needs to meet an income test first and there are other criteria in terms of household numbers that would be able to stay with us and all that. Yes, those are the rates levied by the Board of Directors and it is not an ordinary mandate of PRB to charge those rates. There is a reason behind those rates so it is legislated within PRB.

HON. A.M. RADRODRO.- Those customers at Raiwai are not subsidised?

MR. A. KUMAR.- No, those customers are not subsidised. In fact it is not only Raiwai, we have two other estates where the customers are not subsidised. They fall in the normal legislated rate as well but they are not subsidised. These are McFarlane and Kia Street estates. Going forward, any new estate constructions those estates will not be subsidised because Government has subsidised the construction cost, so we are not going to give rental subsidies. We do not want to have a situation of having double dipping, Mr. Deputy Chair. We maintain our rent to be at a lower level but with no subsidy.

MR. DEPUTY CHAIRMAN.- Thank you. We move on to 5.6?

HON. RATU S.V. NANOVO.- Mr. Deputy Chair, still on 5.4 - Arrears Management and Collection; we noted that in 2009 you managed to collect only 37 percent of your rental arrears. Is there

any target that you normally put in on annual basis in order to match up with your income that you should be getting in order to meet up with your commitment?

MR. P .VEU.- We have a current target of 97 percent. I believe in 2009, the collection was over and above 100 percent because we managed to reduce the arrears by 37 percent. In order to do that, the collection should be above 100 percent in order to collect the rent, plus the arrears that is there.

MR. DEPUTY CHAIRMAN.- On 5.6, I think we have deliberated more than enough on those two. Honourable Nanovo, you could continue with 5.6.

MR. A. KUMAR.- Mr. Deputy Chair, we can carry on 5.6?

MR. DEPUTY CHAIRMAN.- Yes.

MR. A. KUMAR.- With regards to 5.6 - Working Capital Deficiency, Mr. Deputy Chair, we have put in efforts to ensure that the cashflow situation improves. The working capital is in surplus at the moment from \$2.4 million as at December 2015. We have turned around that situation, the deficiency of 2009.

MR. DEPUTY CHAIRMAN.- Supplementary.

HON. RATU S.V. NANOVO.- That surplus working capital is very encouraging. How do they keep it, they keep it within the system or you do term deposit to safeguard or how do you keep it?

MR. A. KUMAR.- We always maximise returns for PRB, so it is all sitting in term deposits, Mr. Deputy Chair.

MR. DEPUTY CHAIRMAN.- That is a very encouraging comment from a former banker.

MR. A. KUMAR.- Thank you.

MR. DEPUTY CHAIRMAN.- Yes, 5.7.

HON. A.M. RADRODRO.- Mr. Deputy Chair, just a question for the Auditor-General; can they confirm whether this is reflected in their latest audited Financial Statements?

MS. F. NAGERA (OAG REP.).- Mr. Deputy Chair, through you, I can confirm that the working capital is in surplus but I do not have the 2015 Financial Statement to recalculate that but I would accept the \$2.4 million that is being provided by the Finance Manager for Public Enterprises. So, the working capital deficiency issue is no longer exists as of 2015. We have also finished the audit for 2015 but I cannot confirm the exact amount. I need to look at the Financial Statement.

MR. DEPUTY CHAIRMAN.- It is alright, you can forward us when you confirmed that by looking at the Report

We move on to 5.7.

MR. A. KUMAR.- Mr. Deputy Chair, on 5.7 - Amortisation of Deferred Income, we have provided the schedules and it is always prepared for annual audits.

MS. F. NAGERA (OAG REP.)- Mr. Deputy Chair, I think the issue is not about them providing the schedule, it is about properly reconciling the amount that goes into deferred income with depreciation, and for which particular asset. It is all accumulated but for which particular asset, that is the detail that is lacking.

MR. DEPUTY CHAIRMAN.- I might have a supplementary question at the end of the session regarding depreciation, so I will just hold on to that for a while. Are there any more supplementary questions on 5.7, Honourable Members, before we move on to 5.8?

HON. A.M. RADRODRO.- Just a note for PRB on the issues that have been reconfirmed by the Office of the Auditor-General (OAG).

MR. A. KUMAR.- We have noted it, Mr. Deputy Chair, and we will be able to discuss it afterwards.

MR. DEPUTY CHAIRMAN.- Whatever the outcome of the decision is just let our Secretariat know. On 5.8, Sir?

MR. A. KUMAR.- On 5.8, Mr. Deputy Chairman, with regards to access rates over the payroll system to be restricted; we can confirm that except for the Manager Finance and Administration, the other staff as mentioned in the report never had access to the payroll module. However, following the recommendation from the Office of the Auditor-General, the access for Manager Finance and Administration was also removed so he does not have access to payroll, Mr. Deputy Chairman.

MR. DEPUTY CHAIRMAN.- OAG, why does that seem contradictory as per your report?

MS. F. NAGERA (OAG REP.)- Mr. Deputy Chair, the 2009 audit was contracted out. I guess this issue will probably come about through observation during the actual audit conduct.

MR. DEPUTY CHAIRMAN.- It must have been a practical experience.

MS. F. NAGERA (OAG REP.)- Yes, but we take explanation that internal control has improved.

MR. DEPUTY CHAIRMAN.- On 5.9?

MR. A. KUMAR.- On 5.9 with regards to employee benefits not in accordance with IFR, Mr. Deputy Chairman, again I confirm that we have complied with the International Accounting Standard 19 with regards to disclosure and the actuarial basis calculations for long service leave. They were discounted using the Government bond market rates. It was an issue during the audit raised to us with regards to

MR. DEPUTY CHAIRMAN.- OAG?

MS. F. NAGERA (OAG REP.)- Mr. Deputy Chair, this issue has been resolved. This was the 2009 and it has been resolved.

MR. DEPUTY CHAIRMAN.- It is noted, thank you. Parliamentary Paper No. 31 of 2016?

HON. RATU S.V. NANOVO.- Mr. Deputy Chair, still on 5.8....

MR. DEPUTY CHAIRMAN.- You have a supplementary question?

HON. RATU S.V. NANOVO.- Yes, a supplementary question on that one; if the Manager Finance and Administration is not allowed to look into that information, then who else can look into that because he is the man who should be in-charge in that area? Who is doing the job at the moment?

MR. A. KUMAR.- We would like to ask that question to OAG. Mr. Deputy Chairman, we have got our Human Resources (HR) Department who actually processes the payroll but the HR Department falls under Manager Finance and Administration. We had shared the same sentiments with the audit team, unfortunately the issue was brought into the report. If you do not action it, we would always be having that issue going forward.

MR. DEPUTY CHAIRMAN.- This is just a personal experience I am sharing. My wife was also a Compliance Manager but she also did not have access to payroll. The Human Resources Department was falling under her. So, if you can enlighten us on policies in regards to that, why do some entities have...

MS. F. NAGERA (OAG REP.).- Mr. Deputy Chair, I think if the Honourable Members and PRB can refer to the issue on 5.8, the recommendation was not about restricting the access to the Manager Finance and Administration but it was restricting the access rights on payroll system. We did not particularly mention the Manager Finance and Administration. That was the move from PRB, it was not a recommendation from OAG.

MR. DEPUTY CHAIRMAN.- So, we will omit that from your submission and for your benefit, you can just rectify that. Is there any more supplementary question before we move on to Parliamentary Paper No. 31 of 2016?

HON. RATU S.V. NANOVO.- On 5.8, based on this recommendation here, they have every right to look into that, as long as the Manager Finance puts some controls into that.

MR. DEPUTY CHAIRMAN.- The Ministry of Public Enterprises in terms of policy, can you enlighten us on this?

MS. L. BOLALEVU (MPE REP.).- Mr. Deputy Chair and Honourable Members, policy and operational issues such as the one that is being discussed is really left to Management and the Board.

MR. DEPUTY CHAIRMAN.- It is the Management and the Board?

MS. L. BOLALEVU (MPE REP.).- Yes.

MR. DEPUTY CHAIRMAN.- So, I think you have to refer to your Management and the Board because the OAG is saying that it was not a decision from them. You can just note that down but what Honourable Nanovo is portraying, I think that is also correct whereby the Manager Finance should have the access. Please note that and probably this is an internal matter that you can discuss within your entity.

MR. V. PEU.- Thank you, Honourable Deputy Chair.

MR. DEPUTY CHAIRMAN.- On behalf of the Committee and from the Ministries, we feel that you should have the access. Probably, you can inform your Directors internally that this is what we have suggested. Do you have a question?

MS. F. NAGERA (OAG REP.).- Mr. Deputy Chair, just a comment to that; I believe it is an internal control issue for the Committee (I not sure I can say this) to say that the Manger Finance should have access

to it. I think the Committee should have the complete picture to the issue because if Manager Finance has the responsibility to making the decisions on the pay rates or if there is supposed to be a separation of duties

MR. DEPUTY CHAIRMAN.- Separation of duties?

MS. F. NAGERA (OAG REP.).- Yes. I am just advising the Committee in making that remark, that the Manager Finance should have access. If I can state that

MR. DEPUTY CHAIRMAN.- As far as you are concerned, you want to be ...

MS. F. NAGERA (OAG REP.).- If the Manager Finance has got duties with regards to payroll that may impact on what goes into the actual payroll system, it is what we call 'the separation of duties' so that conflict of interest is not affected, et cetera. It minimises the risk of interfering or manipulating with payroll data. I am just advising the Committee on making that remark.

MR. DEPUTY CHAIRMAN.- Alright but but I will stand on my remark because Manager Finance should have access. What do you think?

HON. RATU S.V. NANOVO.- Based on what I am assuming to be done in here, by that time the Manager Finance and all the payroll system had already been worked out. If there is any changes, the Board has to approve it. Only then, then it comes back to you. You can just keep working on that, you cannot change that.

MR. DEPUTY CHAIRMAN.- I will take back that comment because I have had some experience with the Manager Finances and they do have this so I am just quite surprised. You are surprised as well, so perhaps that is an internal matter. I take back that comment and you can just discuss with your Board of Directors as to why that is pertaining. Are there any more questions?

HON. A.M. RADRODRO.- Mr. Deputy Chairman, just in relation to the Board of Directors, can the PRB inform us who are current Board of Directors for PRB?

MR. A. KUMAR.- Mr. Deputy Chairman, we have got four current Board of Directors and their names are: Mr. Umarji Musa who is the Acting Chairman, we still do not have a Chairman. The other three Directors are Mr. Nesbitt Hazelman, Chief Executive Officer (CEO) for Fiji Commerce Employees Federation; Mr. Rovin Pamal one of the Principals at the HLK Jacobs; and Mr. Craig Strong, who is the General Manager at Pacific Shipping Services.

HON. A.M. RADRODRO.- What is the minimum requirements for the PRB?

MR. A. KUMAR.- We need three to be able to form a quorum. The total Directors should be six but we have four, so they are able to form a quorum, Mr. Deputy Chairman.

MR. DEPUTY CHAIRMAN.- I think we have deliberated quite a lot on that Parliamentary Paper. We will proceed to the next one and that is, issues raised as per Parliamentary Paper No. 31 of 2016. Honourable Radrodro?

HON. A.M. RADRODRO.- Thank you, PRB. On the audit for 2010, Parliamentary Paper No. 31, the audit opinion the Board's attention was drawn to the unexplained difference of \$29,000. Has the Board resolved this unexplained difference?

Secondly, \$314,000 was incurred in the demolition of the Raiwaqa four-storey flats and the relocation costs accounted to \$372,995. What are the PRB's plans for the rebuilding of Raiwaqa flats and also the updates on the audit issues that are highlighted from 11.4 to 11.9?

MR. A. KUMAR.- Thank you, Mr. Deputy Chair, I will address the first part with regards to the unexplained difference, and the other part with regards to the plans for Raiwaqa, I will ask our Acting General Manager to address that.

With regards to the audit opinion - the unexplained difference of \$29,273, I must apologise that this was typographical error in the 2008 Accounts in the note disclosure for land and building. Unfortunately, for some reasons, Mr. Deputy Chairman, we had overstated that amount by \$29,000, otherwise the schedules were correct so that was a typographical error.

HON. RATU S.V. NANOVO.- Mr. Deputy Chair, while we are still on that, when the report is completed, who normally goes through the report again to ensure that it is correct?

MR. A. KUMAR.- Mr. Deputy Chairman, we would have expected that this was brought to our attention during the audit, unfortunately we missed that.

MR. DEPUTY CHAIRMAN.- Might have overlooked.

MR. A. KUMAR.- Otherwise, it would have been in 2008.

MR. DEPUTY CHAIRMAN.- So, we confirm that you are confirming to us that it was just a typographical error?

MR. A. KUMAR.- Yes, Mr. Deputy Chairman.

MS. F. NAGERA (OAG REP.).- Mr. Deputy Chair, when we got the response from the PRB, this morning we were trying to find out how this \$29,273 came about. So, we went back to the initial Financial Statement that was submitted for audit and to the audited Financial Statement. So, Note 6 is not tying up to the balances in the Income Statement, so we did a recalculation of both Financial Statements, the \$29,000 is still there as a variance. It is not a qualification, it was included in the Auditor's Report as an emphasis of matter so the Auditor-General is pointing out to the readers of the Financial Statement that there is a variance between the notes and what is stated in the Income Statement. So, it is not a qualification, it is an emphasis of matter because the Note and the Statement should reconcile.

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

MR. DEPUTY CHAIRMAN.- At the end of the day, the justification is coming that that was a typographical error.

MS. F. NAGERA (OAG REP.).- Mr. Deputy Chair, if I could also state that the Financial Statement belongs to PRB, it is not the Financial Statement of the Auditor-General and the ownership is with PRB.

HON. RATU S.V. NANOVO.-It is just an oversight.

MR. A. KUMAR.- Oversight, Mr Deputy Chairman, from both parties.

MR. DEPUTY CHAIRMAN.- No. If we will deliberate on that, I believe, we will keep on having arguments so let us reach a solution. You could provide us with the correct facts and figures.

HON. A.M. RADRODRO.- Just a final comment on this particular issue; was this the same Board that was there or it has changed?.

MR. A. KUMAR.- No, Mr. Deputy Chair, a different Board at that time and now.

MR. DEPUTY CHAIRMAN.- That is the recommendation coming from your....

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

MR. DEPUTY CHAIRMAN.- We move on to 11.2.

MR. P. VEU.- We have been working on these two sites, not only the site on the Grantham Road but the rear site also for a master plan. Expressions of interest will go out shortly but as from that time we demolished the buildings, we had submitted a conceptual design and it was turn down by Government.

MR. DEPUTY CHAIRMAN.- Why was it turned down?

MR. A. KUMAR.- May be because of the magnitude of the development. For this current Board we are working with one of the Directors who is an engineer to come up with a Terms of Reference for an Expressions of Interest.

MR. DEPUTY CHAIRMAN.- Honourable Members?

HON. A.M. RADRODRO.- Can you elaborate more on the proposed plan for Raiwaqa. Previously there used to be a four-storey flats in there and I think there is about four or five blocks. Is that concept still going to be maintained or is it going to be much more.....

MR. P. VEU.- The Board is looking at something like a mixed use development to have a small commercial operation also on the site with rental, not only for that Grantham Road site but there is another site at the back which is 5 acres..

MR. DEPUTY CHAIRMAN.- Those commercial and rental properties if I may ask, they will be on the same site?

MR. P. VEU.- That is correct, Sir.

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

MR. P. VEU.- No, it will be sort of a mix-used development to have commercial activities together with the rental, maybe on the ground floor, then the parking area and then the rental units at the upper floors.

HON. A.M. RADRODRO.- Just a follow up on that, do you have a certain number of tenants that used to live there around Raiwaqa totalled around 2,000?

MR. A. KUMAR.- We have 165 rental flats.

HON. A.M. RADRODRO.- Is that number going to be maintained or increased, what is the vision?

MR. P. VEU.- We are looking at increasing the number of rental units and the light commercial activities as well.

HON. RATU S.V. NANOVO.- That joint commercial and rental flats coming into place now, do you think that your targeted people will be able to pay the rent?

MR. A. KUMAR.- Yes, Sir, we are targeting a rent ceiling of \$50 a week, that is something that the Government has placed on us, that we must look at affordable rent.

MR. DEPUTY CHAIRMAN.- Sir, I am requesting you to continue - 11.4.

MR. A. KUMAR.- 11.4, Mr. Deputy Chair, the other items raised with regards to Arrears Management and Collection, we would probably be reporting the same as was reported earlier on as well.

11.5 - Increase in Credit Balance; again, the same sort of reports will be given, Mr. Deputy Chair.
11.6 - Fixed Assets Register; I must say, Mr. Deputy Chair, that the anomalies raised during the transition of the new Accounting Standards has been resolved. However, please note that there is another issue with regards to zeroing the balances in PRB books. The assets are all cashed on rating units of PRB and we have got income associated. So, to zero that off would not be a good way moving forward.

Another issue with regards to lease numbers, et cetera, for verification during Audit, we have that all sorted out in our new database so we should not have any issues because all the lease numbers are tagged with the assets.

MR. DEPUTY CHAIRMAN.- You can continue, Sir.

MR. A. KUMAR.- 11.7 - Reconciling Amount \$81,000 in Fixed Assets Register: This reconciling amount was transferred in 1989 without any proper supporting documents so it is going to be difficult for us to ascertain the breakdown of this \$81,000 that is able to reconcile the Land and Building.

MR. DEPUTY CHAIRMAN.- That is the 1989 issue.

MR. P. VEU.- That is right, Mr. Deputy Chair.

MR. DEPUTY CHAIRMAN.- That is understandable, you can proceed.

MR. P. VEU.- 11.8 - Valuation of Properties: This evaluation, Mr. Deputy Chair, was carried out in 2010 and it was not for the purpose of doing any appreciation or moving on to any other new accounting method. It was specifically undertaken to carry out or ascertain the market rental of the properties. As I mentioned earlier on, the total value of PRB inventories is around \$40 million against in our Financial Accounts is sitting at around close to \$20 million. With the Rental Assessments done, Market Rental Valuations undertaken to be able to give a fair distribution and fair idea to Government precisely how much subsidy we need to distribute because we will be charging them the market rentals, tenants pay a lower rental and the difference is through Government subsidy.

MR. DEPUTY CHAIRMAN.- That is what I wanted to ask you but I think I notice you are elaborating on that, so you can continue.

MR. A. KUMAR.- That was the whole purpose of doing evaluation valuation. Whilst we would have spent around \$15,000 to \$25,000 getting a valuation done, at the same time we said; "Alright, let's test the market. How much properties are valued in the market?" In accounting, Mr. Deputy Chair, we are

not our fixed assets at fair valuation, we are recording them at cost basis. Then there is accounting standards that deals with e-payment. You carry out an e-payment test and all that. You only do adjustments Mr. Deputy Chair, in accounting standards, we have the experts here. If your valuation in the books is lower than what the market is, then you do an e-payment loss, et cetera, but here we are appreciation. I mean, the market valuation always be that the property's value of land and building always appreciates, so if you fully comply with that accounting standard then the depreciation will surely come in. Then then the accounting standards are not, in my view it depends on how you interpret it, it is not there to kill the entity, it is there to thrive the entity. So, if you get a valuation done and move into fair valuation, you are going to have a problem. We are not that financially stable to be able to sustain that move.

MR. DEPUTY CHAIRMAN.- And because you have a social responsibility as well..

MR. A. KUMAR.- Exactly, Mr. Deputy Chair.

MR. DEPUTY CHAIRMAN.- You cannot operate like a full commercial rental business.

MR. A. KUMAR.- No.

MR. DEPUTY CHAIRMAN.- Otherwise, the social responsibility and that primary aim will not be there.

Honourable Members, any questions?

HON. A.M. RADRODRO.- Mr. Deputy Chair, did you express your view to the Fiji Institute of Accountants because now they have changed the policy completely...

MR. DEPUTY CHAIRMAN.- Yes.

HON. A.M. RADRODRO.- ...which will not accommodate your opinion on whether with that will continue to be an ongoing audit issue highlighted by the Auditor General, especially as you explained your social responsibility or else on one side, is the accounting policies and standard that need to be adopted for your institution to make sure that it complies with the reporting standard.

MR. A. KUMAR. - Mr. Deputy Chair, I do not think that would be an issue because our basis of method recognition is cost basis. Unless and until you move on to Fair Evaluation, then it is mandatory that you need to do valuation every three years and then do an appreciation or depreciation - downward movement but it is not going to be an issue moving forward. We are recording that on cost basis.

MR. DEPUTY CHAIRMAN.- Ministry of Public Enterprises, I think this is a very special policy issue, if you could elaborate more on that because as far as we are concerned, land always appreciates and the places where the properties of PRB are situated, they have considerably very high market value. Is there any special policy or consideration in terms of the social responsibility?

MS. L. BOLALEVU (MPE REP.).- Mr. Deputy Chair and Honourable Members, there is no policy from the Ministry but it is expected that the recording and accounting for all assets such as those would follow the generally-accepted accounting practices.

MR. DEPUTY CHAIRMAN.- Generally, that is right.

MS. L. BOLALEVU (MPE REP.).- In this case, probably IFRS.

MR. DEPUTY CHAIRMAN.- That is right.

MPE REP.- Mr. Deputy Chair, I forgot to mention that the issue that is raised in the report valuation, the heading is valuation but the content talks about deferred revenue. So there is some confusion, if you talked about the deferred revenue issue earlier as well.

MR. DEPUTY CHAIRMAN.- No, I am just talking in general in regards to the valuation. That is alright.

MR. A. KUMAR.- I have noted.

MS. F. NAGERA (OAG REP.).- Mr. Deputy Chair, I just want to state that I agree with Manager Finance from the Ministry of Public Enterprises. The heading is valuation of properties but the content is actually about deferred income, so it is not about valuation of PRB properties, like what he was explaining.

MR. DEPUTY CHAIRMAN.- That is something to think about - the valuation, the social responsibility and obviously, land appreciates. Yes, you may continue, Sir.

MR. A. KUMAR.- Mr. Deputy Chair, Item 11.9 - Repayment of FNPF Bond; this bond was paid, again, by Government in 2004 and it has been sitting in our books since then. However, we update the representatives from their Committee, is that we are not financially stable to be able to pay this bond to Government. They have asked us to pay that \$1 million bond....

MR. DEPUTY CHAIRMAN.- \$1 million.

MR. A. KUMAR.- ...but we are not financially stable to be able to pay that at the moment.

MR. DEPUTY CHAIRMAN.- At the moment?

MR. P. VEU.- We anticipate, perhaps moving forward if the contemplating merger of Housing Authority and PRB eventuates, that this issue would be addressed at that time.

HON. A.M. RADRODRO.- At the moment, it is part of the loan that was transferred from Housing Authority?

MR. A. KUMAR.- That is right, Mr. Deputy Chair. The Government, when it started paying in 1989 they were paying these bonds in portion as well and the loans got fully paid in 2012 but we had an outstanding of \$1 million as the bond. That was a call on Government guarantee through FNPF and Government paid in 2004. That bond was due in 2004 and Government paid in 2004.

MR. DEPUTY CHAIRMAN.- Honourable O'Connor?

HON. A.D. O'CONNOR.- Thank you, Mr. Deputy Chair. Similarly, you have given us the sort of breakdown and remarks on each of the different queries so I would ask if you could just continue and if we have supplementary questions, we will ask the supplementary questions for the benefit of our Hansard Reporting.

MR. A. KUMAR.- Thank you, Mr. Deputy Chair. I think we have finished with regards to Parliamentary Paper No. 31, can we move on to Parliamentary Paper No. 39? The question that was asked to us for clarification is; what is the criteria and threshold of recipients?

MR. DEPUTY. CHAIRMAN.- I think you have explained that already.

MR. A. KUMAR.- We have explained that in detail.

MR. DEPUTY. CHAIRMAN.- We will omit that.

MR. A. KUMAR.- The 2010 and 2011 Audit Qualification; apparently, Mr. Deputy Chair, we noted that the accounts were not qualified. We had an unqualified Audit Report in all those years.

MR. DEPUTY CHAIRMAN.- OAG?

MS. F. NAGERA (OAG REP.)- I concur with that, it was an unqualified report. There were no qualifications highlighted in the report to Parliament on that 2010 Accounts.

MR. A. KUMAR.- Thank you. Moving on, Mr. Deputy Chair, Item No. 9.4 - Prior Period Adjustment; those errors have been corrected and they did not occur any more.

With regards to Item No. 9.5 - Accumulated Depreciation Value between the Fees Register in the GL, again, the variances have been corrected and those differences do not occur any more.

Item No. 9.6 - Bonding of Officers to study bonds to be signed prior to studies been undertaken, Mr. Deputy Chair, the Management Staff have already served the mandatory bond of three years after completion of their studies as stipulated in our HR Policy.

MR. DEPUTY CHAIRMAN.- Maximum.

MR. A. KUMAR.- We must also update the forum, Mr. Deputy Chair, through you is that, the recommendation here was that we get the bond signed from day one undertaking their studies, however these officers were not doing studies full-time but in fact they were doing their studies on part-time basis and it was after hours. Therefore, having a bonding prior to them proceeding on studies was not required because they were doing part-time studies and after completion according to our HR Policy, then they would go on into a bond which they have served and we are still here.

HON. A.M. RADRODRO.- What is the bonding based on, is it based on the costs incurred by the company or the term of study or what is it?

MR. A. KUMAR.- It is based on their term of their studies. If you have taken a year and a half or two, minimum is three years but it is pro-rata, so depending on how long it takes (the duration) for you to complete your studies, then the bonding policy applies.

MR. DEPUTY CHAIRMAN.- Item No. 9.7.

MR. A. KUMAR.- Mr. Deputy Chair, Item No. 9.7 - Purchase of Motor Vehicle for managers; the Board should comply with the guidelines of Public Enterprises. We would like to update the Committee that the Executive Management contract requires that they would be given a motor vehicle full time. We, as an organisation, we are not that huge to be able to sustain that capital expenditure upfront and it is used for dual purposes. Again, we killing two birds with one stone, we get a vehicle, we get the managers to use it full-time, after hours and we also get them to use for official purposes. Based on that justification, our Board of Directors agreed that we would go ahead and, so to speak not to follow the guidelines because we cannot sustain that capital expenditure.

MR. DEPUTY CHAIRMAN.- Which is exactly the reason why I was asking the Ministry of Public Enterprises whether there is some special policy. If you could enlighten us on this issue, the Vehicle for Managers policy?

MS. L. BOLALEVU (MPE REP.).- Mr. Deputy Chair and Honourable Members, the Ministry would be guided by the Higher Salaries Commission Act then and the HSC Revocation Decree now, which would have provided the policy on this. But we note the use of the General Manager vehicle which was not only for the exclusive use of the GM but also for the staff, but we note the use of the General Manager's vehicle which was not only for the exclusive use of the General Manager but also for the staff, given the size of the organisation.

MR. A. KUMAR.- 9.8 - Breach of Tender Process; the Board should comply with the tender process. This was in regards to sale of motor vehicles. We update that Bidder 1 who provided the highest bid was only interested in buying one vehicle. Our agency was to sell all the vehicles at once rather than waiting for too long, we would lose the market value. So, that was our intention and we provided our justifications to the Board of Directors and they were satisfied with the returns that PRB was getting because we had the highest bidder only interested in buying one vehicle and the other bidders were far lower than the fourth bidder, who apparently did not submit in time for the closing of the tenders.

Moving on to the next question, general questions have been asked. How is the rent calculated? I think we have responded to them unless there are some other questions that we would be able to answer but I will just quickly update you on that.

We collect through direct deduction at source, through direct deposits by tenants in the PRB bank accounts and through cash payments by PRB offices and agencies. Post Fiji is one of the agents of PRB, they were collecting rents on PRB's behalf and we go around into our properties on specific days and collect physically from the tenants.

MR. DEPUTY CHAIRMAN.- Just on the method of rent collection where you collect physically, do your staff face problems whilst they are doing that? For example, collection of rents physically from the door because my opinion would be that is that it is not a good way to collect rent.

MR. P. VEU.- We do this when the tenants do not respond to notices. We have to go out and physically collect the rent.

MR. DEPUTY CHAIRMAN.- But that is not your primary method of collection?

MR. P. VEU.- No. In allocation we try as much as possible to allocate to those who can deduct directly from source.

MR. DEPUTY CHAIRMAN.- So, if you could just elaborate in there that this is when the rents are not coming on time, you have to go physically door-to-door to collect rent.

(Inaudible)

Actually this was a request from me to have a look at a sample of the tenancy agreement. I was going over the agreement, in regards to insurance if you could elaborate more on that. How does it work? It is not clearly stated there.

MR. A. KUMAR.- With regards to insurance of properties, Mr. Deputy Chair?

MR. DEPUTY CHAIRMAN.- Insurance of properties, especially the residential ones because it is more so like a terrace apartment development. In case there is a fire from one of the resident, how does your insurance cover that?

MR. A. KUMAR.- Mr. Deputy Chair, to update that we do not have an insurance on all the properties. The insurance premiums are quite high for PRB to sustain, it is around \$60,000 per annum.

MR. DEPUTY CHAIRMAN.- So, some of them are not insured?

MR. P. VEU.- Not insured, we have made a move forward to ensure all new properties, starting with the Raiwai properties. Only the Raiwai property is insured at the moment for fire and moving forward any new developments which will be the Kalabu, Savusavu and Simla, we will have the insurance because that is one of the requirements with the insurance industry.

MR. DEPUTY CHAIRMAN.- Because compliance is becoming a very important issue, insurance is one of them.

HON. A.A. O'CONNOR.- Mr. Deputy Chair, just a question, the insurance cover, will that cover your property or you are speaking on behalf of the tenants, a cover for the tenants?

MR. A. KUMAR.- Mr. Deputy Chair, it is the insurance of our properties. We are not here talking about ...

HON. A.A. O'CONNOR.- (Inaudible)

MR. A. KUMAR.- Yes.

MR. DEPUTY CHAIRMAN.- Ministry of Public Enterprises, anything about the insurance policy?

MPE REP.- No.

MR. DEPUTY CHAIRMAN.- So, that is something to think about. In entities like this, how we can work on the insurance, especially those who are more so providing a social responsibility because nonetheless, you have a valuation of \$40 million on your properties, so insurance becomes some sort of....

MR. A. KUMAR.- And, Mr. Deputy Chairman, they would insure on the market valuation. That is why the premium is quite high and then they have other conditions attached which is the minimum excess levy and all that. If one or two flats get damaged in a fire, it only cost you about \$5,000 or \$6,000 to repair if it is not fully destroyed and you would had to pay excess of around \$40,000 to \$50,000. So, the cost benefit analysis does not really suit PRB in that.

MR. DEPUTY CHAIRMAN.- Because I am sure there will be a paradigm shift in terms of the nature of the buildings and the apartments that you will be making, not like before.

MR. A. KUMAR.- No, Mr. Deputy Chairman.

MR. DEPUTY CHAIRMAN.- When you see the Raiwaqa ones, like I said, it looks very lucrative, so insurance does become an issue.

HON. A. M. RADRODRO.- On this threshold, you said \$317 per week or \$16,500 per annum; is that the threshold for including the developments in Raiwai?

MR. A. KUMAR.- No, the Raiwai developments are \$16,500 to \$25,000 per annum. This threshold is the norm threshold for the PRB, I must say. Those are the legislated rents that we were saying earlier.

MR. DEPUTY CHAIRMAN.- This is just a sample.

HON. A.A. O'CONNOR.- Mr. Deputy Chair, if I may, with regards to the tenancy agreement on Item 11 and I quote: "Unless expressly agreed to by the Board, the tenant(s) shall have not more than 2 adults and not more than 3 children on the premises and shall, at all times, be responsible to the Board for the conduct and behaviour of all those who live in and occupy the premises." Is that being adhered to?

MR. P. VEU.- Sir, we try as much as we can to adhere to the agreement but in some cases, there is overcrowding in our flats and it is sometimes quite difficult for us to remove the tenants but try and see how we can go around that, relocate part of the family somewhere, so that we are within the Agreement.

HON. A.M. RADRODRO.- Sir, one final question regarding the new Raiwai flats. The setting of the threshold, we note that there are some tenants in there who are having other accessories with them, for example, TV, motor vehicles which are parked outside, et cetera. How do you ensure that you are carrying out your role as per your legislation in terms of providing affordable housing to the people who cannot afford and satisfying to ensure that these particular tenants are not selective and it is not open to all where people can afford to pay more rather than capitalising on these tenants and grades that are being issued by PRB?

MR. DEPUTY CHAIRMAN.- As I said for supplementary questions, the onus lies on you. You can always send us a written response.

MR. P. VEU.- We did mention, Mr. Deputy Chair, that there is a ceiling to it of \$25,000 maximum. Why we have raised it from \$317 or \$16,500 per annum, to \$16,500 up to \$25,00 is merely because of the servicing of the debt from the EXIM Bank but the ceiling is strictly on \$25,000.

(Inaudible)

MR. P. VEU.- The gross household income of those who are employed.

MR. DEPUTY CHAIRMAN.- Thank you Honourable Members and I thank you gentleman for a rather interesting and very informative presentation.

(Vote of Thanks by Mr. Deputy Chairman)

MR. DEPUTY CHAIRMAN.- Honourable Members, we will meet 2.30 p.m.

(Mr. Veu thanked the Committee on behalf of PRB)

The Committee adjourned at 1.07 p.m.

The Committee resumed at 2.40 p.m.

Submittee: Fiji Higher Education Commission

In Attendance:

1. Ms. Salote Rabuka - Director
 2. Mr. Milan Raniga - Senior Accountant
 3. Mr. Epeli Lesuma - Graduate Trainee
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MR. DEPUTY CHAIRMAN.- Honourable Members, good afternoon. I am sorry for being late, I was in the Fiji Airways Office and as I was about to purchase the ticket, I got the call so I have to rush back.

We have before us the officials from Fiji Higher Education Commission and they are: Ms. Salote Rabuka, the Director; Mr. Milan Raniga, my old friend who is the Senior Accountant and Mr. Epeli Lesuma is a Graduate Trainee. I welcome you officials to this Committee. For the benefit of your information, I will just briefly introduce my Committee Members and other officials present here.

(Introduction of Honourable Members and other Officials by Mr. Deputy Chairman)

Before we start with the actual process of submission and that is the raising of issues questions and concerns, I would like to give this opportunity to welcome your institution once again and please, if you could introduce yourselves to the Committee and give us a brief background of the Higher Education Commission for the benefit of our Committee.

MS. S. RABUKA.- Thank you very much, Mr. Deputy Chairman. Thank you very much for your kind words of welcome to us this afternoon. A big *bula vinaka* to the rest of the Honourable Members of the Public Accounts Committee.

I am Salote Rabuka. I have been with the Commission since it started way back in 2010 with the commencement of the Higher Education Promulgation 2008. That was when the Commission was first established. I have been there since, and the Commission has 11 mandated functions basically to Quality Assure High Education in Fiji and ensure that the output of higher education meet the needs of the nation in terms of a sustainable economy and in terms of acquiring for individuals in this country, a better quality life.

We are also here, of course, for other nations, our countries in the region because we are very much aware of labour mobility. The Commission also administers and manages the Fiji Qualifications Framework which makes up quite a major part of its work now, apart from regulating Higher Education Institutions, ensuring that they operate according to the minimum standards that are set by the Fiji Higher Education Commission.

We are governed by the Promulgation of 2008. We are also governed by two subsidiary legislations - the Higher Education Regulations 2009 and the Higher Education Qualification Regulations 2010. I think that is basically a brief introduction, Mr. Deputy Chairman, and I will ask Mr. Raniga to introduce himself.

MR. M. RANIGA.- Thank you Director. I recently joined the Commission say about two months ago. Before this I was in private sector for about a good six years. Before that, pretty much I was in the chartered environment for say, about another five years.

MR. DEPUTY CHAIRMAN.- I am very sorry, your name does not appear clear on my list.

MR. E. LESUMA.- *Bula Vinaka*. My name is Epeli Lesuma. As Madam Director had said, I am a graduate trainee with a Fiji Higher Education Commission. I have been with the Commission for one year. Prior to that, I was studying at the University of the South Pacific. *Vinaka*.

MR. DEPUTY CHAIRMAN.- Thank you, officials from the Fiji Higher Education Commission for another good introduction. We do understand that this is the first entity that we are having this session with, that has got totally social responsibility and that is providing education. It is not a business entity in nature but we were quite surprised to see that your organisation falling in our Audit Reports. So, as per the work of the Committee, we have to call for submissions from all the entities that are appearing on our Parliamentary Paper.

I think Higher Education Commission Report fell on Parliamentary Paper No. 40 of 2016. I am sure that your team is ready to just give us some highlights of the issues that were prevalent in respect of the issues raised as per the Office of the Auditor General's Report. This will be more so like a positive discussion session and we would like to just know more about if the issues raised as per Parliamentary Paper No. 40 of 2016 of your Audit Reports, how they have been addressed, what were these issues that came into your limelight, what are the recommendations and future recommendations that you are having. We did not ask any specific question because we believe it is not a business entity in nature, more so, like a social entity.

Without further ado, I will request your team whoever finds it necessary to address us on the issues, to take the floor.

MS. S. RABUKA.- Thank you, Mr. Deputy Chair. I hope we will be looking at the same page on this. I have got a page in front of me. As I had said earlier, the Higher Education Promulgation commenced in 2010 and as a result of that, the Higher Education Commission was appointed in February, 2010.

As we were just starting up, our financials were still handled by the Ministry of Education. I was in the Ministry of Education, we brought in a few other people and we were just starting, so we started off with actually just two on the staff and then the staff number slowly increased. The financials of the Commission were handled by the Ministry of Education.

There was an audit conducted in 2010. There was, indeed, a qualification and that was due to the Ministry of Education's actions as it was primarily responsible for the grant for which we were to operate. It had authority over the grant. In terms of the issues that were raised by the OAG, those issues were really actions that were taken by the Ministry of Education without consulting with us, and this has been acknowledge by the OAG themselves. But we would like to state as we had stated to the OAG that we basically appreciated the issues that were identified but we are happy that the actual details of that were also revealed and we did verify that the action was solely the Ministry of Education's. I do not know if the details of those are with you but that is the explanation basically that we have got to offer with regards to that.

It did lead to an understated accumulated funds and also overstated expenses. That was basically what all of that lead to but we have offered our own management comments on that and it says, as I have stated, that we appreciate this.

“The unidentified expenses incurred in 2010 as ledger reconciliations were not performed due to the rotation of staff and officers. They lack familiarity of the conditions but at the same time, the FHEC was not in a position to prevent the expenses as the Ministry of Education had its control of the und and it did not have to seek approval of the FHEC to incur the expenditures.”

That is the explanation that we have to give for that one - qualification.

We have noted all the recommendations made on that and I can assure you, Sir, that on 2011 we were able to setup our own finance unit and we were also able to set all the internal controls and all of that to avoid any repetition of what had happened earlier in 2010.

MR. DEPUTY CHAIRMAN.- Likewise as I said, we were quite surprised to see that FHEC appearing as a separate entity but what we will be doing, I think the idea would be best because all the educational entities that I have been seeing appearing on the audit reports, have the same social responsibility anyway, that is, to provide good quality education. So, what we will be doing, we will just call officials from the Ministry of Education and we might tell them to come and explain about all the entities. I think that would be a better idea because I am sure that likewise, other entities that fall under the realms of Ministry of Education like Substance Abuse Council and all those entities there, they will always refer to Ministry of Education because funds are generally controlled by the Ministry of Education anyway, so I think we will be doing that.

Honourable Members do you have any comments?

HON. A.A. O'CONNOR.- Perhaps, the Office of the Auditor-General may have a comment, if any, nothing detrimental but just anything you may wish to offer to the new entity of FHEC.

MS. F. NAGERA (OAG REP.).- Thank you, Honourable Member. Probably in response to the Deputy Chair's statement, entities like FHEC, I think it is in their Governing Act for them to prepare their financial statements and submit it for audit separately from Ministry of Educations. The Auditor-General publishes in his report if that is the requirement in the Act, then FHEC is an entity on its own and is published as such in the Auditor-General's Report.

MR. DEPUTY CHAIRMAN.- Yes I do agree with you Madam, but do you think it would be a good idea to call Ministry of Education?

MS. F. NAGERA (OAG REP.).- I think for the purpose of the Committee that would be a good idea, like what was done for Fiji Institute of Accountants because Ministry of Education would have a general overseeing role.

MR. DEPUTY CHAIRMAN.- Yes, something similar to that session.

MS. F. NAGERA (OAG REP.).- For the benefit of the Committee.

MR. DEPUTY CHAIRMAN.- Yes. Whilst discussing with them if we feel that some entities need to be called which fall under the arms of the Ministry, we will just call them. So, yes, we will put our plan as of that. Any other issue or comment? Officials from FHEC, are there any final comments?

MS. S. RABUKA.- Mr. Deputy Chair, our audit report for 2011 was clean, there is no qualification. We have been able to respond positively to the comments from the Auditor-General Office where even tax had to be paid, we have done that. There was an issue with the vehicle that we used as we started the

FHEC, there were some observations made on that and we have been able to settle that and we will be approaching the Ministry of Education because we had borrowed that vehicle from the Ministry of Education to use. So, the authority was with them but where repairs were concerned, we had to foot the bill for repairs.

It was an issue that was to do with the companies that repaired the vehicle. We ended up with having to pay for the repairs that were done but the repairs were not done properly. That vehicle is still with the Ministry of Education, it is sitting there, unused but we will be approaching the Ministry after this to talk about it and see if all of that could be cleared but again, that was perfect example of where the Ministry of Education was still exercising its authority over whatever. They came in and took the vehicle to another vendor and then paid a certain amount of money and the same thing happened. So, we kind of copped the blame for that one. Yes, there was no qualification in 2011 as well as 2012.

MR. DEPUTY CHAIRMAN.- Madam, from Auditor-General's Office, do you have any supplementary comments to situations like that?

MS. F. NAGERA (OAG REP.).- We can probably provide an update on the FHEC because it was not provided in the status report that we submitted earlier but currently, we are finalising the 2014 Audit. I think there is an issue that the audit team and the FHEC are trying to resolve after which, we will then go onto 2015 but the current 2014 audit is currently being finalised.

MR. DEPUTY CHAIRMAN.- I take that as the final comment and once again on behalf of the Committee, I would like to convey my sincere gratitude for your presence here. I know the time might have been very limited as to when the invitation for this submission was provided to you but from the perspective of the Committee, there are lots of entities to look at and the time is a major constraint for us. You can see the number of reports each and every Member is holding and that needs to be done with as soon as possible and each report contains so many entities. I mean, that is the nature of our work and that is how we also try to reach our target in terms of completion.

I apologise if the notice came very suddenly and very quickly but it is good to see that almost all the entities are supporting us and they are coming in to give their submissions when required. Few of them did not come but exceptional cases. It is good that we came to see you and got to know more about the nature of operations, especially the finance bit. I thank you once again for your presence.

The Committee adjourned at 3.00 p.m.