**PUBLIC ACCOUNTS COMMITTEE**

**[Verbatim Report of Meeting]**

**HELD IN THE**

**COMMITTEE ROOM (EAST WING)**

**ON**

**WEDNESDAY, 29TH MARCH, 2017**

**VERBATIM NOTES OF THE MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD IN THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON WEDNESDAY, 29TH MARCH, 2017 AT 9.20 A.M.**

**Submittee: Fiji Police Force (FPF)**

In Attendance**:**

1. Mr. Isikeli Ligairi - DCP (Deputy Commissioner of Police)
2. Mr. Jitendra Nair - ACP (Asst. Commissioner of Police), Chief Admin Officer
3. Krishna Chand - Finance Officer
4. Ms. Manaini Mills - Deputy Accountant, SAO

Ministry of Economy

1. Mr. Dominiko T. - SAO
2. Mr. Kenneth Brown - PAO
3. Ms. Sala Raiwalui - PAO
4. Ms. Lanieta Senibulu - PAO

Office of the Auditor-General

1. Mr. Kuruwara - Director, Audit
2. Mr. Niraj - Manager, Audit

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MR. CHAIRMAN.- Good morning, Honourable Members, members of the public and the media, and a special welcome today to the Fiji Police Force (FPF).

As you are aware, the Public Accounts Committee (PAC) is currently reviewing the Auditor-General’s Report and the recommendations made in respect of public spending. For that purpose, we have before us this morning and accepting our invitation to be present here is the FPF Team, headed by the Deputy Commissioner of Police himself, Mr. Isikeli Ligairi; ACP Mr. Jitendra Nair; Krishna Chand, I believe he is the Finance Officer; and Ms. Manaini Mills, also from the Force. I welcome you, lady and gentlemen, for your presence and thank you for accepting our invitation.

We have been tasked by Parliament to review, as I mentioned earlier, the Auditor-General’s Report and the various audit comments or inquiries that have been raised by the Office of the Auditor-General (OAG). To help us with our work, we have on your left, the Ministry of Finance (Ministry of Economy now) Officials and on your right, we have the OAG staff, who will be going along with us.

(Introduction of Honourable Members)

The Deputy Chairperson of the Committee is not here yet but we will start with the proceedings, so without taking further of your time, I will now request the Team to please, make your submissions and we will reserve the question-and-answer session towards the end of our meeting.

MR. I. LIGAIRI.- Mr. Chairman and Honourable Members of the Public Accounts Committee, colleagues from the Ministry of Economy and the OAG, the media, ladies and gentlemen; Sir, thank you for welcoming us this morning. The Commissioner was supposed to be here this morning but he has sent his apology for other pre-planned commitments that he has.

Nevertheless, for some introductory remarks before we make our submission this morning in response to the questions that were raised, 2014 was a different year for the FPF. There was a change in leadership. As you are well aware, after the departure of the former Commissioner, Mr. Naivalurua, there was a gap, an Acting Commissioner was appointed to lead the organisation.

It was almost mid-year in 2014 that the leadership changed. There was a handover from the Acting Commissioner to the newly appointed Police Commissioner and as you are aware, General Ben Groenewald from South Africa, was appointed and it was almost mid-year. The change was not from January, and you would understand that if a new leader is appointed in an organisation, it is better to appoint him/her at the beginning of the year so that he is briefed on whatever the activities and the plans, strategies for the organisation are going to be in the year. Of course, the financial year was from January to December, so that was one of the major activities in the organisation.

Secondly, it was the year of Elections. It was long for the police organisation after the last General Elections, so that was so many years back and when there are changes in leadership, the operations of the FPF also changed with the new people coming in to lead the organisation and because they have not tasted what it takes to be in an election, the operation order, I would say this morning, was based on assumption because the hours of work for each individual officer was not known. And as I had mentioned already, it was long since we had an election when we had it in 2014. So that was another issue that affected the organisation in terms of operation for elections. I do understand that all Honourable Members are aware of the challenges that the FPF faced in that particular year.

Finally, in the same year, there were a lot of senior officers who were out for peacekeeping duties. So the advice at that point in time, I would say, was not in full because a lot of experienced people were out on a mission. For instance, the Chief Administration Officer was appointed as the Chief of Staff for the Police Mission in South Sudan (he is sitting on my left), so he was out of the country for UN Peacekeeping Mission and he was seconded to the United Nations. There were other officers, including me, I was out too. So those were the challenges that the organisation faced at that particular point in time.

Mr. Chairman and Honourable Members, I am not making excuses this morning but I just want to set the platform so that you understand what the organisation had gone through during that year.

MR. CHAIRMAN.- Just a question on that, Commissioner, in the event that there has been a change in leadership like what had happened in the FPF when a senior officer is out, is there not a system or guideline in the Force that it does not matter where the change is, the process of accounting, et cetera, remains the same?

What we have in Government is, whether the Government changes from one party to the other or whether the Prime Minister changes, the accounting system and principles remain the same. So is there any system like that in the Force?

MR. I. LIGAIRI.- Sir, for accounting, it is all the same but I am saying here about the experienced people who they are out to provide advice. For young people who come into a position, they have to read to understand, unlike for those of us who are experienced, we do not have to go back to the books because it is already in our head. So when you ask questions, we advise. That is what I meant in this case, Sir.

There is no change, the system is still there in place but because of young people who are coming into leadership positions, I would say rather “inexperienced”, that is why the organisation faced those challenges in that year. Sir, thank you for the question this morning.

For the audit queries, I shall handover the floor now, Mr. Chairman, to our Chief Administration Officer who will be taking us forward with the audit comments that you have in terms of the Auditor-General’s Report.

MR. J. NAIR.- Mr. Chairman and Honourable Members of this august Committee, staff of the OAG, staff of the Ministry of Economy, members of the media, members of the public; good morning to you all. I am the Assistant Commissioner of Police, Jitendra Nair, and the Chief Admin. Officer of the FPF.

My responsibility this morning is to represent the Commissioner of Police in responding to issues raised in the audit of our financial books for the Year 2014 and in doing so, I will be referring to the parts and the subsections from which the questions have been raised. So I will straightaway go to the questions or the queries that have been raised.

Part A: Financial Statements; 21.1 - Audit Opinion, our response is, there has actually been a misunderstanding. In that, what has been quoted as a revenue was in fact not a revenue but those were clearances which were made in respect of the accountable advances or the bonds which officers have paid whilst proceeding on overseas leave.

MR. CHAIRMAN.- That amount of $2.874 million, you are saying that it is not a revenue, is that the amount you are talking about?

MR. J. NAIR.- In fact, the difference of $521,197, the variance in particular was not a revenue but it was a misunderstanding on the part of the auditors and it was in fact our clearances for accountable advances and for bonds, et cetera, which our officers are paying before proceeding on overseas leave. That has since been clarified and I am advised by my accountant that the matter is now put to rest.

MR. CHAIRMAN.- OAG, is that the case?

AUDIT REP.- Yes, Sir, reconciliations were provided after we had submitted the signed account to the Minister, so that came after.

MR. CHAIRMAN.- The amount of $521,197 is not a variance?

AUDIT REP.- Yes, we have checked the reconciliations.

MR. CHAIRMAN.- It is cleared now?

AUDIT REP.- Yes.

MR. CHAIRMAN.- Thank you. ACP, you can continue.

MR. J. NAIR.- Thank you.

21.2 - Statement of Receipts and Expenditures; we do not see a query in there, so we basically say that we agree with the comments contained therein.

21.3 - Appropriations Statement; once again, there were no queries so we agree with the comments made therein.

MR. CHAIRMAN.- Honourable Members, any questions so far on 21.1, 21.2 and 21.3 before we move further so that the ACP can explain to us as the questions arise? We do not have to come back to it, do you agree with that?

Item 21.1 has been clarified by both, the ACP and OAG when we started off, that there was probably a miscommunication. Item 21.2, there were no audit queries raised and also for Item 21.3, there were no queries on that so far. We can now go to 21.4.

MR. J. NAIR.- Thank you, Sir.

Part B: Audit Findings, 21.4 - Variances and Absence of Separation of Duties for Revenue Account; the advice which was given to us by the OAG, we respect that and we have put that into practice. We have made changes accordingly whereby we have now appointed a revenue collector so that there is separation of duties.

We have now appointed a revenue clerk and there is a person now in charge of the revenue section. We have respected that and the recommendations which are given by the OAG, we have put those into practice.

MR. CHAIRMAN.- On 21.4, ACP, it is noted that, and I quote:

“The audit further noted that the revenue records maintained by the Force did not reconcile with the revenue recorded in the general ledger system.”

So you are saying that you have put in a new staff there to look into that area?

MR. J. NAIR.- No, in fact, if you look at the amount which is $521,197, that is again the amount which is recorded under Item 21.1 and because I have rectified 21.1, I take it that that has also been rectified.

MR. CHAIRMAN.- The main issue of non-reconciliation there was, firstly, the miscommunication; and secondly, the absence of a staff in that area?

MR. J. NAIR.- Yes.

MR. CHAIRMAN.- Now you have put a staff in there who looks after that?

MR. J. NAIR.- Exactly, Sir.

MR. CHAIRMAN.- In what year has the staff been appointed? Must be after 2014 because 2014 was the year that was picked up.

MR. J. NAIR.- I am informed by my Deputy Force Accountant that that was in the year 2015.

MR. CHAIRMAN.- So that has resolved the issue of reconciliation and in future, there should not have been any issue on that?

MR. J. NAIR.- Yes, Sir.

MR. CHAIRMAN.- Likewise for Item 21.3, the same amount is there, $521,197. They are saying that their revenue is not fairly straightened but I think you have clarified that issue, the total revenue.

MR. J. NAIR.- Yes, Sir.

MR. CHAIRMAN.- You can move on.

HON. RATU S.V. NANOVO.- Mr. Chairman, can I just draw our attention back to Item 21.3, the first sentence reads, and I quote:

“The Force had incurred expenditure of $102,856,705 against the revised budget of $111,767,737…”

It is from the revised budget, so a budget was there initially. A revised budget means that you have increased that initial budget and revised upwards.

MR. CHAIRMAN.- Is it the Force or the Ministry of Economy who does that?

HON. RATU S.V. NANOVO.- Can we be advised since there was no Parliament at that time, what procedures did you use in order to increase your budget, to revise that upwards, resulting in the savings of $8.9 million or 8 percent? How did you go about that? Were the Ministry of Economy and the OAG aware of that?

MR. I. LIGAIRI.- Thank you, Mr. Chairman, according to the statement by the Auditor-General, there is a table there, Sir, of the budget estimate and a revised budget estimate.

HON. RATU S.V. NANOVO.- (Inaudible) Who gave the authority, what process was taken?

MR. CHAIRMAN.- Honourable Member, are you asking the question; why the budget of the Force increased from $102 million to $111 million?

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

MR. K. CHAND.- Thank you, Sir. We have made this through virement. If you see the FPF budget, it was $111,767,737. Within that provision, we have used the process of virement and there are some changes to be made to the revised budget so this is within the virement procedures. It is not additional funds, it is within the provision provided by the Government and we have gone through the virement process.

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

MR. K. CHAND.- Yes, it is affecting the provisions provided so there are some changes.

MR. CHAIRMAN.- The saving of $8.9 million which is a good thing, in fact, please, go ahead.

MR. I. LIGAIRI.- Thank you, Mr. Chairman

21.5 - Write-Off for the Force; these write-offs which have been quoted therein, in fact, were initiated by the Ministry of Finance then, now Ministry of Economy, and we have basically complied with it and there were internal procedures followed to be able to do that. So these were directives from the Ministry of Finance and we basically complied with it.

MR. CHAIRMAN.- There is an issue raised by OAG that liabilities are the amounts owed by the Government or creditors and should not be written-off. You have written-off some debt that was owed by Government through the Department to some of the creditors, so the write-off procedure, when that is written-off, do the creditors not ask you why the debt was written-off?

The second part they have raised there was that, there was no proper document to justify the writing-off.

MR. K. CHAND.- Sir, we have submitted the required information as per the Ministry of Economy. These were the carried-forward figures from previous years. There were three areas where we had provided information to the Ministry of Economy for the write-off.

The first one was the Imprest Account of $138.50. This was due to misallocation of credit which forced us to do an Imprest Allocation instead of Expenditure Allocation.

The second one was the advances. Here we said; “Acquittals were submitted by the officers but were not correctly posted in the FMIS ledger and that resulted in the balances.” In some cases where the refunds were made, the refund claim payment amount was not posted into FMIS, instead the total acquittal amount, hence taking account of the accountable advance that was paid to the officer. Those were recurring issues previously from so many years and through consultation with the Ministry of Economy, we have provided information for that and it was requested for a write-off.

MR. CHAIRMAN.- On your submissions, you have said Imprest Account, ANZ of $130.50, what is that Imprest Account?

MR. K. CHAND.- Imprest Account is a petty cash account.

MR. CHAIRMAN.- The advance of $697,909, you are saying that that was not properly posted in the FMIS General Ledger (GL), what does that amount represent? What was that for?

MR. K. CHAND.- The advances given to the various officers in due course, there were officers who were attending courts and the advances were to facilitate for travelling expenses, hotel accommodation and meals.

MR. CHAIRMAN.- So the advances were given to the officers?

MR. K. CHAND.- Yes. When they come back, they have to acquit within seven days and that, they have done but the only issue was that, the misposting or incomplete transactions caused the recurring figures.

MR. CHAIRMAN.- The issue is that, the acquittals or the money was appropriated properly and it says that the posting on FMIS was the problem.

MR. K. CHAND.- Yes, Sir.

MR. CHAIRMAN.- OAG, is that satisfactory?

You have noted here; “…without any supporting documents to justify the reason for write-offs.”

AUDIT REP.- What we noted was that, these balances from the GL were written-off without verifying supporting documents.

MR. CHAIRMAN.- It is just a question of communication again.

AUDIT REP.- No, this was part of the exercise that was done across Government. A lot of that is to balance up their books. There were a lot of variances throwing out, we were trying to clear those off and they were unverifiable. It is like that the Government has decided to write-off, and in this case, the assets.

MR. CHAIRMAN.- That is with the previous one, assets is the second one, the amount we are looking at is $1.127 million. The issue there was, as the Accounts Officer has explained, those amounts include either the petty cash as the Imprest Account or the advances that were given to officers for their subsistence, meal, travelling, et cetera. When they come back, they give acquittals, so the Accounts Officer explained that the acquittals were given. It is just that the posting was not done on the FMIS GL, but once that is done, it will balance it off.

AUDIT REP.- Mr. Chairman, this is a write-off. You are writing-off GL accounts. If you have to clear it on normal procedures, then you would be posting to the Expenditure once they provide acquittals, so this is a write-off.

MR. CHAIRMAN.- That means those moneys were not recovered? What is the meaning of “written-off”, that means no collection?

MR. K. CHAND.- Yes, it is like a loss to Government, these are showing on our balance sheets.

MR. CHAIRMAN.- Are you looking at the assets of $1.88 million?

MR. K. CHAND.- If you have to clear expenditure, then you have to post it to the Expenditure.

HON. RATU S.V. NANOVO.- Still on that, Mr. Chairman, I would like to draw our attention to Appendix 21.1 - Details of Liabilities Written Off; one of the items listed in there is the Police Welfare Scheme of $305,492.58. I assume that with this welfare scheme, has amounts had been deducted from the FPF wages every now and then. That has been put into the account, then all of a sudden they have to write it off? What happens to the deductions? How are you going to answer this to your police officers? Who made all these deductions from this book, the list of write-offs?

MR. CHAIRMAN.- You mean the OAG Report?

HON. RATU S.V. NANOVO.- Detail of Liabilities Written Off. It is a loss to the police officers.

MR. CHAIRMAN.- There is a welfare fund, is it contributed by officers? Is it a deduction from the officers’ salary?

HON RATU S.V. NANOVO.- Yes, it is a deduction from the officers’ salary towards this fund for their welfare.

MR. CHAIRMAN.- So there was an amount of $305,492.50 that was there in the Police Welfare Scheme. If that is written-off, that means the officers have lost that amount.

HON. RATU S.V. NANOVO.- Yes, lost out in there, like in other organisations, for example, FDB, Housing Authority, Home Finance, all those were supposed to be paid out to them. How can you have those items written off?

MR. CHAIRMAN.- Yes, please.

MR. K. CHAND.- Sir, this is only book entries. There were no funds in that account. Those were book-entry errors which we were trying to write off.

MR. CHAIRMAN.- Which means that the fund is not lost but it is just the question of entries. Has the entry been fixed now?

MR. K. CHAND.- That was the recurring, and that was why we have to go in process of a write-off.

MR. CHAIRMAN.- OAG, please, explain to us if it is written off, there is a loss to Government.

AUDIT REP.- There is the human element, there were a lot of errors that may have happened, that was what they alluded to and you may have heard this as well from other Ministries and Departments with the same issue. They were referring to the FMIS, the transition from the old system to the new system, so there were a lot of balances there in the GL. Some were dormant, some were from over the years and some had no evidence.

MR. CHAIRMAN.- If you clean their accounts, you have to write it off?

AUDIT REP.-Yes.

MR. CHAIRMAN.- So we understand that part. Honourable Nanovo raised a question that if something was written-off and in here, that amount of $305,000 was written off, that is totally out of the books. What the Accounts Department of the FPF is saying is that, that amount is not lost and it is not a loss to Government, it is just a question of posting. Once the posting is cleared, that amount will appear somewhere in the account. That was the explanation. You are saying that it is a loss to the Government, so where is that amount?

AUDIT REP.- Those amounts are assets, for example, the one in Table 21.4.

MR. CHAIRMAN.- Actually, it is the liability we are looking at, assets is the second one.

AUDIT REP..- Those liabilities appear in Appendix 21.1. To clear these, the normal and appropriate procedure is to pay. What we are saying is that, the payment may have been done but not reflected. They do not have that so now, they want to clear it off.

MR. CHAIRMAN.- So the Accounts Department, Mr. Krishna Chand, is saying that the amount is actually not a loss, the amount would have been paid off, it is just the question of posting.

AUDIT REP.- No, it is a write-off exercise and they are not able to identify where that money has been paid.

MR. CHAIRMAN.- Mr. Chand, can we hear from you on that?

My understanding is that, that money of $305,000 which is the Police Officers’ Welfare Scheme Fund is not lost, it is just a question of posting to FMIS whereas OAG is saying, “No, that’s a write-off, we can’t identify where that money is.” Can we have an explanation on that, please?

HON. RATU S.V. NANOVO.- What evidence have you got in there to show us that that money is still alive, based on what you are saying, it is still with the Force? Do you have any evidence?

HON. D.A. O’CONNOR.- Mr. Chairman, can I suggest we request that the write-offs be provided in full detail?

MR. CHAIRMAN.- Yes, what we can do is, we allow you further time on that and maybe, a written explanation. Unless you can explain now, we will give you further time to do that? Will that be alright?

MR. K. CHAND.- Yes, we will come back to you on that.

HON. A.M. RADRODRO.- Just a question on this particular topic; you mentioned that you have done the write-off, according to the Ministry of Economy’s recommendation as per your reply. Would you ever done differently if the recommendation was different? If this was not recommended for write-off, would you have kept it in your account and looked into the details of the balances that you have written-off, instead of referring to the Ministry of Economy to say that you have written off because of the directive by the Ministry of Economy itself?

MR. I. LIGAIRI.- Mr. Chairman, this has been recurring. What we are saying is that, these were in our books and it has been recurring for years, that was the explanation that we had given. The Accounts had spoken with the Ministry of Economy and they said, “Yes, you can start off with the process.” As we have said, this has been recurring, it has been there for a while and we will not follow any other procedure, except what the Ministry of Economy directs.

HON. A.M. RADRODRO.- Since the Audit had identified there were no particular details, for example, Police Welfare where you had a balance of 305,000, this balance did not just fall from the sky. It must have started somewhere, maybe with one deduction and then it accumulated, and that is the issue here. You do not have the details for that particular amount.

MR. I. LIGAIRI.- Mr. Chairman, can we come back on that? Sir, if you can give us time to go back and look at our books.

HON. RATU S.V. NANOVO.- The last one to that, Mr. Chairman, write-off can only happen once all avenues available have been exhausted, but not just getting advice from someone and then you start writing off. No, that is illegal.

MR. CHAIRMAN.- Let me reiterate the question to them so that they can work on that. The issue raised here is that, if it is an asset, the FPF or any Department’s asset and you cannot get true value out of it, then it is better to write it off, maybe auction it, et cetera. But if it is a liability, then the liability should have been written off. It is not an asset of the Department to write-off, it is an asset of someone else. Your liability will be someone else’s asset in their books.

For the respective officers, just a case in point, the Police Welfare Scheme Fund would have been the asset of some of the officers, so once the Department writes that, that means they lose their right to recover. However, the Accounts’ explanation was that, it may have been paid off, it is just the posting on FMIS that was not done properly, and it was human error.

OAG seems to be of the opinion that had the documents been there, they would have come to a different conclusion but there has to be something amiss here, that is why they are not able to write it off. The Department requested the Ministry to write it off because they could not substantiate that, so that is the question that we have to find an answer to.

HON. A.M. RADRODRO.- Just a question on this exercise to the Ministry of Economy; in 2014, did you do an internal audit check within the Department of Police and secondly, whether you identified all those issues that have been highlighted by the Auditor-General?

MOE REP.- Thank you, Honourable Member. The Internal Audit Unit carried out an internal audit of the Force’s Accounts in the first quarter of 2015 and because the debts had been written off by then following the Permanent Secretary’s approval, we took that as the mandate for the write-off. Thank you.

HON. A.M. RADRODRO.- So you did not do any internal audit in 2014?

MOE REP.- No, we did the internal audit, we carried out an audit of the payroll, expenditure and revenue accounts of the Force.

MR. CHAIRMAN.- Just a question on that, my understanding is that, when a liability or an asset keeps on showing in the accounts, does the Ministry of Economy recommends to the Department that it should be written off or does the Department just requests the Ministry to write it off because it cannot take over it, what is the process?

MOE REP.- As long as the liability is recorded in the account, there should be justification for it so there should be supporting documents. In this case, it has been a recurring issue and the Auditor-General has not been able to verify the supporting documents, hence the recommendation from the Ministry of Economy to write off.

MR. CHAIRMAN.- So the Ministry of Economy recommended that the amount be written off because it just cannot be substantiated and it will keep on appearing in the accounts over the years.

MOE REP.- Yes, Mr. Chairman.

MR. CHAIRMAN.- That is what the issue is, that it kept on appearing as a liability in the Force’s accounts, probably because of an error of posting or probably it was not accounted properly. There are two issues, firstly, it was not accounted. Secondly, it was accounted but not properly recorded so that is what the FPF is going to answer in a few weeks’ time when we come back to you on this.

I understand that the Ministry would have been totally satisfied that there was no way to substantiate that amount and that is why it was written off, but as Honourable Nanovo pointed out, that fund was actually a liability of the Force. It belonged to some officers, so it is them who are losing out on this one. I am not saying that they have lost out, but if the amount is written-off, that means the FPF does not have to pay that back to the officers. Do you see what I am trying to come at?

MR. I. LIGAIRI.- Thank you, Mr. Chairman and Honourable Members. Looking at Appendix 21.1, I noted that these liabilities are payroll deductions where recoveries were made from the pay and kept in this account. Over the years, I think what may have happened but we will wait for the FPF to confirm, while the money was in a certain account, the payment was made out of a different account, thus this liability being kept at that balance.

If we look at the list of all the descriptions, these are taxes and Housing Authority payments, PRB, some of the lending companies, they would have received their moneys like some of these lending institutions, they would have given loans and the FPF would have deducted and given it back to them, they are not after these moneys now, so in as far as their books, the money came back. I think what happened was that, maybe it was just the recording of the FPF and this has been there for a number of years so in order to clean the books, maybe that is why the write-off.

MR. CHAIRMAN.- There is an explanation by the Force in the Appendix. If Honourable Members can look at the Appendix to the submission, there is an explanation given there, it is a short one so I will just read it to see if it does make any sense.

It says, and I quote:

“Please, note that the Ministry of Finance conducted a write-off exercise last year after consultation with the Office of the Auditor-General. Last year, we concentrated on dormant accounts and this year, it will be on those allocations that you normally submit reconciliations on. Please, note that all of these balances have been carried forward from previous years.”

This is what basically I was saying that it had been carried on from previous years. It continues, I quote:

“Briefly, these allocations are supposed to accommodate deductions from the Government salary system (so the Government Salary System had a deduction). For example, Jone has $100 deducted from his salary for his LICI premium, so the $100 will be temporarily part to this liability allocation, 5% negative. Why we chose a liability allocation was that, after the salary deduction, that $100 belongs to LICI so Government owes LICI.

What should have been done by the Ministries and Department is that, they are supposed to pay only $100 to LICI but at times, the creditor LICI is overpaid, so that is why the allocation becomes positive debit. The attachment is showing all those allocations that are currently positive, debit in Government books.

In other scenario everything was going as planned but unintentionally, a figure not an overpayment was posted in error in this allocation, causing it to go positive debit. Therefore, from the explanation it can be seen that these allocations are always supposed to be either negative or zero but never positive.

Please, note that this is an opportunity to clean up your books as all of these balances were carried out from previous years so please, do not allow your Ministry to be targeted by OAG because of the balances in the attached document. Please, note that FMIS has allocated each Ministry the worksheet for easy payment.”

The explanation seems to be sufficient that it is not an amount that is owed by the Force to the officers.

What the Force does, it deducts from their salary, post it to LICI who is running the Scheme for the officers and the only issue here is, if LICI is owed money then obviously it will come after the Force. LICI has been paid. It is just the question of posting, as the Accounts Department had explained. To my understanding, I think the explanation itself is sufficient that the Force does not owe moneys to the officers, they would have paid the LICI. The scheme was run by the LICI or the Welfare Scheme, is that right?

MR. I. LIGAIRI.- Mr. Chairman, yes, at one point in time, the Committee had recommended for LICI to come in rather than keeping it in-house. We had an in-house Welfare Scheme, so that was the decision at that point in time. Now, we have stopped with LICI, we have come back, cutting out LICI, now it is in-house.

MR. CHAIRMAN.- It is now in-house or now with LICI?

MR. I. LIGAIRI.- Now, it is back, it is an in-house scheme.

MR. CHAIRMAN.- Let us solve the question on that amount, Honourable Members. Please, come back to us with the answers, then we will look at the answers again with the Ministry of Economy.

The next part to that paragraph ACP, in addition to write-offs, the assets totalling $1.8 million was written-off by the Ministry of Economy. This write-off has been disclosed in the Force’s Financial Statement under Statement of Loss, Table 21.4, for details.

The recommendation was that, and I quote:

“The Force should ensure that all write offs are appropriately substantiated with supporting documents...”

The Force’s comments says, and I quote:

“In relation to write-offs, it needs to be emphasised that all approvals and write-offs are done by the Ministry of Finance and not the Fiji Police Force.”

Some assets were also written-off as given in Table 21.4. Can there be some explanation on Table 21.4? I think you have explained part of that but “Drawings to ANZ Suva” of $1.19 million, was that an asset of the Force or was it a liability?

I believe it should be an asset because Table 21.4 is about, “Details of Write-off in Assets”. Why was this amount written off?

If you do need to come back on that one as well, you can come back at the same time with that when you answer the first question, but if you can explain, you can do so.

HON. D.A. O’CONNOR.- Mr. Chairman, that was what I was referring to, in totality that $1.8 million, if we can get a detailed breakdown of the write-offs.

MR. CHAIRMAN.- There are two issues to it, firstly, the total liabilities of $1.127 million and total assets of $1.88 million, so liabilities be written-off as well as the assets. Probably, when we are getting the responses from you in writing on that, then we can have a look at that as well, would that be suitable grounds?

MR. J. NAIR.- Mr. Chairman, if I can just quickly comment on this; if I can just refer to my responses, I will just take you to page 3 - 21.5 where it says, “Details of write-off in assets, Imprest ANZ, $138.50” towards the bottom.

Page No. 4, this is basically where misallocation of credits which was posted to the Imprest allocation instead of the expenditure vote and the advances, the acquittals were provided. The amount there is $697,909.39, acquittals were provided but were not correctly posted into the FMIS GL.

In some cases where refunds were to be made to the officers, the net amount was posted instead of the gross figure and not taking into account the amount that was paid to the officer in advance, resulting in understating the expenditure votes. Subsequently, these were some of the human errors that our accounting officers made, so the explanation is provided therein, Sir.

MR. CHAIRMAN.- I see that the explanation is there. Is that satisfactory, Honourable Members?

The explanation seems to be, not a question of moneys going missing, it is a question of postings so the amount is there just for FMIS Ledger.

OAG, is that satisfactory? If you look at the submission of the Force on page 3 onwards, “The details of asset write-off”.

AUDIT REP.- Sir, the initial comments say that these carried forward from previous years. What we understood is that, they were not able to verify or validate those figures so they had requested for write-off as being carried forward from previous years. For example, in the first paragraph it says there, “These are balances that have been carried forward from previous years.” They are recurring issues on the reconciliation every year so they had requested for write-off for those balances.

MR. CHAIRMAN.- Once those balances are written off, that means there is no tracing back to this amount, it just finishes from the books?

AUDIT REP.- Yes, to write it off meaning it is a loss.

MR. CHAIRMAN.- But the ACP is saying that it is not a loss, it is actually a posting error. If you read the last paragraph on page 3, it reads in the submission, “Acquittals were submitted by the officers but were not correctly posted into the FMIS Ledgers. In some cases where references were made to officers, the refund for claim payment amount was posted into FMIS, instead of total acquittal amount, hence not taking into account of the accountable advance amount that was paid to the officer.”

AUDIT REP.- That is a general statement, Sir, if that has to be verified to each balance but otherwise, the general idea here was that, they were not able to verify. Those were carried forward balances and they were not able to rectify.

MR. CHAIRMAN.- That has been there for years.

AUDIT REP.- They had requested write-off for those balances.

MR. CHAIRMAN.- We will probably await further explanation on that in writing so we will take it from there.

Can we move on with the next question on 21.6?

MR. J. NAIR.- Thank you, Mr. Chairman.

21.6 - Irregularities in Operating Trust Fund Accounts; the amount quoted therein of $10,000 plus reimbursement has been made from the Commissioner’s Welfare Trust Fund Account and we have appendices provided to justify the evidential aspect of this particular amount that has now been paid off.

MR. CHAIRMAN.- The issue is, there is a Trust Fund operated by the Force for the benefit of the members. It is operating for record and overall amount, Operating Trust Fund. What is the Operating Trust Fund?

MR. K. CHAND.- At the FPF, we have got a few Operating Trust Fund Accounts where the source of funds comes within the contributions from the members of the Force. This is a separate bank account and is not within the Fiji Police Drawings Accounts, run through the guidelines of the Trust Fund Account.

In this case, at that point in time, I have to say that there were no cheque signatories available and we had used the funds from the Fiji Police Drawings Account to facilitate this. We admit that it was not reimbursed, it was supposed to be reimbursed from that account to this and we have done that now. So it has been reimbursed from the Welfare Funds Account to clear off this payment.

HON. A.M. RADRODRO.- Has it been cleared now?

MR. K. CHAND.- Yes.

MR. CHAIRMAN.- That is $10,194 for Sports and Social. It was supposed to be out from the Trust Account but was taken from the Operating Account, I guess, so you have now reimbursed that Trust Account.

MR. K. CHAND.- Yes, Sir.

MR. CHAIRMAN.- Any questions, Honourable Members?

HON. A.M. RADRODRO.- Just a question to the Auditors; the Sports and Social Trust Account, do you also take time to audit this Trust Account since this is part of the Government accounts? Can you just advise us on this?

AUDIT REP.- This is like clubs account, we audit all accounts that they look after. Those that are not part of Government…..

MR. CHAIRMAN.- It must have been audited, that is why they found it in the Report.

AUDIT REP.- It is like a trust account where it is started for a while and if they do not….

MR. J. NAIR.- Mr. Chairman, I will take us now to the next issue.

21.7 - Acquittals Not Done for Police Election Fund; let me just reiterate the comments of my fellow colleague, the Deputy Commissioner of Police, that the Year 2014 was quite big for us in terms of the General Election being held in the country and the number of polling stations that we had. Our police officers right throughout the country were stressed out. Basically, the officers were doing 12 hours a shift and we had two categories of uniformed officers who were basically carrying out those responsibilities. One was the Regular Force, the other was the Special Constabulary.

We had looked at the inner core of the organisation and the magnitude of the operations that we had. It was a successful operation, we had done up the Operations Order for the particular execution of those operations and the Government had given us an amount of money of which the Elections funded. The amount of $124,673.25 was leftover.

As I had stated, the officers had really worked their hearts out, 12 hours a shift. We realised that whilst the Regular Force members had their extra duty allowance embedded in their salary, the Special Constables were being left out so this was a morale issue in the organisation. The inner core felt it right that the officers need to be compensated there and then. So for 24 hours, that was basically four hours a day for six days, three days prior to the Election and three days after the Election, that we paid those officers for the overtime that they did.

In April, 2015, acquittals were submitted to the Budget section of the Ministry of Economy, together with all other relevant information. General vouchers were raised to correct the errors for the misallocations whilst processing overtime payment to the Special Constables. We had initially written via e-mail to the Ministry of Economy for the utilisation of this particular fund and whilst waiting, it was realised that the morale issue is in there. We need to have the members motivated for the great job that they did and as such and as I have said, those four hours per day was paid out to the members, totalling $224,672.

MR. CHAIRMAN.- Those acquittals were provided to the Ministry?

MR. J. NAIR.- Yes, Sir.

MR. CHAIRMAN.- What the Auditor-General noted was, and I quote:

“The Force failed to prepare acquittals for the utilisation of the $124,673 created to Special Constabulary Account.

As a result the audit could not substantiate the $124,763 as acquittals and necessary supporting documents were not produced…

The above indicates lack of transparency and accountability….”

So you are saying that you have provided that in 2015?

MR. J. NAIR.- My apologies for that, if you can refer to other responses, I think it is 21.7 - Acquittals Not Done for Police Election Fund in April 2015. Acquittals were submitted to the Budget Section of the Ministry of Economy, together with the relevant information.

MR. CHAIRMAN.- That was done a year later, not in this Report so we take it as is, and in the following report it will be there.

Thank you, that is resolved, can we move to 21.8?

MR. J. NAIR.- Mr. Chairman, 21.8 - FNPF Suspense Account; this normally comes about because of either there are mistakes in a letter of the name of our officer or may be, some officers who have been previously in employment are re-joining the organisation. They are most probably not submitting (human error again) in terms of the correct FNPF number because when the amount is posted, it does not go and sort of hits the amount on the FNPF side of things, so that is why the Suspense Account is created and it goes there. Over a period of time, we have been able to solve this and we have now reduced it to $4,399.

We have advertised in the local dailies, et cetera, for members to come forward so that we can clarify this. It is an ongoing exercise, we have reduced the amount from $18,000 to $4,399. Thank you, Sir.

MR. CHAIRMAN.- That is probably the safest bet because the amount is deducted for the benefit of the employee and is given to FNPF. They keep that in their Suspense Account because they cannot find the right allocation but once you provide them with the FNPF number, et cetera, it is automatically transferred, so that is not a loss anyway. Any questions in that regard, Honourable Members?

I think the Force has explained that, that part has been rectified, they have been able to bring it down to $4,000 and if more members update their accounts, it should be resolved to zero.

That brings us to the end of the audit issues. From my side, most of the things have been explained. The issue of the write-offs, the Force will come back to us and then we will probably do a short discussion with the OAG and Ministry of Economy in that regard, and that should be resolved.

Any final question, Honourable Members, on the audit issues?

HON. A.M. RADRODRO.- Mr. Chairman, just probably a suggestion to the FPF, seeing the voluminous of activities in your Department, would you also consider having a full-time internal audit to help you assist in your day-to-day operations so that there is no repetition of these recurring audit issues? It is a big Department and monitoring is the issue.

MR. J. NAIR.- Thank you, Honourable Member, the recommendation of yours is already on board and we are putting into place the internal audit unit of the organisation and they are basically auditing all the other Trust Fund Accounts, plus all the other aspects of our Police operations.

MR. CHAIRMAN.- Thank you, Honourable Members. With that, I would once again like to thank the Deputy Commissioner of Police, Mr. Isikeli Ligairi; Assistant Commissioner of Police, Mr. Jitendra Nair; Accounts Officer, Mr. Krishna Chand and Ms. Manaini Mills for your appearance this morning before the Committee. You have been able to explain and answer a lot of questions.

The FPF in fact, is a very important Government Department, not only for accounts purposes but also for national security purposes, and I believe that you are also contributing a lot to the international Police work as well. You are part of INTERPOL, are you not?

MR. I. LIGAIRI.- Yes.

MR. CHAIRMAN.- With that, we trust that you will be able to take some of the recommendations on board and as ACP had explained, a lot of things have been taken on board already and a lot of things have now been in order. I think there has been continuous leadership since 2015, so that should resolve further problems and all should be curtailed. We will await your response on the issues that were raised in the Accounts Department, and once again, thank you very much for your appearance this morning.

Honourable Members, we will adjourn for 10 minutes.

The Committee adjourned at 10.17. a.m.

The Committee resumed at 10.42 a.m.

**Submittee: Fiji Military Forces (FMF)**

In Attendance:

1. Rear Admiral Viliame Naupoto - Commander of the Republic of the Fiji

Military Forces

2. Brigadier Aziz Mohammed - Deputy Commander RFMF

3. Commander (N) Lepani Vaniqi - Director Finance, Logistics & Acquisition

4. Chief Staff Officer Finance - Ms. Talei Hicks

Ministry of Economy

1. Ms. Luisa Senibulu - Principal Accounts Officer

2. Mr. Kenneth Brown - Principal Accounts Officer

3. Ms. Sala Raiwalui - Principal Accounts Officer

4. Mr. Dominiko Tabuaura - Senior Accounts Officer

Office of the Auditor-General

1. Ms. Raveena Kumar - Acting Director of Auditing

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MR. CHAIRMAN.- Thank you once again, Honourable Members. A very good morning to the members of the the public, the media, Honourable Members, the Office of the Auditor-General (OAG) and Ministry of Economy (MOE) Officials.

Today, we have a special guest to the Committee and that is, responding to our invitation is the Fiji Military Forces (FMF) headed by the Commander, Rear Admiral Viliame Naupoto; the Deputy Commander of FMF, General Aziz Mohammed; FMF Finance Commander Lepani Vaniqi and FMF Finance, Ms. Talei Hicks. I welcome the team from the FMF before us this morning. Thank you for responding to our invitation.

As you are aware, we are doing an important task on behalf of Parliament and the Government, that is, to scrutinise public spending for that purpose. We have been inviting respective Government Ministries before this Committee and asking them questions and explanations on the audit issues raised by the OAG which are represented by the officers on your right. On your left is the Ministry of Economy Officials. Both these teams are assisting us as we go along in our scrutiny.

(Introduction of Committee Members)

With that introduction, I will now request the Team FMF to please commence your submission.

REAL ADMIRAL V. NAUPOTO.- Thank you, Mr. Chairman and Honourable Members of the Public Accounts Committee. You have in front of you a copy of our report. It is quite a big and bulky one but really our report is just after a copy of your letter to us. It is numbered pages from 1to 6 and then after that are just annexes, should you seek any further clarifications on some of the issues that we will raise.

If you want, Mr. Chairman, I can just go through our report.

MR. CHAIRMAN.- Yes, please.

REAL ADMIRAL V. NAUPOTO.- Then if you have any questions, we will be happy to answer them. As per your letter, our responses are there and I will begin with the first issue.

Part A: Financial Statements; 20.1 - Audit Opinion; with regards to the RFMF Engineers Project Account, the recreation of this Account in the FMIS system was not done as per the requirement being picked up by the Auditor-General. The Force is now regularising this account and I will talk about it a little bit more in detail later on in the Audit Findings.

As far as the Board of Survey is concerned, as a way forward, all our Board of Survey Reports will be forwarded to the Internal Audit for recording in the Losses Register, before submission to the Ministry of Economy. A Losses Return will be submitted every month.

20.2 - Statement of Receipts and Expenditure; the reduction in the expenditure that was noted attributed to the transfer of Activity 7 which is our Peacekeeping Forces with MFO and Activity 8 – UNAMI to Head 49 . Before, they were all under Head 19 but now, there is a separation and it is now in Head 49 - Peacekeeping Operations.

20.3 - Appropriation Statement; the lapse appropriation in SEG 1 was noted of $4.6 million is again attributed to the creation and transfer of Activity 7 and Activity 8 to Head 49 - Peacekeeping Operations. The salaries for the Regular Force on TOD, before they were all paid from Head 19 but now they are being paid from Head 49.

We had a system in place where we get our Territorial Force Personnel in to fill places that are empty from those who are going on TOD. That had a bit of teething problem, hence that $4.6 million was leftover, and we are now a little bit better in facilitating that replacement process as people go across for TOD.

20.4 - Consolidated Trading and Manufacturing Account; the approved ceiling for the TMA Operating Account is $500,000. In 2014, the total expenses incurred amounted to $1.5 million while revenue collected was $2.2 million, resulting in a net profit of $0.728 million. Due to the increased engagement of the RFMF Engineers in undertaking Government projects in normal deployment, the total revenue collected increased by 27 percent, compared to 2013. But it must be noted that the stated revenue are all committed funds towards specific projects, we again talking about the Engineers, with no provisions for profit.

Part B: Audit Findings; 20.5 - RFMF Engineers Project Fund Account; the FMF is in the process of closing the Engineers Project Fund Account and has been liaising with the Ministry of Economy on the way forward. We have been advised by the Ministry of Economy that we must do the following:

1. before closing the Account, RFMF is to reconcile bank records with projects and this reconciliation exercise was completed in February 2017, and it is in Annex 1;
2. that the funds for new projects to be receipted into General Revenue SLG 84 which has now been done for all projects that had been undertaken by our Engineers; and
3. that acquittals to be submitted progressively to the client and the Ministry of Economy when completed and acquittals are now part of the new RFMF process.

Maybe for clarification on that Account, in the system before when Engineers were tasked to various projects, the Engineers would then provide the invoices or quotations to Government and then they would raise the LPOs, procure the equipment, the material, then the Engineers will build. It was very slow so that arrangement was made for the client to put money into that Account that will now be closed, and then the Engineers from that Account procure the building materials on whatever that they were building and then provide acquittals back to the client. But as I had said, now that has changed; it is now receipted into the SLG 814, all those projects. Right now, the Engineers have 12 ongoing projects but we have five big ones and we are ready to deploy, to build the hospital in Rotuma.

MR. CHAIRMAN.- These Engineers, Admiral, are they your RFMF Engineers or these are …

REAL ADMIRAL V. NAUPOTO.- These are the RFMF Engineers.

MR. CHAIRMAN.- They are recruited to RFMF, not through the Ministry of Civil Service?

REAL ADMIRAL V. NAUPOTO.- No, within the RFMF Regular Force, you have the Infantry Battalions which is the 3FIR. We have our Logistic Battalions and then we have the Engineering Battalions. These are the people who are doing the work.

MR. CHAIRMAN.- When you say that they give you the procurement, the quotation that this is what is to be built, the clients approach the Engineers themselves and the engineers go and assess the projects?

REAL ADMIRAL V. NAUPOTO.- The Engineers will do the assessment and say, “Alright, this will be the cost”, and then the client used to procure themselves which is just Government. But the process was so slow and that was why the creation of that Account which is now going to be closed as per the advice from the …

MR. CHAIRMAN.- So the system will change now ? The account will be closed now so how will that be managed?

MS. T. HICKS.- Can I respond to the question?

MR. CHAIRMAN.- Yes.

MS. T. HICKS.- What we need to do is put the information into the FMIS. Right now, it is operated outside of the FMIS so we are going to put that back into the …

MR. CHAIRMAN.- So once it comes back to the FMIS, then these recurring issues will all be covered?

MS. T. HICKS.- That is right.

MR. CHAIRMAN.- Thank you very much.

HON. A.M. RADRODRO.- Mr. Chairman, just a supplementary question on the funding that has been receipted in this particular bank account; those are all the funding that are received from Government for specific projects?

MS. T. HICKS.- Yes.

HON. A.M. RADRODRO.- And the processes adopted by the RFMF in the engagement of projects; does it follow the normal Ministry of Finance’s Regulations and Manuals?

REAL ADMIRAL V. NAUPOTO.- Yes.

MR. CHAIRMAN.- Thank you. Please, go ahead, that was just a background check.

REAL ADMIRAL V. NAUPOTO.- Thank you.

20.6 - Incomplete Procedure for Accounting of Loss through Stocktake; the Board of Survey process and workflow has been strengthened as shown in Annex 3. This will allow for better co-ordination of information to ensure that all accounting data are recorded and reported correctly.

What happened in this one was really just a communication breakdown. RFMF, all these years, had two manuals that we operated on; Volume 1 and Volume 2. Volume 2 is our Standing Orders for Stores and Accounts and that was how the RFMF operated on.

However, our financial system then evolved. We now operate under the FMIS and that Volume 2, the processes and systems that we followed was wrong. It did not comply with the current requirements that the Ministry of Economy requires in the new financial system. Last year we reviewed Volume 2 and is almost completed so again, our systems and processes for this sort of thing will be documented correctly so that it follows the new financial system as required by the Ministry of Economy.

20.7 - Unsubstantiated Write-Offs; our responses are there that the Operating Trust Account Reconciliation with full details of balances are reported and submitted to the Ministry of Economy monthly. The clearances of balances are done during this reconciliation process. I think this was the whole of Government exercise and maybe, Ms. Hicks can explain or the Ministry of Economy.

MR. CHAIRMAN.- Yes, please, Ms. Hicks if you can explain that area. We have had a similar query in the previous submission too where there have been submissions made to the Ministry of Economy for write off of certain assets and liabilities. If you can explain the RFMF procedures of how they operated, how you come up with the decision to write off?

MS. T. HICKS.- Thank you, Mr. Chairman. This exercise, the Trust Account Write- Offs, was something that the Ministry of Economy directed all Government Departments to undertake. These balances were brought forward prior to the FMIS system so we were not able to verify the details because all the balances were brought forward from the old system. So we were not able to verify their source documents and the details of those balances and they had asked us to identify those balances and apply for write-off.

MR. CHAIRMAN.- Are you talking about this amount of $5.4 million?

MS. T. HICKS.- That is right, Sir.

MR. CHAIRMAN.- It was said that those liabilities were liabilities of the Force and they are reflected in Appendix 20.1. If you can go to Appendix 20.1, you made a recommendation to the Ministry to write those off?

MS. T. HICKS.- That is right, Sir.

MR. CHAIRMAN.- And the reasons for that was, there was no supporting document?

MS. T. HICKS.- No, supporting documents and these were brought forward from the old system prior to FMIS.

MR. CHAIRMAN.- So how do we reconcile that fact that the documents were not there and because of that, that amount was written off?

MS. T. HICKS.- When the exercise was undertaken, I think there was data taken incorrectly so we were not able to find the source documents to support that data.

MR. CHAIRMAN.- OAG, what is the process when that happens? We will come to the main questions later but this is just a background as Ms. Hicks was explaining.

When a Department or Ministry makes a recommendation to the Ministry of Economy to write off or vice versa, the explanation is that, the documents were not there in terms of those amount. What is the appropriate procedure? How do you find those documents?

AUDIT REP.- Thank you, Mr. Chairman. Just to add on this, it was a bit difficulty for Ministries and Departments, and OAG was highlighting these issues year in and year out.

What happens when supporting documents are not there? We are at the mercy of Ministries and Departments but this write-off, if you see in Appendix 20.1, it is all relating to Trust Fund Account. These Trust Fund Accounts are mostly under large balances and if you will see, it is for FNPF - $3.8 million.

This is what we have noted generally for the whole of Government, that Accounting Officers are very regular with their payments and FNPF payment is such that you do not want to miss out. What happens is, they do the payments but it is the accounting entries in the FMIS system which is, at times, missed out on. The Accounting Officers’ understanding on how these Trust Fund Accounts work, how Government’s GL works and how it reflects in the financial statement at year end is something that the whole of Government needs to train its Accounting Officers on. So supporting documents not being there, is mostly on the Accounting Officers. I would say that it is their negligence or it is not their commitment or ownership of taking responsibility.

MR. CHAIRMAN.- So it is not a question on missing funds, it is just a question of migration from an old system to the new system and that substantive documents are missing because I understand that, that amount of $3.8 million cannot be that FNPF is not paid, FNPF must be paid. It is just that these supporting documents were missing, otherwise there would be heavy penalties.

Yes, please go ahead Commander.

REAL ADMIRAL V. NAUPOTO.- Thank you, Mr. Chairman.

On the Force Farm Account,; if I may just explain very quickly to you about this place, it is in Nine Miles. For those of you who have been to our training base at the Force Training Group (FTG), it is the land between FTG and the Fiji Corrections facility next to us, so it is that piece of land between the two facilities which is about 85 acres.

It is part of our FTG facility but it is idle. Way back in 1987, they started farming that area that has been lying idle and the farm had gone through a few evolutions, if you like. At one time, the farm produced food and we would produce it for RFMF. We stopped because that farm is not an approved vendor as per the tender process. The approved vendor for those who had to supply food to RFMF are already there. So we said, “Look, it is not going to happen”, so we stopped producing.

That farm right now has only a little area that has been used for farming at this stage. We are assisted by the Taiwan Technical Mission whereby we have two staff from the Taiwan Technical Mission attached in the farm and they grow almost anything there. They grow broccoli and anything, even celery, plus the normal vegetables that we grow. Right now as we speak, that farm is not producing on a big scale, it is really just that small farm which is almost like a teaching aid right now.

There are 13Agricultural students from FNU who are now there and those students need one year practical before they graduate. They are benefiting a lot from the expertise from the Taiwanese Technical Mission who are there. So that is where the farm is and that is the background of the farm.

20.8 – Improper Staff Administration; we have complied with the recommendations of the Auditor-General. We now have personal files that are maintained, however, RFMF is also in the process of formalising contracts with farm permanent staff in there. Right now, there are only two Regular Force Officers who are employed at the farm but there are two girls who have been attached on the farm for a long time, so we would want to give them a contract. We now have an attendance register and I talked about that technological transfer programme where we have been assisted by the Ministry of Agriculture and the Taiwanese Consultants.

20.9 - Operation of the Force Farm; as I had mentioned before it used to supply food for RFMF but we have found that, that was not proper, we are not an approved vendor, so we stopped. That farm was also what we called the Military for Life Concept where as you are nearing your retirement age, you go to the farm and learn some farming techniques for vegetables, those quick money earning vegetables that you can plant to prepare you as you go out. If you have land, you can go in and then utilise your land properly using the skills that you have learnt from that farm.

In partnership with the Ministry of Agriculture and the Taiwanese Government, the RFMF has not been the sole beneficiary, as I mentioned before. Right now, I am really keeping that farm because of those students. I asked them and they said that it is very hard for them to find a place to go and do their practical attachments. The good thing about that place is that, in FNU, for example, you major in one area and it could be root crops but in that farm, we have a little poultry, a little piggery so they also do those ones, even going into beekeeping. Those who do not do that at FNU have an opportunity to also learn from the Taiwanese experts who are there.

Right now, that place is really being utilised more by those students as practical attachment for them and we are looking at reviewing the operations of that farm right now, whether we still want to operate it as a farm, but that land area is part of our big plan where we can just build our training schools. For example, we have our Officers Training School that is slaughtered in one small area in Vatuwaqa. We can just build that in that 85 acres of land but right now, we are reviewing the usage and the future of that farm. The way it operates right now from whatever is being produced there, they sell it off and the money we get, we pay a little bit of allowance to these students who are doing their attachment there, just to assist them in their their busfare to come back the next day.

20.10 - Lack of Farm Planning; I mentioned that I agree there is no big plan for that farm. I talked about how it has been utilised in the past few years and we are looking at the best way to utilise that place and one of it is really just to close the farm down and then build our school there. That area is part of our training area.

20.11 - Weak Cash Control on Farm Account; we now have an officer who is employed to look after the accounts. We have a cash book that is maintained, we have it in Annex 6 as an example. We have monthly bank reconciliations that are prepared. I mentioned that two officers are employed at the farm to provide good governance and better transparency and accountability. We sent our Farm Manager for training in Taiwan, he is just looking after the farm operations and we have our own internal auditors to make regular checks on the farm.

20.12 - Improper Farm Sales Records; our system and control is now in place and in compliance to the Government’s accounting standards and procedures.

20.13 - Payment Anomalies in Force Farm Account; payments are now being processed in accordance with Government regulations and its operations are audited by the Internal Audit Team.

20.14 - No Accounts Receivable Control Account and Subsidiary Ledger Maintained; while accounting ledger books are now opened, all farm transactions have been restricted to cash basis only until further notice. As I had mentioned, we really are reviewing the use of that place.

20.15 - Poor Inventory Control at Force Farm Account; the RFMF has adhered to recommendations in the Audit Report and has opened a non-expandable ledger to record assets. It has constructed as storage area and it is in the process of conducting a Board of Survey for borrowed items and has ensured that regular checks are undertaken by the RFMF internal audit team as Annex 7 is one of its reports.

20.16 - Underutilisation of Force Farm Area; since the last audit the farm has grown steadily but with the assistance of the Taiwanese Technical Centre, from just a place where they plant *dalo* and normal crops, as I said, it can grow almost anything because of the technical expertise from Taiwan. I had mentioned before that we are in the process of reviewing the farm, the assets and its capability, and to determine the future of that area whether it remains to be a farm or not.

20.17 – Force Farm Boundary Not Fully Fenced and Secured; the farm area has no boundary, we are liaising with the Ministry of Lands to have the area surveyed so that we can have the exact areas that need to be fenced and then we will put on the fencing when we have the exact markings from the Ministry of Lands.

RFMF Engineers Project: 20.18 – Anomalies in Project Work at RFMF Engineers Unit; I had mentioned that before in my introductory statements.

20.19 – School Projects; there are some photos in Annexes 8, 9, 10, 11, 12 and 13. The Sawani Village School has been completed, Veivatuloa Primary School has been completed, Naqalimare Primary School was completed in 2015, Nasivikoso District School was also completed in 2015, Niusawa Methodist High School and Uluivalili Secondary School. On Annex 14 are the MOUs that were signed between the client and our Engineers.

20.20 – Korosi to Balaga Project - Vanua Levu; the road project is basically being completed, except for some minor finishing works. This will be completed when funds are made available. We had given the Office of the Commissioner Northern the quotation for the remaining works and we are waiting for their decision.

20.21 – New Bau College Site Project; this was completed in 2016. Annex 16 shows that.

20.22 - Namara, Vunisei and Muanisolo Projects - Kadavu; that was completed in 2014.

On Section 22: Head 49 - Peacekeeping Missions; our comments are there. 2014 was the first year where we had Head 49.

22.2 – Statement of Receipts and Expenditure and 22.3 – Appropriation Statement, we have no further comments. I think this was an unqualified audit report on Head 49.

Again, 2014 was the first year where we had the separation. Head 49 also includes peacekeeping for Police. We have Programme 1 - RFMF and Programme 2 - Police.

Mr. Chairman and Honourable Members of the Public Accounts Committee, that concludes our submission and we are ready to answer any questions that you may have.

MR. CHAIRMAN.- Thank you Commander and Team RFMF for your presentation. We will have Honourable Radrodro leading us with the questioning. He wanted to question the RFMF so we have allocated the questions to him.

HON. A.M. RADRODRO.- Thank you, Mr. Chairman. Thank you, Commander.

Going back to 20.2 - Statement of Receipts and Expenditure, there is an explanation that was given by the Auditor-General regarding the savings of 36 percent. I would like to specifically ask on a particular explanation regarding the Kiro Boat Life Extension Programme, as mentioned there.

MR. CHAIRMAN.- Where? I cannot follow it 20.2?

HON. A.M. RADRODRO.- Yes, 20.2.

MR. CHAIRMAN.- Under receipts or expenditures?

HON. A.M. RADRODRO.- The expenditures on Page 3. Can you just brief the Committee on what particular programme does this involve - Kiro Boat Life Extension?

COMMANDER L. VANIQI.- Mr. Chairman, if I may answer that question by the Honourable Member, the three patrol boats that the Fiji Navy has, has been going through the cycle of refit programmes. This refit was undertaken by the Fiji Navy themselves. In the past refit would be conducted in Australia but because of the developments in 2006, this was not made possible.

The Fiji Navy had hired a technical team which had travelled and stayed in Fiji to assist in this programme. Coming to 2014, there were sanctions imposed through the Australian Government that made the whole programme untenable. As such the Fiji Navy had to shelve part of this development programme, but we were able to complete one of the patrol boats. That had resulted in that savings but not fully recognised.

HON. RATU S.V. NANOVO.- Just a supplementary to that, Mr. Chairman; can we be also advised on the fate of the naval boat that ran aground near Nukulau? What is the status of that vessel at the moment?

MR. CHAIRMAN.- That is not an audit issue, is that mentioned here? Is it Kiro?

REAL ADMIRAL V. NAUPOTO.- Yes, that is the same boat that ran aground.

HON. A.M. RADRODRO.- Can we just be advised on the progress of the investigation, especially the funds that has been spent on this life extension programme and what is the Military action taken on that particular individual concerning Kiro?

REAL ADMIRAL V. NAUPOTO.- I think there was funding allocated for that Programme, if I may just explain. When those vessels were brought in from Australia, I think the lifespan was said to be just 15 years and then after 15 years, the Australian Government usually takes the ship back and they do a full refit to extend the life. That is why it is called Life Extension, they reach their lifespan and they were going to be repaired to make them work for another few years.

The money that is allocated for the life extension of Kiro was not used, so the ship did not have that life extension and it is the same ship that ran aground. We had a board of enquiry done and there are recommendations, but we will have to implement with regards to the operational aspects of the Fiji Navy under tactical aspects of driving the sea, et cetera.

HON. A.M. RADRODRO.- The Board of Inquiry has completed its review and investigation?

REAL ADMIRAL V. NAUPOTO.- Yes.

HON. A.M. RADRODRO.- Alright, thank you, Commander.

With regard to 20.5 – RFMF Engineers Project Fund Account, I think this is one of the institutions that has a higher amount that we have gone through, amounting to $5.4 million. We take note of the explanation given by Ms. Hicks but still, the concern by the OAG was that, there were no supporting documents for write-offs as has been alluded to that all write-offs needed to have supporting documents. For example, the Employees FNPF of $3.86 million, we can explain now what the cost but the actual reality of the issue is that, there were no supporting documents and there is a possibility that we can assume anything out of this amount and written off amounts that have been undertaken. So what is the RFMF going to do to ensure that there is no repetition of this write-off exercise?

MS. T. HICKS.- May I comment on that, Mr. Chairman, we have strengthened our reconciliation process. Each item that has been recorded has a description beside it and we have the supporting documents and that is reflected in our reconciliation statement. So there is no item that is recorded that does not have an explanation beside it. When received, it was just a brought forward or lump sum figure but now we have itemised each of the credit and debit.

HON. A.M. RADRODRO.- So even with these write-off exercises, you are assuring the Committee that there will be no past employees who would come back and inquire about, and in this case, particular deductions for FNPF?

MS. T. HICKS.- That is right.

HON. A.M. RADRODRO.- Alright.

On 20.6 - Incomplete Procedure for Accounting of Loss through Stocktake; one of the audit opinions noted was that there was lack of communication between the Stores Commanding Officer and the Finance Unit of the Force and I note that you have an Annex there. Can you just take us through the diagram that you have highlighted there, in a way that it will address this lack of communication?

COMMANDER L. VANIQI.- Mr. Chairman, if I may answer the question, there is a new chart that we have created and as the Commander mentioned, that is now in our new revised Standing Orders Volume 2, the first volume is accounting.

Basically, what we are looking at is that, the Units are to do their stocktake. We are now maintaining the six monthly stocktake that needs to be done in a year, it is a biannual stocktake. These stocktake reports are then submitted to HQ LFC or the Commander Navy for their endorsement before it is submitted to HQ RFMF.

The stocktake is then sent down to the Ministry of Economy for approval to write off losses and then it is sent back to HQ RFMF for updating our equipment table and filing of copies. You can see, Sir, that we are now trying to manage the information that have been going back and forth on stocktakes conducted and for that matter, the write-offs.

The stocktake reports are then sent to Units for updating of ledgers and tally cards. This, Sir, is a more clearer version of the process that will follow as opposed to the Standing Orders that we currently have.

HON. A.M. RADRODRO.- Considering the voluminous activity of the Camp and its logistical activities, how often do you conduct this process? Is it done annually?

COMMANDER L. VANIQI.- The stocktake, Sir, is conducted bi-annually. There is one in the middle of the year and one in December.

HON. A.M. RADRODRO.- Is it done by the staff themselves or is it done independently?

COMMANDER L. VANIQI.- It is done by our Logistic Support Unit that goes to other Units to conduct stocktake, so they are the professionals in conducting stocktakes for the Military.

HON. RATU S.V. NANOVO.- Still on that, Mr. Chairman, if the stocktake was done annually, why was the amount involved in that year so huge of over a million?

COMMANDER L. VANIQI.- Mr. Chairman, if I may answer the question, as we mentioned, one of the reasons for that substantial amount being identified was because of miscommunication in our system. As I mentioned, our Standing Orders Volume 2 which is on stores accounting is still on the old system. It was last reviewed in 1998 but the current system now on FMIS, it is our manual that our people are working on to update it. So now that we have revised our 1998, it is in compliance with the Finance Regulations. *Vinaka*.

HON. A.M. RADRODRO.- Mr. Chairman, on the farming issues. I know there are a lot of audit issues highlighted by the Auditor-General regarding this particular Force Farm Account which are probably related to operational matters. Can the Commander advise, despite the response that had been given, you will continue to improve going forward rather than up and down as has been alluded to earlier?

REAL ADMIRAL V. NAUPOTO.- Yes, I can assure the Committee that we are really working hard on getting it right with the farm and not go through this again, as has been noted by the Auditor-General. We are really working hard doing the review, putting control measures in place for the time being that it is being operated as a farm. We have one of our Accounting staff, who regularly checks on the farm as of now. Now that the farm is running as it is, we certainly do not want to fall into this area again in our review and make sure if that farm runs as a farm, it is run properly, otherwise if we going to close it then it closes.

MR. CHAIRMAN.- Just one further question on that point, Commander. On 20.9, it is noted in bulletpoint 4, and I quote:

“The Force without developing the farm to operate on full scale, act as a retailer in buying packed chicken from Goodman Fielder, pigs and cassava from outside vendors and selling them to the officers.”

I take note of the point you mentioned that your farm is not one of the approved vendors for the RFMF. Are there processes or means that you can have that farm as an approved vendor and utilise that farm to supply to RFMF?

REAL ADMIRAL V. NAUPOTO.- If it is an approved vendor?

MR. CHAIRMAN.- The OAG does not pick up that the Force is buying from outside, instead of utilising its own farm. If that farm is properly utilised, then you might not have to buy from outside. But your explanation was that, you cannot use that farm to supply because it is not one of the approved vendors. Is there any way to have or make that as an approved vendor? That would solve the audit query there.

REAL ADMIRAL V. NAUPOTO.- The first thing is, if we are to be a supplier to RFMF, because of the volume that will be required, that farm will have to be run as a commercial farm. We need to pour money into the farm. If we are an approved vendor, again, I think there are some rules and regulations that we have to follow before the Ministry of Economy allows us to be one of the approved vendors.

For us to provide the food from the farm to RFMF and for RFMF to buy from the farm, we will need RFMF to buy those food so that we keep the farm going. I can say at this stage that with the state of the farm, we are unable to provide that, so we are unable to do that right now and do farming on a large scale, enough to provide for the requirements.

MR. CHAIRMAN.- You are still viable at the moment, as you say?

REAL ADMIRAL V. NAUPOTO.- Yes, at the moment we are.

MR. CHAIRMAN.- Thank you. Just on that point, when you said it is a side issue not an audit issue but the Corrections Service also has farms and prison actually manages the farms and retails to outside purchases as well. Hopefully, I think that concept could be employed by you as well but I think the labour force is there for the Corrections Service. They have people (the prisoners) who actually work on the farm.

REAL ADMIRAL V. NAUPOTO.- The difficulty with our farm is that, when you look at RFMF and the task that is given to RFMF as a Force, farm is a little bit outside and its really additional to the big task that RFMF is tasked to do. If we run the farm and run it properly, it has to then go back into the RFMF to help in the big tasks that we have. I think it will be difficult to run RFMF and do the tasks that are required of RFMF and on the side, run a big commercial farm also lies outside of the tasks and role of RFMF.

MR. CHAIRMAN.- Probably auction and contract it out, maybe to Grace Farm, et cetera or maybe, there is an option?

REAL ADMIRAL V. NAUPOTO.- Yes, there are a lot of options for that area as far as farming. As I said, right now, I am just keeping it open for those students who are doing their practical. I asked them and they said it is very hard for them to go find a farm where they can do their practical and it is a requirement, but we are keeping it.

Right now, that farm is more a practical side for those students, and it is a training avenue for those who are about to turn 55 from RFMF. They can go in and they run training for them on how to do farming different types of vegetables. We have run a few people through there, we opened it for youth groups who have a lot of land and want to do some training on how to plant vegetables, et cetera, so we send them there and the expertise that is available there from the Taiwanese Technical staff is utilised for those.

MR. CHAIRMAN.- Alright, not a problem. Honourable Radrodro, next question?

HON. A.M. RADRODRO.- I think, Mr. Chairman, on the overall operation of the farm, the important thing is to have a qualified Farm Manager. How has the RFMF recruited qualified people to run the farm or do you just leave it to the RFMF officials?

REAL ADMIRAL V. NAUPOTO.- Right now, the officer who is running the farm has just returned from Taiwan, who attended training on Farm Management skills with the assistance from the Taiwanese Government. He is utilising his skills at the moment.

HON. A.M. RADRODRO.- Mr. Chairman, we go back to the RFMF Engineers Korosi to Balaga Project, I think there are some anomalies that were noted by the Auditor-General, the slow implementation of the project, with the money given and the response that you had provided was that, the work is to be fully completed when the funds are made available. Can you just elaborate further on the completion of the work and when it will be expected to be completed?

REAL ADMIRAL V. NAUPOTO.- I apologise, I do not have the technical details from the Engineers if you like, on why the work had stopped, but usually for our Engineers if materials are available, weather permitting, they work quite fast. One of the advantages that they have is, they go and camp out wherever place or building they had to build and stay there and do the work until it is done. One of the reasons why the work is slow is either because of the weather or the materials are late in coming to them, but the technical reasons why that delay, Honourable Member, I have no information on that lately.

HON. A.M. RADRODRO.- In the Memorandum of Agreement with the sub-contractor, it was noted by OAG and I refer to the third audit anomaly on page 21, I quote:

“The audit noted the following anomalies with regards to the project:

* Oversight in the Memorandum of Agreement with sub-contractor did not specifically state the cost of the project, duration and length of road to be covered to guide the RFMF Engineering Unit and the sub-contractor…”

REAL ADMIRAL V. NAUPOTO.- Sir, that is on the MOU?

HON. A.M. RADRODRO.- Yes, it is on the MOU and the fourth bulletpoint, the deduction of the provisional taxes.

MR. CHAIRMAN.- The question, Commander, is that Audit noted that in the Memorandum of Agreement with the sub-contractor, it did not include the things, like the cost of project, the duration and length of road to be covered which actually led to the project not being completed on time. Are these MOAs vetted by the Ministry for the OAG or it is solely done by the Military?

REAL ADMIRAL V. NAUPOTO.- The MOU is just between RFMF and our clients. I think there is an example of those MOUs in one of the Annexes.

MR. CHAIRMAN.- The question was, there was an oversight where some clauses were missing from the MOU which did not state the cost of project, is it not?

REAL ADMIRAL V. NAUPOTO.- I can come back to you, I do not really have the information on why that oversight occurred but I certainly can find that out.

MR. CHAIRMAN.- Because we can have a written response on that later.

REAL ADMIRAL V. NAUPOTO.- Certainly, Sir. I will get the comments from our Engineers.

MR. CHAIRMAN.- Alright, thank you. That will probably give us some understanding of future projects as well on how to manage that. Right under that bulletpoint, Sir, there is another issue raised that the contractor and the RFMF Engineering Unit did not deduct the 15 percent provisional tax on payment made to Faizal which I believe was the contractor. So the contractor went off with the full amount before the project was completed and the provisional tax was not deducted. Is there an explanation for that?

REAL ADMIRAL V. NAUPOTO.- I admit that, that was an oversight. Yes, we are certainly working on future MOUs that we have with the clients that use RFMF Engineers for projects.

HON. RATU S.V. NANOVO.- Mr. Chairman, still on the RFMF Engineers, my concern is just in regards to the Namara, Vunisei and Muanisolo Projects on the island of Kadavu. I did visit this project in early 2015 and just to advise that the road works were not really done up to standard and you can take note of that.

REAL ADMIRAL V. NAUPOTO.- Certainly, we will take note.

MR. CHAIRMAN.- So when you visited, was it completed?

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

MR. CHAIRMAN.- Alright. Honourable Members, since there are no further questions, may I ask the Commander for any final comments before we end the presentation?

REAL ADMIRAL V. NAUPOTO.- I do not have any further comments but we will provide brief information on that point.

MR. CHAIRMAN.- Honourable Members, thank you very much. That brings us to the end of our session with the RFMF. I just noted that somewhere, it is still written Royal Fiji Military Forces, I think it should be the Republic of the Fiji Military Forces. The name has changed.

Thank you very much Team RFMF for your presence this morning before this Committee and assisting us in our work, that is, scrutinising public spending. Should we have further queries or questions, we will get back to you on that. We appreciate the response to the issues and details might be in two weeks’ time from your office.

(Vote of Thanks – Mr. Chairman)

The Committee adjourned at 11.40 a.m.