**PUBLIC ACCOUNTS COMMITTEE**

**[Verbatim Report of Meeting]**

**HELD IN THE**

**COMMITTEE ROOM (EAST WING)**

**ON**

**THURSDAY, 14TH MARCH, 2017**

**VERBATIM NOTES OF THE PUBLIC ACCOUNTS COMMITTEE MEETING HELD IN THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS, ON TUESDAY 14TH MARCH, 2017 AT 9.30 A.M.**

**Interviewee: Ministry of iTaukei Affairs**

In Attendance:

* 1. Mr. Naipote Katonitabua - Permanent Secretary
  2. Mr. Saimoni Waibuta - Deputy Secretary
  3. Mr. Tomasi Volau - Director Corporate Service
  4. Ms. Sereana Matakibau - Principal Accountant
  5. Ms. Loraini Bure - Acting Senior Accountant

Office of the Auditor-General

* 1. Mr. Kuruwara Tunisalevu - Director of Audit
  2. Mr. Seremaia Delana - Auditor

Ministry of Economy

* 1. Mr. Atin Chand - Audit Manager
  2. Mr. Amit Kishore - Auditor

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MR. CHAIRMAN.- I welcome the team from the Ministry of iTaukei Affairs.

Honourable Members, we are now ready to take our first presentation this morning. I welcome Officers from the Office of the Auditor-General (OAG) and also the Officers from the Ministry of Economy who are here to assist the Committee. For your information, today we have five members from the Ministry of iTaukei Affairs, who are here through our invitation to present to this Committee on the accounts that we are reviewing currently.

(Introduction of Ministry of iTaukeiOfficials)

For the purpose of this meeting and for the Ministry of iTaukeiTeam, you are aware that Parliament has given us this important responsibility of scrutinising the finances and the spending of all Government entities and all entities that Government is involved in. We had written a letter inviting you to this Committee, so thank you for your attendance. Without further ado, I request the Team from the Ministry of iTaukeiAffairs to make their presentation, after which Honourable Members will venture into questioning of relevant aspects. Thank you very much.

MR. N. KATONITABUA.- Mr. Chairman and Honourable Members of the Standing Committee on Public Accounts, indeed it is really a great pleasure for the Ministry to be here this morning. First of all, we would like to acknowledge your assistance in considering our plight last week as we were in Kadavu conducting the consultations and submission from the Kadavu Provincial Council last week, so we were not able to come and present to you. We are grateful that you have given us this week to come and present to you on issues that you have raised on letter dated 24th February, 2017.

We will start off with the Ministry of iTaukei Affairs’ overview and I will request the Deputy Secretary, Mr. Waibuta, to go through the overview, on the key roles and functions of the Ministry, before I go into specific issues being highlighted in the 2014 general accounts. Thank you.

MR. S. WAIBUTA.- Mr. Chairman and Honourable Members, as requested on the roles and functions and likewise, on the organisation structure of the Ministry, the content of the presentation this morning is just to highlight the *i Taukei* institutions’ organisation setup, the functions and its relevant legislation and likewise, the core responsibilities of the Ministry.

Honourable Members, that is the *iTaukei* institution setup with the Honourable Minister and the Permanent Secretary, the Deputy Secretary, and likewise, the five Divisions within the Ministry. Also included are the other stakeholders, the:

* iTLTB; iTaukei Affairs Board;
* our institution in Nadave, CATD; and likewise
* iTaukei Trust Fund.

Very briefly, the function of the Ministry of iTaukei Affairs is responsible for developing policies, facilitating, implementing and monitoring Government programmes focussed on the governance and well-being of the *iTaukei* people.

Those are the current legislations, the:

* iTaukei Affairs Act;
* Lands Act, Lands Trust Act;
* Development Fund Act;
* Trust Fund Act; and
* Fisheries Act (Cap 158).

Those are the Divisions within the Ministry with our vision - a prosperous *vanua* for a better Fiji. We have the:

1. Development Services;
2. iTaukei Lands and Fisheries Commission;
3. iTaukei Institute of Language and Culture;
4. Lands Appeals Tribunal; and
5. Corporate Service Division.

On their core functions, the iTaukei Lands and Fisheries Commission (iTLFC) very briefly, ascertains lands and fishing grounds that belong to *iTaukei* owners, adjudicate on land disputes, customary fishing grounds and traditional leadership or headship and custodian of various cultural registers kept at the Commission.

For Lands Appeals Tribunal, it is responsible for hearing and determining appeals against the decisions of the iTLFC.

For the Development Services Division, it provides policy advice on matters that affect the wellbeing of the *iTaukei* community, engage in consultative forums across all sectors of Government but with non-State actors on key policies and programmes, and consult with the *iTaukei* institutions in monitoring and evaluating performance with the implementation of Government key policies strategies for *iTaukei* as resource owners as outlined in the Roadmap.

For the iTaukei Institute of Language and Culture, it:

* documents, preserves, promotes and disseminates information on all facets of *iTaukei* language and culture;
* promotional activities conducted to prevent language through weekly radio programmes, community workshops, newsletter publications, translations and editorial;
* the cultural mapping programmes conducted for the 14 Provinces for the National Inventory of Traditional Knowledge and Expressions of Culture; and the
* Identification and recognition of living human treasures.

For the Corporate Services Division, its core function is to:

* develop and implement key corporate governance objectives aligned to the Public Service Code of Conduct;
* Manages resources of the Ministry to ensure compliance with relevant human, financial and capital resources legislation; and
* Provide secure and reliable information management system, including the safekeeping of official documents.

That is the organisation structure within the Ministry.

Our establishment, Established Staff - 142, Unestablishment Staff - 13, with a total of 155. The vacancies, substantively filled is 124 and vacant positions of 18. So, very briefly, Mr. Chairman, that is an overview of the Ministry of iTaukei Affairs and its core responsibilities and the organisation structure. Thank you Sir.

MR. N. KATONITABUA.- Sir, if I may continue from the overview, I will go directly into our submission this morning as per the audit findings.

On the first one, 5.4 - Backlog RFA and Operating Trust Reconciliation; Mr. Chairman and Honourable Members of the Committee, this was due to the Finance Management Information System (FMIS) variance year in and year out, that resulted in delays in updating reconciliations which ultimately led to the backlog.

The Ministry of iTaukei Affairs in collaboration with the Ministry of Economy managed to rectify the variance and I wish to report that the backlog in the RFA and operating trust reconciliation had been updated and the system is on with expected deadlines. You can find the report or the updated 2014 RFA and Operating Trust Reconciliation as Appendix A.

On 5.5 - Scholarship and Bond Recovery, the establishment of the Tertiary Education Loan Scheme (TELS) in 2014 resulted in the transfer of the all the iTaukei Affairs Scholarship files, including the bond agreements forwarded to the Tertiary Scholarships and Loans Board (TSLB) as from January, 2014. In view of our attempt to get our books in order, the Ministry had contacted the Ministry of Economy regarding the transfer of the bond recovery bank accounts into the TELS but uptil now, there has not been any more updates from the Ministry of Economy on our attempt to rectify this problem.

On 5.6 - Short Notice of Resignation, this issue is across the board within the human resources within the Public Service and private sector. In 2014, there was a resignation of former Deputy Secretary with immediate effect without paying for the 30 days. Right now, the Deputy Secretary is now with the Ministry of Rural and Maritime. We had contacted the Ministry for the recovery of those payments that were made and we had been consulting closely with the Permanent Secretary that they will address this problem, of the recovery of the salary that were paid to her during her resignation.

To ensure that the similar event does not occur again, Mr. Chairman, the Ministry of iTaukei Affairs is reviewing its Standard Operating Procedures with the new Open Merit Recruitment System (OMRS). The proposed system, as I said, must address officers that are retiring, including those who will be resigning from the Service.

On 5.7 – Revenue not included in VAT Assessment, Mr. Chairman, this is part of the processes within the Ministry. We have included the VAT component on revenue collected. This was included in the revised SOP to reflect the payable of VAT component to the CEO, FRCA, for the supply of goods and services, with the exception of zero-rated exempted supplies. Honourable Members, you can see in our submission the SOP which are in Appendix C and D.

On 5.8 – Backlog of iTaukei Affairs Board’s Financial Statements, Mr. Chairman, the Ministry continues to verify the acquittals revised for the four quarters in 2014 and submit to the Ministry of Economy, which allowed for the release of funds under RIE. To improve the processes, Mr. Chairman, in collaboration with the iTaukei Affairs Board the drafting of the new grant agreement which include the Financial Statements and Annual Reports, is a new initiative that will be incorporated in the revised SOP that will be in place.

In terms of the progress of the backlog of the iTaukei Affairs Board Financial Statement, the Team also appeared to this Honourable Committee in late last year (2016) where the Board reported that it had submitted 42 Annual Accounts to the OAG from the 89 targeted Accounts. As of to-date we had completed 82.

There are some challenges affecting the submission of the Annual Accounts TO the Board and its current management are committed to providing the Government of the day what it requires. The following measures have taken place to address the backlog of accounts:

1. Through the iTaukei Affairs Board approval, we had acquired a new integrated financial system for the iTaukei Affairs Board and the Provincial Councils. Approval has been received last week from the Board and we are hoping for the full installation to be completed by the end of July, 2017 or the end of this financial year. We anticipate that this system will be going live by the 1st August, 2017 in the new financial year.

2. Through the OMRS, we are looking at the recruitment of qualified accountants in the Finance Department of the iTaukei Affairs Board and also the Treasurer positions in the 14 Provincial Council Offices through the quarterly Provincial Treasurers’ Workshop organised to train our Treasurers on the General Ledger Reconciliation in the annual accounts preparations.

3. The Ministry of the iTaukei Affairs Board had formulated, through the audit, confirmations or evidences obtained from financial institutions. However, some of these financial institutions have discarded records that are more than seven years.

4. The Board has also set up a taskforce within the Finance Team to work on the backlog iTaukei Affairs Board and the Provincial Councils’ Annual Accounts. This is to provide assistance to external auditors when required.

5. I think the Board had also purchased a new server and it is now being hosted by ITC. We had a big challenge last year whereby the old server crashed, and now with the new server installed and being hosted by ITC, we have pushed in some more up-to-date and also the transfer of transactions are reposted timely.

Mr. Chairman, on the table below, those are the current Annual Account submission updates. Out of the 89 targeted Annual Accounts, we had submitted 82 and we are working on the seven. Honourable Members, you can look at the far end column in terms of the remarks. For 2017, a workplan on the outstanding Annual Accounts from 2008, you will see that we are targeting the end of December, 2017 that we should be able to submit the 93 Annual Accounts.

Mr. Chairman, on 5.9 - Anomalies in the Reorganisation, since 2015 the Ministry had reorganised to improve efficiency and effective service delivery within the organisation. The following changes were undertaken within the Corporate Service Division and the ITLFC to realign their duties and also cater for the new duties within the Commission. Through this reorganisation process, we have clearly outlined the various Units that we need to have in a Corporate Service Division where we have the Human Resource Unit, Finance and Accounts Unit and the new Unit that was established which is the Complaints and Public Relations Unit.

Mr. Chairman, over the years, these are some of the new initiatives that we undertook to take care of clients and issues raised through public consultations and roadshows. So through the Ministry, we had established this Unit to cater for the general public who visit our offices and also who attended to our roadshows in the 14 Provincial Councils.

Again, we have the Management Information System Unit. Basically, we have the revised structure, the current structure that we are working on at this point in time.

In terms of the reorganisation of the ITLFC, Mr Chairman, this Commission receives around 250 to 300 clients or customer services attended to the office in a week, so we need to beef up our support system in terms of officers who should be there to serve the *iTaukei* who need assistance and would like to come in terms of the *Vola ni Kawa Bula*  and other sections within the V*anua* Section. That is why we have beefed up the team and we hope that this will ease the complaints and also the inquiries that come through the Office of the Prime Minister and also the Ministry of iTaukei Affairs and the Provincial Council Offices.

Mr. Chairman, that is the Monthly Report from each Unit. This, again, reflects that we would like to be more effective and more efficient in our service delivery undertaken by the Corporate Services Division and the ITLFC.

Mr. Chairman, those are our submissions this morning and we are happy to receive questions and clarifications from Honourable Members. *Vinaka saka vakalevu*.

MR.CHAIRMAN.- Thank you very much, PS, for your submissions. You are indeed very thorough. You have addressed quite a lot of bits that were there in the Audit Report. I believe Honourable Members will have a few questions for the whole team. Honourable Radrodro, do you have some questions in that regard?

HON. A.M. RADRODRO.- Thank you, Mr. Chairman. Thank you, PS, for a very good presentation. Just on your updates on page 3 on the ITaukei Affairs Board Financial Statements, we note there the backlog in terms of reporting and bringing up to-date Provincial Councils accounts some way back as 2000, 1999 and now you are working until to 2007. The question I would like to ask; is there a need for the Ministry to continue to bring up-to-date all these backlog or can you take a stand and try to be up-to-date in terms of the Provincial Councils’ Financial Statements?

MR. N. KATONITABUA.- *Vinaka vakalevu*, Honourable Radrodro. I think it is the primary role of the Ministry and the Board to give updated audited reports to the Auditor-General and also to Parliament. This backlog, as I had mentioned, is something that we just inherited when we came into the system. It has been there and we hope that by the end of this year, we should be able to complete what we are intending to submit to the Auditor-General as per the requirements of the Ministry and the Board.

HON. A.M. RADRODRO.- So good luck on trying to complete all your work up to date.

The second question is on Page 2. You mentioned that you are acquiring a new financial integrated system. Out of interest, what happened to the existing financial system that was there, are you going to totally leave that aside and adopt this new system? Can you just inform the Committee on the current arrangement?

MR. N. KATONITABUA.- Through you, Mr. Chairman, thank you Honourable Radrodro for the question. For the information of the Standing Committee, the Board had acquired through the approval we had received this month, I think, last week for a new system. However, in terms of the background of the new system, I will now request the Principal Accounts Officer from the Board to just highlight on the whole system, why we need the new system and the consultations that we have been doing with ITC and other stakeholders on the benefits that that will provide to us in acquiring the new system.

MS. S. MATAKIBAU.- Thank you, Mr. Chairman and Honourable Radrodro. Just on the old system, the Board was using the WinBiz Financial System provided by pro-systems. With this system there was no integration between all the 14 Provincial Councils. So, at the first stage when we started, all the financial transactions were manually posted from the Councils, hence the data entry was all centralised at Head Office. So, that was also a contributing factor to the delay in the submission of the annual accounts.

With the new system, we are able to get all the Provincial Councils integrated with double entry system as well. Also a factor that was hindering the progress was the backup, the support system from the current vendor. What we found out was that, it was only a two-men team, so anything relating to the system was always a three to four months effort to try and rectify and address our problem.

With the new system that we have currently acquired, Datec will be providing us with the SAGE system. We have also been meetings with the ITC on the provision of the hosting of the server with the new system and the new hardware that will be compatible with the new system. So, we will have the double entry system in place, the integration between all the 14 Provincial Councils and mostly would be the real time updates that will now been enabled with the 14 Provincial Councils and the Head Office.

HON. A.M. RADRODRO.- Mr. Chairman, just a part of interest, the question on the old system; would you be able to inform the Committee on the cost of the whole system that was incurred? This new system, who recommended it, was there are a proper tendering process? What is the cost of acquiring this new system?

MS. S. MATAKIBAU.- On the old system, when the team join the Board there was no documentary evidence on the cost of the old system. The committee that was involved in the acquisition of the new system we were not able to check the cost as this had been installed way back in 2000. However, moving forward, with the new system there were two committees formed; the Working Committee and the Steering Committee that were involved with the vendor selection, the advertisement of the process and the selection of the vendor. Then it was from the Working Committee, they presented the challenges of the old system to the Steering Committee that worked on the vendor selection before the Board’s approval was obtained. And the cost is around $329,000.

HON. A.M. RADRODRO.- Mr. Chairman, just a question to Ministry of Economy. Now, we have heard there was no history of documentation of the old system. Did your Office attended to internal auditing processes in the Ministry and whether you came across the cost of the old system?

MOE REP. – Thank you, Honourable Member. The last audit that we did for the Ministry of iTaukei Affairs was in Quarter 1 of 2015 and I believe that this new systems has just recently been acquired. We will be auditing the Ministry in the new financial year, so we will be looking into the acquisition then.

HON. A.M. RADRODRO.- You did not come across the challenges that they faced with the old system and you did not inquire into the things that had been highlighted?

MS. S. MATAKIBAU.- The only issue that we would have picked up was the non-submission of the financial reports by the 14 Provincial Councils.

MR. CHAIRMAN.- In the meantime, PS, I had noted two questions. The first one is in regards to 5.6 - Short Notice of Resignation. In the current practice if someone resigns from your Ministry without giving a 30 days’ notice, is he/she required to pay back his salary of 30 days?

MR. N. KATONITABUA.- That is correct, Mr. Chairman.

MR. CHAIRMAN.- So, which means that if a person does not give notice and goes off, he/she is still being paid by the Ministry which he has to refund or is that a salary in lieu of notice?

MR. N. KATONITABUA.- Depending on when we received the resignation. We have occasions when officials have gone on overseas leave and they resigned when they were abroad. . We have a few officers who have gone in 2015 and also in 2016, so the only remedial process there is the recovery of what they were paid. That is the system that we are developing in our SOP in terms of the recovery, for those who had notified us 30 days before they resigned.

MR. CHAIRMAN.- Those who notified had served their notice period so they do not have to pay.

MR. N. KATONITABUA.- Those who had identified will have to be paid according to the last day….

MR. CHAIRMAN.- But those who did not give notice but resign immediately they have to pay back to the Ministry?

MR. N. KATONITABUA.- Yes.

MR. CHAIRMAN.- There was one case that you have highlighted here about the Deputy Secretary, so that is another control, I believe, you already entered into an agreement for repayment. Have you implemented any system now to save this kind of recurrence or events from happening?

MR. N. KATONITABUA.- Yes, in our submission, you have seen that we are reviewing some of our SOPs within the Human Resources in terms of recruitment and also to deal with those who have gone for retirement or early resignation, just that we need to have more monitoring mechanisms within our HR in terms of their movement before we can approve for them to take overseas leave or people who opted to resign because of personal matters.

MR. CHAIRMAN.- Secondly, in terms of the iTaukei Board Scholarships, I understand that there is currently certain amount owing in terms of the bond to the Ministry. What is that amount that is being owed to the iTaukei Affairs Board in terms of unpaid bonds?

MR. N. KATONITABUA.- Mr. Chairman, all those files have been transferred to TELS. It is better to get that update from TELS.

MR. CHAIRMAN.- So the recovery of those bonds, the process is being undertaken by TELS?

MR. N. KATONITABUA.- Some of the scholarship holders are paying through the old system appearing into our bank statement. In our submission, we had written to the Ministry of Economy to get those payments to TELS. So the structure of that reorganisation or realignment is still to be done within the Ministry of Economy and TELS.

MR. CHAIRMAN.- So your submission to the Ministry of Economy is that, people who are paying back their bonds to your Ministry should also be undertaken by TELS, they should receive the payments so that they can actually reconcile and audit it?

MR. K. KATONITABUA.- Yes, that is correct, Sir.

MR. CHAIRMAN.- Thank you.

Ministry of Economy, there is a request by Ministry of iTaukei Affairs to have a look at the recovery of the iTaukei Scholarship bonds. The files are with TELS, some people are paying back to Ministry of iTaukei which they cannot probably reconcile because they do not have the files. So probably, if you follow through the request and pass the responsibility to TELS.

Any further questions Honourable Members?

HON. M.M.A. DEAN.- On this particular note, I would like to convey my sincere appreciation to the presentation we have had from the Officials of the Ministry of iTaukei Affairs.

Mr. Chairman, the last time the Ministry was represented by Mr. Kurusiga and he did mention and made a promise on behalf of his Ministry that there is a special Taskforce that has been given that particular responsibility of looking into the Provincial Councils’ accounts. I just wish to say that it is very pleasing to see that whatever was promised is actually here. He did mention that they are aiming for 80 accounts to be completed and what I can see from their targetted outcome, 82 has already gone to the Office of the Auditor-General. So on this note, I would just like to convey my appreciation for the hard work the Ministry did. They did what they had initially told us and I thank the Officials for that. Thank you.

HON. A. M. RADRODRO.- Mr. Chairman, just a very broad question in terms of the roles and responsibility of the Ministry, I note that you have a very wide ranging, wide-scoping roles and responsibilities but my question is on the current Village Bylaws that will be part of your roles and responsibility in terms of the implementation of good governance. Why is it necessary that the Ministry is trying to implement or introduce this new Village Bylaws?

MR. N. KATONITABUA.- Thank you, Mr. Radrodro. Mr. Chairman, the Village Bylaws Programme is approved through the iTaukei Affairs Board in 2015 for the Ministry to go ahead with the consultation. If you look at the *i taukei* communities since Independence in 1970, you can see that the most vulnerable community in Fiji are the *i taukei* communities.

In terms of where the Ministry and the Board are looking in terms of this culture and tradition, we have seen that over the years, some of the *i taukei* communities are no longer safeguarding or protecting what we used to preserve in our respective villages. There are a lot of disputes amongst the chiefly system, village boundaries and demarcation of boundaries within each village, so we would like to again reactivate what we used to have before Independence.

We had noted that by 1967 the *i taukei* laws were abolished, three years before Independence. So through development over the years, you would have seen our solidarity within the village setting; what we need to preserve and what we need to protect, the values that we used to have in the village are now quickly diminishing, so that is why the Government and through the Board and the Ministry, have come up with Village Bylaws.

Currently, we have conducted eight submissions and consultations. This is after last year’s Provincial council Meetings in the 14 Provinces where the chiefs and Provincial Council members have agreed for us to take this on board. So through their consent and through the consent of what we are conducting, we have seen that it has been useful, it has been effective in eight Provinces that we had visited and we are looking forward to the six that we will conduct in the next two months.

Basically, Mr. Chairman, that is why we have this Village Bylaws and it is very important for the *i taukei* to know for themselves what their roles within the village are, and the values that they would like to preserve for their children and their grandchildren. We do not like to be other indigenous communities that have their values and traditions eroded away over time.

MR. CHAIRMAN.- So is it at the consultation stage at the moment?

MR. N. KATONITABUA.- Yes, Mr. Chairman, we are receiving submissions from the Provinces. We are targetting that by end of April, we should complete the consultation. Last week was in Kadavu, the eight Provincial Council’s submissions and next week, we are going to the Lau Province.

HON. A. M. RADRODRO.- The need to bring back the old norms in the religious and in the *i taukei* settlements, there is an existing law that is there and you have highlighted in your presentation, about the Fijian Affairs Act Cap 120. Is the Ministry not thinking about just recapitalising or reactivating those existing laws?

MR. N. KATONITABUA.- What we have in our system for Cap 120 is very broad. We would like to take it to the village level so that they can understand more on what are their roles are in terms of Cap 120 and translate it into *i taukei* to be a guideline to assist in the process. Having Cap 120 does not really address the social issues, so that is why we are going for the Village Bylaws. If you need more clarifications on what is the norm that needs to be preserved and the basis of why we need to preserve tradition and culture, that is why we came up with the Village Bylaw.

HON. A. M. RADRODRO.- Mr. Chair, just a clarification on that, I have a look at the Village Bylaws and Cap 120, one specific issue that I have there is the turaga-ni-koro. The turaga-ni-koro is appointed by the villages but in the bylaw, it says he/she is the representative of the Government, so this is one pertinent issue and may be you can explain that?

MR. CHAIRMAN.- It is under consultation at the moment so I think we will leave at that.

MR. N. KATONITABUA.- Mr. Chairman, we will be happy to answer to Honourable Radrodro when it comes to the Naitasiri consultation.

HON. A.M. RADRODRO.- In fact, we are not invited. Are we invited or just the *tikina* invited?

MR. CHAIRMAN.- You are a member of the public you can go but I see the effort of the Ministry and the Government in trying to ensure that the culture and values of the *i taukei* community is protected and they are doing very hard work and I think the team was in Kadavu last week taking submissions from the members.

MR. N. KATONITABUA.- Mr. Chairman, I think Honourable Radrodro is invited in Naitasiri, as well as members of the public, they are all invited, including the church leaders.

HON. A.M. RADRODRO.- When is the Naitasiri consultation?

MR. N. KATONIVUALIKU.- It is on 18th April, 2017.

MR. CHAIRMAN.- Yes, I do see the effort that the Ministry and the Government is making in that respect, so we wish you all the best in that regard.

If there is no further questions from Honourable Members, I would like to thank the Ministry for i Taukei Affairs for your presentation this morning. It was indeed, quite thorough and we had all the answers that we were looking for, it was provided to us. You have also ably answered all the other queries that we had. We will definitely take your oral and written submissions into our consideration when we are doing the report.

(Vote of Thanks by Mr. Chairman)

The Committee interview adjourned at 10.12 a.m.

The Committee resumed at 10.45 a.m.

**Interviewee: Fijian Elections Office**

In Attendance:

1. Mr. Mohammed Saneem - Supervisor of Elections
2. Mr. Sanjeshwar Ram - Director Corporate
3. Ms. Nina Filipe - Financial Controller
4. Ms. Romika Sewak - Accountant

MR. CHAIRMAN.- Honourable Members and members of the public and the media, we are now prepared to take our second submission for this morning. For that purpose today, the Fijian Elections Office (FEO) has responded to our invitation. They are here in response to our invitation to appear before this Committee and address the issues raised by the Auditor-General in his Report.

All Honourable Members are well versed with the FEO Report and the Report of the Auditor-General.

(Introduction of FEO Officials)

I welcome the team from the Fijian Elections Office. Today as usual, we also have the Office of the Auditor-General (OAG) Officials and the Officers from the Ministry of Economy to assist the Committee in the important task that we are undertaking on behalf of the Government and the Fiijan Parliament, to scrutinise the public spending. And as part of our exercise, we have been inviting members, Departments and Ministries to appear before this Committee and to explain to us any anomalies or any other queries that Auditor-General might have had.

Without taking further time, I would now request the FEO to make their submissions and should we have any further questions, we will reserve that until the end of your submission. Thank you very much.

MR. M. SANEEM.- Thank you very much.

Mr. Chairman, and Honourable Members of Parliament, as well as our counterparts from the Ministry of Economy and the OAG, good morning. Thank you for the invitation. FEO has prepared a comprehensive submission that we have handed to the Committee and we will be deliberating on that.

I just want to start by talking about the roles and functions of the entity but before that, please allow me to introduce my team

(Introduction of FEO Officials by Supervisor of Elections)

The FEO is an independent electoral management body and we were formally established in March, 2014 under the Electoral Act. The mandate of the FEO is to conduct general and other elections in Fiji. The FEO Headquarters is based in Suva and we have branches of break around the country.

The Supervisor of Elections is the head of the FEO and reports to the Electoral Commission under the legal framework. The FEO is made up of 52 core staff in non-election years and up to 350 staff in election year, and boosts up to 9,000 plus staff during an election.

The FEO strictly adheres to merit-based recruitment process, including recruiting 9,000 polling day workers. This had allowed us to attract professional and committed personnel to deliver the mandate of the FEO.

We have a customised procurement process that operates an independent and transparent tender process. This is specially designed to respond to demands and needs of an electionenvironment based on practices of other more established election management bodies around the globe. We operate our own fleet of vehicles and where necessary, we hire vehicles from the market to carry out our functions effectively.

The Government through the Ministry responsible for Elections, issues the FEO with the annual grant from the National Budget. Donor partners also assist the FEO in implementation of our mandate through financial and technical support. Staff who are not from Fiji are recruited as per the Electoral Act, following an approval from the Minister responsible for Elections.

The FEO is recognised as the centre for electoral information in Fiji and we are spreading our wings into the region. The analysed electoral data collected during electionsand from other sources to enhance the quality of our planning and delivery of elections in future.

In the period between national elections, the FEO conducts capacity building programmes, as well as trade union elections*.* We conduct regular updates of the National Register of Voters for voter registration drives, as well as do process enhancements to ensure that the delivery of elections and standards increases as we go along.

Mr. Chairman and Honourable Members of the Committee, in 2014 the FEO conducted the National General Election for a 50 Member Parliament under the 2013 Constitution. This selection was conducted on 17th September, 2014 and the FEO was officially formed on the 1st April, 2014.

The 2014 General Election was declared as fair and broadly represented the will of the people by the Multinational Observer Group (MOG) and some of the interesting figures is that, there was a 84.6 percent turnout and 0.75 percent invalid votes, which is a historical achievement.

I have a few caveats to the presentation, Mr. Chairman, which I wish to raise at this point. First of all, the Audit Report says that there were certain responses that were not provided by the FEO to the OAG. I believe this is a communications issue, but it also questions the conduct of the audit because if there was an exit interview, as Honourable Radrodro would confirm, then all comments and queries ought to have been discussed at that exit interview. So we feel aggrieved that our comments were not recorded on the document that has been published by the OAG.

More concerning is the fact that despite knowing that the comments were not published, it has mis-presented saying, “no comments received”. So we wish to raise this as a grievance to the Public Accounts Committee and we humbly request that the process for audits be carefully followed, especially in this regard because, Mr. Chairman, these are serious documents, and statements beyond procedure should not be recorded on these statements and this is a grievance that the FEO wishes to put as a caveat. However, we have provided comprehensive responses to all the matters which had alleged “no comments were received”, and we are happy to go through it with the Committee.

MR. CHAIRMAN.- Before moving further, OAG, that is a very serious concern that the Supervisor of Elections has raised that his Office had given some explanations but those were not noted and in place of that, it is written, “no comments”. So that probably sends a pretty wrong signal out. It is fortunate that they are here to explain, but can we have some comments on that from your side please?

OAG REP.- Thank you, Mr. Chairman. Yes, I do have some comments to make, I do agree with the Supervisor of Elections that we have stated as, “No comments received”. However, I would like to stress this point here to the Honourable Members of the Public Accounts Committee and also to the members from the FEO is that, the process that is followed in the OAG when audit is conducted and finalised and exit interview is conducted, the audit comments that goes into the general report will become a public document. Likewise, a written response with the authority of the Head of Department. With due respect to the Supervisor of Elections, we did not receive any written comments or follow ups.

We have got a series of the correspondences which was done through emails and there were various follow-ups that were made with the relevant officers of the FEO to obtain the comments because the deadline for the report to be submitted to Cabinet was the end of September, 2015 for 2014 reports. So, the Office started with follow-ups and a given date was 11th September, 2015.

No comments were received at that date then there was some follow ups also done with the relevant officers of the FEO. The relevant officers had notified the OAG through emails that they would be providing the comments later because the Supervisor of Elections was not in office at that time. So, the deadline was already passed which was 11th September and please note that the Auditor-General is not only finalising one particular entity but there are so many entities that he looks at and there is a lot work involved in that as well.

There was a confirmation from the FEO that there will be a meeting that would be conducted on 22nd September, following which the comments will be provided. So, they requested for an exit meeting which was held on 22nd September, 2015. Following that, I understand that there were various things that were discussed in the exit meeting which were noted and I would also agree that there would have been some issues that must have been resolved in there, but then the normal procedure is to follow up with written comments. So, the Office was requesting for written comments after that exit meeting happened. So, once that did not happen, then the January report was finalised on 2nd October, 2015 and without the management comments. So, that is the response to the query raised by FEO. Thank you.

MR. CHAIRMAN.- Thank you OAG. We will take a note of that. I think it is probably a communication issue but nonetheless, the Supervisor of Elections is here so he can provide those responses here and we will take note of that. Probably, there could be a bit more streamlining in communication in future. Supervisor of Elections, you can continue with your submission, please?

MR. M. SANEEM.- Thank you, Mr. Chairman. In passing, I might want to just say that if you look at the Report, comments are present in some parts of the Report and are missing in more crux parts of the Report.

OAG REP. – I wish to comment on that as well. There are two audits that are carried out; one is the Regulatory audit and the other is the Agency Financial Statement Audit. The Regulatory Audit is carried out prior to receiving the Agency Financial Statement. The Agency Financial Statement Audit was carried out after the Regulatory Audit for which the comments was provided. So, the comments was inserted.

While the comments for the Regulatory Audit which is more like the desktop procedures, policies and compliance of it, so the response was not provided. There were issues that were discussed in the exit meeting and then when the Auditor-General reviews the General Report and in his view, there are issues that does not required to go to the Public Accounts Committee because of its insignificant in nature, then those issues are not reported to the Public Accounts Committee. Only those issues which are of public interest and in the interest of the Public Accounts Committee, those issues are reported. So, those issues that the Supervisor of Elections is pointing out that was left out for no comments, those were the issues which were very significant and the Office wanted to highlight that in the Report, and there was no written comments provided for that.

MR. CHAIRMAN.- We will take a note of that, Sir. But, yes, this is the opportunity to explain all those things now.

MR. M. SANEEM.- Thank you, Mr. Chairman. I will now address the Committee firstly on the positives, on the things that we have done post-2014 based on the review of the 2014 Electoral Process.

The first thing we did was, we purchased our own Finance Management Software. We became fully independent from the FMIS system that is operated through Ministry of Economy on 1st August, 2016. Our new software allow us for more customised processing and recordkeeping system. The reports are now as per IFRAS requirements and our software has an inbuilt asset management tracking system. This software has been in operation since 1st August, 2016 and we had the Ministry of Economy experts, as well as an independent audit company, KPMG, come in and facilitate the transition into the new software. Definitely, we are looking forward to more simpler processing, as well as more customised reporting for FEOs requirements.

Secondly, we have also acquired our own FRCA certified Payroll and HR Software. The Payroll software allow us the FEO, unlike what the FMIS allows, to process salaries for short-term staff through the software whereas in the current system, it all has to be done through manual entry on a weekly time sheet basis. The new software allows us to even to bulk up to the 9,000 plus staff that we have at the time of elections and pay them through the Payroll Software.

In the last Election, this became an issue because 9,000 staffs had to be paid and we have to pay them through excel sheets manually and we do not want a repeat of that situation. Various processes need to be complied with in terms of accounting and this Payroll Software which is going to allow us that capability, has been acquired.

We are also in the final stages of developing a fully customised Polling Worker Recruitment System. This system will manage the process of recruitment of polling workers from application stage to the final reference as staff of the FEO. This system is being funded through the New Zealand Aid. The software is being developed so that recruitment can take place on an electronic platform and data entry and verification is much more simpler rather than the back office data entry processes.

The FEO has hired its own internal auditor, as well as an accountant position has been created within the FEO Finance Team. These two positions were not present in 2014, and we humbly submit that these two are critical positions in the management of finances.

MR. CHAIRMAN.- Supervisor, these polling day workers are the ones who work for Elections …

MR. M. SANEEM.- Election workers.

MR. CHAIRMAN.- … Like the ones who take the names out, cross the names…..

MR. M. SANEEM.- Yes.

MR. CHAIRMAN.- They are casual workers?

MR. M. SANEEM.- In simple terms, they are casual workers.

MR. CHAIRMAN.- They are paid through your other system, the new one, not FMIS?

MR. M. SANEEM.- They will now be paid through the new Payroll System.

HON. A.M. RADRODRO.- Thank you, Supervisor. Just a clarification on the Polling Worker Recruitment System. The basis on why you are not picking on civil servants as was the norm and now you are trying to hire casual workers?

MR. M. SANEEM.- The reason why the FEO is hiring based on merit is because we would like to give an opportunity to anyone who is interested to work in Elections to apply and be part of the electoral process. The merit recruitment process is a fair system in which anyone who is interested has the necessary skills, the necessary qualifications and the capability, can come in and be part of the election process. It is not seen as a fully Government operated process where the public is just participants but having this many people come in and work in the process, creates ownership of the election.

MR. CHAIRMAN.- It is also to keep the civil servants as far away as possible from elections process, I mean, probably to be more independent. But that is not an audit query, probably that is just a brief background.

HON. A. M. RADRODRO.- On your systems, the finance system, the payroll system, how much does it cost the authority to get the system running?

MR. M. SANEEM.- It was a pre-budgeted item and the budgeted spending allocations were met. I cannot give you the figures off hand, however, if this is a formal query from the Committee, we will be happy to send you the exact data.

HON. A. M. RADRODRO.- The other issue I have is now that you have enrolled your particular systems, there are four that you mentioned. What finance policy do you follow? Do you follow the existing Government or do you set up your own finance manual and regulations?

MR. M. SANEEM.- I believe I was coming to that but to answer your question, the election systems require you to have dynamic systems for procurement. You have to be ready for purchase at any time because something might happen as a contingency, so the finance manual and procurement systems are designed for elections. It is not a standard Government procurement system.

MR. CHAIRMAN.- Thank you. You may continue.

MR. M. SANEEM.- Thank you, Mr. Chairman.

As I was explaining the role of the internal auditor is to conduct audits in various processes in the office. The auditor conducts financial audits for various activities of the office and currently the auditor is in the process of carrying out an audit of all the trade union elections that we have run so far.

The accountant position is also an extremely important position. Previously in our organisation structure, this position was not specifically there. We have now created this position to ensure that there is a second in command in the Accounts Team, who has relevant authority in decision making powers to ensure that all the reconciliations and all the other bookkeeping processes are up-to-date and up-to-par.

The added advantage to the FEO is that our Director Corporate happens to be a former auditor from the Auditor General’s Office. So in terms of the finance processes we are trying to make it much more user-friendly and safer.

The last point, Mr. Chairman, I would like to make is that the FEO for the next General Election can schedule its procurement of election materials and supplies, we have more time.

HON. A. M. RADRODRO.- Just a clarification, you have your own system but you still report to the Ministry in terms of your financial reporting. How do you reconcile that with the Ministry of Economy’s FMIS system?

MR. M. SANEEM.- We do quarterly reports to the Ministry of Economy. We do not do anything on the FMIS anymore, everything is on the Finance System. It is, sort of, like an independent statutory company.

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

MOE REP.- Thank you, Honourable Radrodro. Yes, the FEO have a grant and that is only a one-line budget item similar to that of Parliament where funds are disbursed from.

MR. CHAIRMAN.- And the internal workings are their responsibility?

MOE REP.- Yes, their reporting of the usage of that grant is the quarterly reports that is submitted.

MR. CHAIRMAN.- Please, go ahead, Supervisor.

MR. M. SANEEM.- Thank you, Sir.

In 2014, the FEO conducted a one-day election for the first time in Fiji in just about six months. Safe to say, procurement teams worked in overdrive. Orders were being placed round the clock, delivery of items and services were taking place around the clock. Unfortunately, the FMIS system was not designed to take this load and my friends from Ministry of Economy can dispute this, but it did not allow the FEO the capability to facilitate round the clock, LPOs and recording of assets, et cetera.

The FMIS, based on its initial design, was designed for an automated process for use in normal ministry environments and not massive projects, like a general election. One example is that, the FMIS calculates the VAT portion of all payments directly from the Operating Budget, but if we are using the FMIS to operate Trust Fund Accounts from donors, then the VAT portion is still factored into the Operating Budget which has to be then rectified through directly writing to the Ministry of Economy, which we learnt this in 2014.

With the current system that we have, the system allocates the VAT portion based on the funds that we allocate to the system, so this should solve 9.1 - Audit Opinion, where there was a mis-posting, I would say, of $560,000 because VAT was deducted from the Operating Account rather than from their Trust Fund. Actually, the payments were made for VAT amounts from the Trust Fund Accounts but FMIS posted it from the Operating Account. This was rectified in 2016 after we wrote to the Ministry of Economy and explained that, and they corrected the postings. I believe in the 2016 audit, no such issue was discovered.

The other point is bit of a technical one, Local Purchase Orders (LPOs) had to be issued but LPO are issued under the FMIS. Some payments were made to overseas vendors so we assumed that based on contract, we do not have to issue them LPOs, so the LPOs were not issued. Now the FEO has done away with LPOs and we are calling it Purchase Orders, to solve the problem.

Additionally, sometimes the Finance Rules and Regulations do not apply to situations, especially when there is one supplier. In these situations, for example, to clear freight and customs charges, we are bound to deal with the receiving agent in the country. We cannot go and get three quotes from two other agents so that the third quote is from our receiving agent because the goods have to be cleared from that agent’s yard. So in that case some of the policies have now been revised.

We also wanted to raise that in Fiji, there are various companies and individuals that hold licences to exclusively do things. For example, an advertising company owns billboards and will charge you for the rental of those billboards. You cannot go and get three quotes for those kind of situations because those billboards are that company’s only, so the sole supplier system. So we have boosted that in our policies, the sole suppliers.

Fiji Link is the only plane that goes to Rotuma, so if we have to charter, it would be a waste of time to go and get three quotes from companies that do not have a licence to go to Rotuma. So those kind of things, we have now built into the system because if you have to go in a plane and come back in two days, the boat is useless.

Those kind of things have now been built into the Finance policies to allow the FEO that level of commercial presence and those are amendments that have taken place after 2014.

Mr. Chairman, I would like to now briefly touch on the Audit Report. I have touched briefly on 9.1 but I believe the Ministry of Economy can confirm that in 2015 when the issue was raised, the FEO provided various particulars to the Ministry of Economy for the postings to be adjusted appropriately in the FMIS system. I tried to explain it very properly in there where fund 9 and fund 1 is affected, but the thing is in 2014 we had a trust account where we put all the donor funds. This is to prevent it from mixing with Government funds.

MR. CHAIRMAN.- Are you referring to part 9.1, it says, and I quote: “There is an un-reconciled difference amounting to $560,356…”.

MR. M. SANEEM.- Yes, that has been reconciled.

MR. CHAIRMAN.- Ministry of Economy?

MOE REP.- Mr. Chairman, on the issue of trust fund, when the funds do come into the country into the Consolidated Fund Account, sometimes Ministries and Departments do not disseminate the information that the VAT portion is included with that fund. So they do not make any form of confirmation that VAT is included. That is why the VAT is taken out from Operating so this might be a breakdown in communication problem. However, this issue has been resolved after the period in question. Thank you.

MR. CHAIRMAN.- So, we can move on, as this matter has been resolved.

MR. M. SANEEM.- Just as an added safety feature, for future funds that come into the trust account, it will be managed by the Finance System that we have, which will have allocations accordingly.

In respect to 9.2 – Statement of Receipts and Expenditure; there was an increase in expenditure by $7 million because we had an election.

Mr. Chairman, 9.3 – Appropriation Statement; the savings was $6 million plus, I believe that should be a good thing but this is because there was donor funds provided for the elections. And can I also add that this is because we did very competitive tenders, as well as very commercially in nature dealings at the FEO to make sure that we get the best value items for the money spent.

As for 9.4 – Statement of Losses; this is in relation to missed payments. As I had explained, Mr. Chairman, in 2014 the FEO received 15,000 applications. All the applications for this Polling Worker Project was filled by people who applied, and data entry was done back-end by FEO. Later on once we processed payment, we realised that, in one example I can give you, the person wrote his bank account number as his mobile number and his mobile number as the bank account number, so the classic case happened that the payment went to someone else.

Out of the 9,000 plus staff that the FEO had, miss-payments were made for 38 people and the amount is also $9,000 plus, out of the $2 million plus that we paid out. The FEO having realised this, immediately lodged complaints to the Fiji Police Force because if someone receives money in their accounts that they are not entitled to, they should refund that.

Immediately, we also went to the bank to try and do reversals. We were successful in a few cases where the monies were not withdrawn but because of the error, the monies was reversed. We then afterwards in the first quarter of 2015, proceeded with Small Claims Tribunal cases against these individuals who had not yet refunded. Payments are still coming in. So far, we have recovered $735 and we will continue to follow up on this to make sure that the full sums are recorded and returned.

MR. CHAIRMAN.- Supervisor, thank you. That was my question that you have already answered about the recovery process. The issue there was that monies were paid into someone else’s account. Those people might not necessarily have been polling agents so they just took the money and went off and the rightful process was to refund the money, so the Police is looking into that.

The second part is the loss of fixed assets recorded in 2014. Are you going to address that one or are you coming to that? I think there was no loss of fixed assets recorded but still, assets worth $42,990 were written off as approved by the Permanent Secretary of Finance.

MR. M. SANEEM.- Those were the Board of Survey items, Mr. Chairman. We have to write off those items. A lot of those things were wooden ballot boxes, wooden voting booths that we would never use again, et cetera, so we had to write off. We also had to clear the warehouse of these equipment so that we could use the warehouse for the 2014 equipment.

MR. CHAIRMAN.- These one are from the previous Elections, the wooden ballot boxes?

MR. M. SANEEM.- Yes.

MR. CHAIRMAN.- In 2014, there was plastic boxes?

MR. M. SANEEM.- Yes.

MR. CHAIRMAN.- Are there any questions?

HON. A.M. RADRODRO.- Yes, just a matter of interest, you mentioned that you collected roundabout $700. How much did the FEO spent to collect that $700?

MR. M. SANEEM.- We have paid, I do not know whether $5.15 or is it $5.65 now, per SCT case. Thereafter, the orders were made and people are paying to the Small Claims Tribunal and then the monies are returned to us from there.

MR. CHAIRMAN.- Small Claims Tribunal is a free service basically so $5.65 for filing fees only per case?

MR. M. SANEEM.- Yes, so we paid the filing fees and we are waiting for payments through them. The referee usually makes orders to say, “You will pay now $5 weekly.”

HON. A.M. RADRODRO.- No legal cost, no staff cost involved?

MR. M. SANEEM.- Follow up costs are involved but that is part of the business.

(Inaudible)

We would be happy to take your recommendation on what would be an ideal way to do. It is like $20 and you pay $100 to collect it. We understand that, and that is why we say in FEO we do a lot of this in a commercial way to try and make sure that these kinds of things are not happening.

Mr. Chairman, I would like to say that in 2018 and for future General Elections, we will be implementing a fully computerised recruitment system that will do its own back-end verification for each applicant. We may not have access to bank account details of each applicant but we will certainly be able to contact the bank to verify whether the accounts exist for this person or not.

At this point, I would like to also mention that in Fiji, if you do not use a bank account it is closed after six months. This created a very big problem for us, considering a lot of the polling day workers were not usual bank goers. They did have an account but they were not usual bank goers so a lot of money bounced back to us because the account was closed.

For the next General Election, we anticipate making arrangements with banks to be able to open this for the staff. The other alternative idea is that we will be making a payment for training allowance of a certain sum, at least, six months before the election so that the accounts remains open after the election.

MR. CHAIRMAN.- In this regard, is there any other alternative way of paying these poling day workers instead of depositing it in their bank account, like giving them a cheque?

MR. M. SANEEM.- We are quite hesitant to do that because of accountability issues. I would not want to give a cheque to every staff because cheques will go missing and a whole host of problems will occur. And if the cheque is not presented in the bank, we will be holding a liability. So, the best is to make direct payment as a normal employee.

MR. CHAIRMAN.- There is a risk too that if you exhaust your fund and someone presents a cheque after that, he/she may be liable for a criminal offence.

MR. M. SANEEM.- That is the other thing, yes. Is there any question for 9.4, Mr. Chairman, or I can explain 9.5?

MR. CHAIRMAN.- Yes, we can go to 9.5.

MR. M. SANEEM.- 9.5 – Trust Fund Account Statement of Receipts and Payments; these are variances. The trust fund account was opened in 2014 where we deposited all monies that we received and some $21 million was deposited.

We are grateful to all the international donors and partners for partnering with the FEO in terms of funding us, for their confidence in the FEO and we always acknowledge that good faith and trust that they placed on us to deliver that successful 2014 General Elections.

HON. A.M. RADRODRO.- Just a question on 9.5. Do you anticipate similar donor funds coming in?

MR. M. SANEEM.- We will appreciate.

HON. A.M. RADRODRO.- Is that your anticipation?

MR. M. SANEEM.- Yes, we do appreciate if there is more interest.

MR. CHAIRMAN.- Maybe you can donate some if you want.

MR. M. SANEEM.- Mr. Chairman, we do not receive funds from candidates or political parties for running elections, just as an exclusionary cost.

HON. M.M.A. DEAN.- On that note, Sir, are there any conditions for the types of donors the FEO should be having, especially overseas donors since your work is very independent? I am sure the donations that must be coming from NGOs or any institution, they should also be very independent in nature. Thank you.

MR. M. SANEEM.- Honourable Member, the FEO most of the time only receives funding from international donor agencies, such as governments or bodies like the UN. Mostly, these donations come through the Government machinery, so I believe necessary checks and balances are at that stage of the process.

MR. CHAIRMAN.- It is also not an audit query, so not necessary to ….

MR. M. SANEEM.- Thank you, Sir.

In 9.6, this was what we had explained as 9.1, the variance in posting.

MR. CHAIRMAN.- So, the new accounting system is …

MR. M. SANEEM.- Yes, it should solve this.

MR. CHAIRMAN.- Any questions on 9.6 so far? With the new system that is being implemented, is it now working properly?

MR. M. SANEEM.- It is already functional, yes.

MR. CHAIRMAN.- The recommendation at the end of that page where the OAG notes, and I quote:

“The Head of Accounts should ensure that proper monthly reconciliations between bank reconciliation balance and trust fund accounts balance in the general ledger is done and any errors or variances noted should be investigated and adjusted accordingly.”

So has that been taken care of?

MR. M. SANEEM.- Yes, that is taken of. The software makes it much easier because we can request for customised reports.

On 9.7 – Operating Trust Fund Accounts, Mr. Chairman, is regarding a $20,000 balance in the FNPF which was carried forward from previous years and this has been written off in liaison with the Ministry of Economy in 2015. This is previous years that continue to come in, in the Accounts.

We have now in the process where any mis-postings during the month is adjusted in that current month. FEO has an annual closing of the month kind of situation which happens in private companies, so this kind of reconciliations are attended to.

In terms of 9.8 – Anomalies in Procurement of Goods and Services, this is the table that I would like to address. There is a comments appendix at the end of the presentation and may I invite the Committee to refer to the comments.

MR. CHAIRMAN.- Which page of your submission?

MR. M. SANEEM.- Sir, at the end of the FEO submission.MR. CHAIRMAN.- Is it the table at the back?

MR. M. SANEEM.- Yes, it is the table at the back as Appendix 1. It is the next page after Appendix 1 formatting.

MR. CHAIRMAN.- The one that has got five columns starting with the date, cheque number….

MR. M. SANEEM.- Yes. Sir, if we put the Auditor’s Report on the side under FEO, we will go into the first one, Cheque No. 1228, there was no invoice from the vendor, no competitive quote obtained. The reason for that is because we had to travel to these countries, especially the United States, to conduct voter registration from 18th May to 27th May.

As you will see, the cheque was issued on 16th May. This is because the Department of Immigration confirmed that they had issued several passports to Fijian Citizens in the US and that would happen when the teams went. So we had to conduct a second round of registration to facilitate the registration of all those newly eligible voters. Their applications were pending in Fiji but have not been approved when we went in the first time. So this has to be an emergency exercise and there were no other travel agents that were amenable to provide us the details, so we had to immediately action this. As you will see, the cheque was issued on the 16th and they left on the 18th which was done within two days.

HON. A.M. RADRODRO.- Mr. Chairman, just a clarification to the Supervisor of Elections, JAD International Service has always been the case highlighted in handling travelling for other Ministries as well and they even levied high penalties for last minute arrangements that had been noted in some Ministries and Departments. In this particular case, you highlighted that they have accommodated last minute arrangement. What additional costs or fees did they charge you for this last minute arrangement? And why JAD International?

MR. CHAIRMAN.- To explain what Honourable Member is asking, in the cancellation of tickets, JAD charges other Ministries if they booked a ticket and they wanted to rearrange a flight or cancel the ticket there was a penalty imposed on that for last minute cancellation but I believe this is a last minute booking?

MR. M. SANEEM.- Yes, it is a last minute booking. Mr. Chairman, one other thing I would like to point out is that, the FEO for all our travels we do get three or more quotes. This is because we try and get the best fare and route possible. In this case, I believe the staff had to jump from this airline service to another airline service, and that is why we could not get the tickets sorted out. But if we do travel you are at the mercy of the travel agent once you book your ticket. I believe everyone charges, it is not free for changes.

MR. CHAIRMAN.- So usually if you book on a short notice like this, that is why …

MR. M. SANEEM.- You get a higher fare.

MR. CHAIRMAN.- The fare is higher?

HON. A.M. RADRODRO.- Mr. Chairman is involved in majority of this travelling arrangement.

MR. M. SANEEM.- At the FEO, we have an open process where we get quotes for every travel.

Cheque No. 1287, the LPO was issued before the payment was processed. I believe if the OAG comes, they will be able verify this.

Cheque No. 1337, payments made by bank transfer. Technically, these are not local payments, they are payments made to the supplier of the EVR system so they were overseas payments. With our newer changes, technically we will now be able to issue Purchase Order instead of a Local Purchase Order because this is an overseas purchase. So that is the two payments there.

Payment to *Fiji Sun* on Cheque No. 1702, the FEO is required to publish an application by a political party within 14 days of receipt of the application. In the case of the current publication, the 40,000 plus names were received. There were only two newspapers in the country and, therefore, we did not have to go for open tender. This is where I am saying that some of the tender requirement policies are a little bit impractical, therefore, the FEO obtained quotes from both the companies and one company said they were not going to be able to provide the service as per the date that we needed because they needed the data, at least, earlier than the date that we could provide them. Therefore, the work was given to the *Fiji Sun* for publication.

MR. CHAIRMAN.- So this 476 page lift-out cost was around $282,000?

MR. M. SANEEM.- Yes. It is the largest newspaper in the history of Fiji.

MR. CHAIRMAN.- Alright, that is the lift-out for what?

MR. M. SANEEM.- The Political Party publication.

MR. CHAIRMAN.- People who signed up to the party?

MR. M. SANEEM.- Yes.

MR. CHAIRMAN.- It is 5,000 plus registration?

MR. M. SANEEM.- Yes.

MR. CHAIRMAN.- Alright.

MR. M. SANEEM.- Cheque No. 51, again, there was a variation and there was an LPO issued because these are issues arising from contract. So LPOs are issued once the amounts are unknown. This is another hire of vehicle.

HON. A.M. RADRODRO.- Mr. Chairman, just a clarification to the Auditors of Cheque No. 1702, did you also pick up whether this is the similar amount for the other political parties registration or was this the only one that did not go through the process as you had highlighted?

MR. M. SANEEM.- Maybe I can assist. This was the highest number of signatures that we have received and usually, publication cost ranges from $30,000 to $35,000 to $50,000 which was well within the approval limit. This was the only party that had 40,000 plus signatures, therefore, the excessive printing cost.

MR. CHAIRMAN.- There were two cheques, Supervisor, Cheque Nos. 1287 and 51, were issued to Fortech Construction.

MR. M. SANEEM.- Yes.

MR. CHAIRMAN.- Fortech Construction was issued two cheques and both of them were picked up by the Auditor-General. Is that without any tender calling or what was the reason that was given to Fortech?

MR. M. SANEEM.- Fortech was hired by the FEO to carry out construction work, refittings in the office. It was based on a building contract and once the invoices were issued, the LPOs were raised for those invoices and the variation was handled at a later stage in which the payments were made.

MR. CHAIRMAN.- Is that the same contractor?

MR. M. SANEEM.- Same contractor based on the contract. It was a building contract.

HON. A.M. RADRODRO.- Mr. Chairman, just on Cheque No. 51, the audit comments there was; “No approval sighted for the variation”, and the rest goes on. Quotations, LPO variation, et cetera. Was this presented to the Auditors during the exit interview? All these comments, can the Auditors also give comments on whether this has been sorted out?

MR. CHAIRMAN.- Also because there seems to be a difference of opinion. Your opinion and the OAG’s says; “No approval sighted for the variation work before the work was commenced.” The Supervisor is saying that the variation quote was submitted and prior approval was given before the work commenced. There is a difference of opinion here.

OAG REP.- Mr. Chairman, thank you for the query. The Auditor-General needs to go back and verify the comments. As per the FEO, we wish to come back to the Committee after our verification.

MR. CHAIRMAN.- Please, note that down and we will follow that up. Yes, Supervisor, you may continue.

MR. M. SANEEM.- I just wanted to say that without an approval, they cannot commence works so there was an approval.

Payment for vehicle hire, this is an issue in a few of the audit queries. I just want to give one summary for that, that payment for vehicle hire was done after the vehicle company submitted its invoice for the number of days that we had used the vehicle. It was not a blanket payment that said; “We will have your vehicle in the office for 20 days so we will pay you for 20 days”, but it was that; “The vehicle was there but we will only pay you for the days that the vehicle was used.” We used the mileage claim form, the mileage sheet and the running sheet. The running sheet was used to verify this. So, this vehicle for Cheque No. 210, this is Labasa order and the payments were made after the running sheets from Labasa were verified and signed off by the officer before we made the payment. That is why the LPO and things are in that nature.

HON. A.M. RADRODRO.- Thank you, supervisor. Can you just inform the Committee on this particular payment, Cheque No. 210 to Hussein Hire. How did you get to engage this company?

MR. M. SANEEM.- For the 2014 General Election, anyone who had a 4 x 4 that had met our requirements came in and gave in his/her Expression of Interest to provide the service to us and…

HON. A.M. RADRODRO.- You put that on public notice or it is just…..

MR. M. SANEEM.- I cannot recall that whether it was a public notice but the FEO had this process where it was an Expression of Interest. Anyone who had a 4 x 4 and wanted to provide that service to us, came in and gave his/her EOI and we considered it based on the quotations received.

HON. A.M. RADRODRO.- Going forward in 2018, will you go through the same process?

MR. M. SANEEM.- Going forward 2018, we would like to make it more of a tender kind of process. We will be advertising shortly for the hire of vehicles based on a flat rate.

MR. CHAIRMAN.- Is not even the Auditor-General’s Report and has not raised any issue about the procurement process. It is only about the payment.

MR. M. SANEEM.- Yes, the payment.

Charter of plane, Cheque No. 272, as I had explained, Fiji Airways is the only licenced carrier to Rotuma and this is for voter education pre-polling training. It was FEO’s decision to fly a plane across so there was only one carrier, we could not go and get any other quotation as it would be a ….

MR. CHAIRMAN.- A futile exercise.

MR. M. SANEEM.- Yes, a futile exercise.

Cheque No. 135 to an advertising company because advertisements were done by request on a daily basis so the number of advertisements at the end of the month would be billed to us and we paid for it.

Going forward, this can be better suited if there is a contract. We agreed in 2014, it worked and they issued us invoices and we paid them, and to make a payment on the FMIS system you have to raise an LPO, and as the LPO was raised on the date, the payment was made.

MR. CHAIRMAN.- The narration there whereby the OAG reads: “Payment for the FIFA World Cup Radio and TVC package.” What was that for?

MR. M. SANEEM.- There are various times in televisions and radios where the viewership is high and that is when you purchased those packages so that you are able to get maximum mileage. The FEO purchase those packages to get maximum mileage.

MR. CHAIRMAN.- During the FIFA World Cup breaks?

MR. M. SANEEM.- Yes.

MR. CHAIRMAN.- Alright.

MR. M. SANEEM.- There were two types of packages:

1. For sponsors; and
2. the other one is when you are not a sponsor but you want to get your advertisement in the middle.

MR. CHAIRMAN.- Alright.

MR. M. SANEEM.- Cheque No. 157, this was an issue that our Accounts picked up and this is done in urgency because in the weekend of 18th June, we were running out of material and we had to print copies from our existing supplier. We later on disciplined our Director of Communication for issuing these purchase requests without following the proper channels. Later, purchases were then done based on quotations, et cetera. We acknowledged that this was based on urgency and subsequently our Director Communications was disciplined for this process.

MR. CHAIRMAN.- Probably, this issuance of contract to Star Printery without any procurement procedure was, in fact, noted by your …..

MR. M. SANEEM.- Yes, in fact, we picked it up ourselves and then the Director Communications was disciplined.

MR. CHAIRMAN.- Alright.

MR. M. SANEEM.- Cheque No. 273 is also an issue of LPO issued on the day the vehicles were hired. This is again payment made to vehicle suppliers because the number of days of usage was provided to us in the invoice based on which we could issue payments.

Safety Security was another vehicle supplier, this is on Cheque Nos. 301 and 309. Kits payment vouchers, there are payment vouchers in the Office. We invited the OAG to come and verify. As payment of $700,000 was made, definitely the payment vouchers are there.

MR. CHAIRMAN.-What was that expense for, Supervisor?

MR. M. SANEEM.- We tendered for polling station kits and that was the container that had all the bibs, the rulers, pental pen markers, pen, toilet paper, water and all those things. So, that was tendered out and a local company won the tender and it was supplied to us and payments were made.

On Cheque No. 403, this is payments to company that owns billboards. As I had explained if that the only company that owns the billboard in Nabua roundabout, we have to go for that company. We cannot go and get three quotes from companies that do not have billboards in that roundabout.

On Cheque No. 441, hire of vessels for pre-poll; I would like to say that the Government Shipping provided vessels for pre-poll but in the middle of pre-poll, we were facing issues of tide. There was some vessels that got stuck in the tide and we had to send staff in other vessels to go to the pre-poll areas. Therefore, we had to go and hire boats. Basically what my Operations Team told me was; “We hired all the boats from Denarau and wherever we could find them.”

We also had to do an emergency procurement of boats when the candidate numbers were drawn and we had to print the Voter Instruction Booklets, fly them to the islands that had airports on them and then from there, hired various boats to just take them to the various islands. We had to do it, otherwise there would have been a delay in people knowing the numbers of all the candidates. So, that is where emergency procurement had to take place. We now know that we have to do that, so in the next election we will be better prepared. So that covers Cheque Nos. 441, 443 and 474.

Cheque No. 907 was the hire of scaffolding. Because we had to build temporary sheds all over the country, we hired all the companies that we could find that had scaffolding, so we did not go and get quotes for each scaffolding company. We just hired all of them to provide scaffolding and they did, they went and they put it out themselves.

Cheque No. 911 on floodlights and tube lights. We had to hire lights for various polling stations because of lighting issues, and for this the company did not provide us with their provisional tax records so a copy of the Exemption Certificate was attached to the payment voucher. So, we obtained it before payment was made. Once again, I invite the OAG to come in and verify.

Cheque No. 1084, payment to Williams & Goslings; as I had said, cartage and freight of polling materials. This is the company that was hired, based on the tender for the warehousing and the cartage of materials, and it was included in that from that company. In the next election, we will have to do an open tender for this because we now have our own warehouse.

Cheque No. 1106, payment to Avis Faith Rentals. This was the payment for a three-tonne truck. Once again, once they gave us the mileage sheet, then we were able to process payments.

Cheque No. 1236, payment to Vodafone; this is for the SMS broadcasts. This was done under a cover agreement and if we send out an SMS blast, Vodafone would bill us for the number of SMS actually registered. So, this was done once that invoice was received and because of the FMIS requirement we had to then to issue an LPO, then payment could be made.

Cheque No. 1241, was payment for allowances for polling their workers; this was something that was an internal error and we had it reversed by the bank on the same day. Entries were corrected in the General Ledger on 31st December, 2014, as per journal entry number 11222.

Cheque No. 1324 is Fiji TV - $186,000; these were LPOs raised upon receipt of correct charges. This is a problem, Mr. Chairman, that I would like to highlight that in the event that FEO did issue an LPO before the exercise, the invoice amount would be different from the LPO and then it would be regarded as splitting of invoices. So the safer approach was for us to get the invoice before we prepare the LPO and make the payment.

MR. CHAIRMAN.- This was for advertisements as well?

MR. M. SANEEM.- Yes, below that is Cheque No. 1362, similarly for FBC TV, this was for advertisements.

HON. A. M. RADRODRO.- Why cannot the two companies discuss and decide on the number beforehand?

MR. M. SANEEM.- They did, but if there was an emergency announcement, we had to go on air and these were all included in the end of the month bill. It would be better for us to do a contract with them and then there is a monthly payment which we are looking at for the next election because we ourselves do not want to get in the middle of sorting out the instructions for pre-poll announcement, delays were given by Operations Team whereas Communications Team was trying to do this and that so now we want to streamline that through one channel and have an annual contract with them and based on the contract, payments are made on monthly basis.

Cheque No. 1701 to DHL Express of payment of over $300,000; this is for LPO raised after correct charges were received. We had tendered this out and there was a contract with DHL. They provided us with the invoice and then we raised the LPO to process the payment based on that. Local deliveries as well as international deliveries of the last Election was handled solely by DHL.

There will be split tenders this time, there will be a different tender for local deliveries and a different tender for international, specifically to countries. We would like to have bulk tenders for Australia, New Zealand, and USA, and then we will have an open tender for the rest of the world. There will be tenders for regional ones, Pacific Islands and local tender or supply within the local area. It is better if it is split into more companies so that they are able to expend their resources rather than one company having to deal with the whole country as we experienced the last time. This time, we want to split it into many companies so that the efficiency of the process is improved.

As I had said, Mr. Chairman, in the beginning, the issues raised in some instances can be resolved with the OAG because they are all more practical issues dealing with everyday scenario and the FEO welcomes the OAG to come in and verify the data that we have provided, and we are happy to rectify any major issues. If any practice or directions do come out, the FEO is happy to take that on board. Thank you for your time and questions.

MR. CHAIRMAN.- Thank you very much, Supervisor of Election, that is almost on the dot, 11.50 a.m., the time that we have for the next submission. Your submission has been quite thorough and you have, in fact, explained all the various issues that have been raised and you have answered most of the oral questions that we had. Are there any other questions from Honourable Members?

HON. A.M. RADRODRO.- Just basically on the overall roles and responsibilities of the FEO, we note a lot of discrepancies noted in the 2014 Elections. As you have alluded to, in 2018 pre-polling issues and polling day issues, are there plans for FEO to conduct electronic voting or whether that is in the pipeline?

MR. CHAIRMAN.- That is something that really is not an audit issue here, that was in the report of the Supervisor of Elections in the other Committee, but you are free to have a look into that.

MR. M. SANEEM.- I believe I should clarify, there is no electronic voting.

HON. A. M. RADRODRO.- So it is similar to the old 2014 Elections?

MR. M. SANEEM.- As far as practicable, all the processes and systems from the 2014 will remain in 2018. So the same system where you come in the line, go and get your names, crossed off and then you go and get your ballot paper, go to the voting screen which is the cardboard screen, and then you go and get your finger inked, drop your ballot paper and then you exit, that is the process, so there is no electronic voting involved.

(Inaudible)

MR. M. SANEEM.- The boxes and the numbers are yet to be approved, finalised through the Electoral Commission but I anticipate that the numbers for the next Election will be different.

MR. CHAIRMAN.- I invite you to sit and go through my submissions in the Justice Law and Human Rights Committee, we are addressing all those points there.

With that, I would like to once again thank the Supervisor of Elections and his Team for your appearance before this Committee this morning. You have indeed helped the Committee in the work that we are doing in scrutinising Government spending. We will definitely consider your oral and written submissions in our Report and should we have any further questions or queries, we will communicate with you. Thank you once again, Supervisor of Elections.

The Committee adjourned at 11.51 a.m.

The Committee Interview resumed at 12.00 p.m.

**Interviewee: Ministry of Defence and National Security**

In Attendance

1. Mr. Osea Cawaru - Permanent Secretary
2. Ms. Silina Cama - Director National Security
3. Ms. Marica Rinakama - A/Manager Corporate
4. Mr. Nemani Vakacabeqoli - A/Accounts Officer

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MR. CHAIRMAN.- Honourable Members, we are now ready to take our third submission for the day and for that purpose, we have before us the eminent group from the Ministry of Defence and National Security headed by the Permanent Secretary for Defence, Mr. Osea Cawaru; the Director, National Security, Ms. Silina Cama; the Assistant Manager Corporate, Ms. Marica Rinakama; and Accounts Officer, Mr. Nemani Vakacabeqoli.

I welcome the team from the Ministry of Defence. Thank you, ladies and gentlemen, for your appearance. You are assisting the Public Accounts Committee (PAC) in the task that it is doing and that is, to scrutinise Government spending through their various Departments and companies.

We are also assisted today by the officer from the Office of the Auditor-General (OAG) and a team from the Ministry of Economy, who will be assisting the Committee as we go along. With that, I now invite the PS and Team from the Ministry of Defence to make your submission and should any questions, we will ask as we go along. Thank you very much.

MR. O. CAWARU.- Thank you, Mr. Chairman and Honourable Members of the Public Accounts Committee. In terms of our response this morning, we will be guided by the questions that was attached as per your letter and first is on the role and responsibilities of the Ministry.

The role and responsibility of the Ministry of Defence and National Security, in 2014, we used to have the Department of Immigration as well but from September last year, the portfolio has now moved to the Office of the Prime Minister. One of the core functions of the Ministry is to ensure the stability, peace and security of the nation which we all understand, is the building block for any nation whether it is economically, socially, et cetera.

For the Ministry of Defence Headquarters, our role mostly is more a facilitative role to both the two Forces which is the Fiji Police Force (FPF) and the Republic of Fiji Military Forces (RFMF). In terms of enhancing policy initiatives, ensuring public order and in terms of man-made crisis/emergencies, this includes aerial search for search and rescue operations and we also organise national events, the Fiji day, for example, and also the Remembrance Day.

The Ministry also coordinates intelligence requirements of Government and provides timely advice and assessments in this area. It provides coordinating role through the Defence and Security Forces on policy matters, as I have alluded to earlier, for the two Defence Forces, and it abides by the Public Service Commission policies in its daily services, supporting the reforms of the Civil Service, gender equality, good governance, good financial management, secretarial support with profession human resource management and prompt service delivery.

In terms of our structure, with the movement of the Department of Immigration, now we are left with 39 Established Staff and 10 General Wage Earners, a total of 49. So, in the submission, Mr. Chairman, you can see the organisation structure. In 2014, you can see that we have the Minister, the Permanent Secretary, the Deputy Secretary and the Directors were vacant then, which are now being filled.

Now, into the audit findings…

HON. A.M. RADRODRO.- Mr. Chairman, can I just ask a question. PS, thank you for your introduction on the organisation chart. I am trying to relate that to your roles and responsibilities in terms of the RFMF and the FPF. From your organisation structure, can you indicate where do they come in, in terms of your roles and responsibilities? Do they play a role in your organisation? Do they report to the PS or to the Minister, or is it separate?

MR. CHAIRMAN.- I did not get the question right, so what was the question again? Do the RFMF and FPF report to the Ministry?

HON. A.M. RADRODRO.- Where does the RMFM and the FPF fit in, in this organisation chart?

MR. O. CAWARU.- Thank you, Honourable Radrodro. In terms of how the two Forces fit into the Ministry’s organisational structure, they are on the same line as the Permanent Secretary. In terms of reporting, they both report directly to the Minister, in terms of structure and in terms of their financial support as they have their different Heads as well. So, they do not influence any decision in terms of the structure that is there in front of you. So, they have their….

HON. A.M. RADRODRO.- So policy making role of the Ministry fit into these two institutions as per your roles and responsibilities here?

MR. O. CAWARU.- In terms of policy issues, this is where I sit with the Heads of the two Forces in terms of, for example, legislations, Cabinet paper submissions as the administration of these or the policy issues are normally driven by the Permanent Secretary in consultation with the two Heads.

HON. A.M. RADRODRO.- Just a supplementary question to that, for issues relating to any of the two Forces, they come under the Minister? I am trying to ask a question regarding the *Kiro* and what is the updated status, what actions have been taken for those who are involved in the grounding of that particular Government vessel?

MR. O. CAWARU.- Thank you, Honourable Member. On that specific question, in terms of the question being posed on *Kiro*…

MR. CHAIRMAN.- That is really not an audit issue but you are free to answer that. It was not picked up in the audit queries. So, it is upon you whether you wish to answer that question.

MR. O. CAWARU.- Yes, that is handled specifically by the Commander and not the Permanent Secretary. Thank you, Honourable Member.

MR. CHAIRMAN.- You can now move on to the audit issues, Sir.

MR. O. CAWARU.- Going on to specific questions, I understand that the Department of Immigration have covered their sections from Item 6.1 to 6.5 and for me and the team, we will be answering from Items 6.6, 6.8 to 6.9.

First on 6.6 – Un-reconciled Drawings Account, the Auditor-General’s comment says, and I quote:

“Adequate internal controls and supervisory checks should be strengthened in the Accounts Section to ensure clearance of variances, stale cheques and errors in a timely manner.”

Allow me, Mr. Chairman, to just go through the Ministry’s response that is there in front of you.

The Ministry acknowledges the Auditor-General’s recommendations and wish to provide the following updates. At the commencement of 2014 Financial Year the Ministry of Economy introduced a new format for Drawings Account reconciliation. This instruction was issued via their Circular No. 2 of 2014, dated 21st January, 2014 as appended in Annex 1.

Since its inception there was minimal training conducted for trainers to train their respective staff. Unfortunately for our case, the Accounts Officer then, as you can see in the report, attended the training and in the same year, was sent home in terms of the findings on the investigations conducted by the Ministry of Economy, and there were continued difficulties in understanding the new format. Therefore, the Ministry was reliant on the Ministry of Economy in the preparation of the Drawings of reconciliations, but it continued to prepare its reconciliation as an internal backup. The Ministry of Economy continued to prepare the Drawings Account reconciliation for all the Ministries from 2014 until 2016.

As a way forward, the Ministry developed its SOP and that is attached as Appendix 2. The Ministry is considering instituting disciplinary actions for officers not adhering to Accounting Guidelines as a stringent measure. That is the circular and an announcement that I have done internally in terms of laxity of staff and in terms of putting in place some of the basic procedures that has been rightfully picked up by the Audit.

MR. CHAIRMAN.- PS, in that regard, if you look at 6.8, are you on 6.8?

MR. O. CAWARU.- I am still on 6.6.

MR. CHAIRMAN.- Alright, we will come to that, my apology.

MR. O. CAWARU.- Continuing on, on the second question, the Audit recommendation says, and I quote:

“The Department of Defence should ensure that they required correct information for EFT payments are given to the bank to avoid accumulation of EFT payments in Un-presented cheques at year end.”

In our response, we acknowledge the comments shared by the Auditor-General and in September 2013, the Ministry adopted the Electronic Fund Transfer (EFT) in participation to reduce the reoccurrence of un-presented cheques. Even though the FMIS, as we all know, encountered continuous challenges, but we, the team, also admit that there was also human error on our part.

The Ministry of Economy have confirmed that this is a common challenge for all Government Ministries in terms of the implementation of this new policy. The EFT Policy has been formulated to act as a procedural guide to Government Agencies in the process of electronic payment and receipts as their policy that is being appended there as an Annex 3. Those are our two responses, Mr. Chairman, in terms of the two questions posed in Item 6.6.

HON. A.M. RADRODRO.- Mr. Chairman, just a clarification, PS; on the un-presented cheques totalling $32,000, how did the EFT processes resulted in the un-presented cheques?

MR. N. VAKACABEQOLI.- Sir, may I respond to the question; all our EFT payments as shown in the table, are being presented to the bank through the EFT process. All those processes have gone through to the bank and what we see was that in our bank statement, it was not presented or stated in our bank statement for that month. We do not know what had happened to the system in the bank, why it did not show up in the bank statement, like when we issue cheques it is all stated in the bank statement. In that case, we go after our vendors who are mentioned in the table, and they have received all their payments. But why it is still un-presented in the bank statement listing, we do not know.

MR. CHAIRMAN.- Yes, I understand because when a cheque is issued, you actually get the cheque number and the amount debited from your account. But you are saying that EFT is not showing that, it is not appearing in your bank statement as you said?

MR. N. VAKACABEQOLI.- Yes, Sir.

MR. CHAIRMAN.- Have you checked with your bank? Which bank did you use, Colonial?

MR. N. VAKACABEQOLI.- Yes, Colonial which is BSP now.

(Inaudible)

MOE REP.- Thank you, Honourable Radrodro. Just to deliberate on this issue, this issue is also found in some Ministries and Departments. To begin with, 2014 was still in the early years when the EFT system was being implemented in Government. Some of the controls and checks that were supposed to be happening did not eventuate, but as the years go on the Ministry of Economy conducted training on reconciliation and also on the EFT side of things, to gauge this, control and to put in place a check mechanism to avoid the situation. Sometimes, this is to do with the bank error and sometimes, it is to do with the Ministries and Departments human errors. However, this has been addressed in the reconciliation that was submitted after 2014, resulting into some of the adjustments done in the Ministries and the Departments side and also done from the banks.

To add to this, Government in most Ministries and Departments, mostly the names of the accounts that are in the bank are to do with the Government of Fiji or Permanent Secretaries and sometimes when the bank goes in to debit this account, it just debits any account that it sees first, instead of doing its own checking, to make sure it hits the correct Ministry or Department. That is when the bank does not update but it credits the vendor’s account and does not debit the Ministry’s account. Thank you.

MR. CHAIRMAN.- That means the money goes out of the Government’s Consolidated Fund Account but it does not reflect which Ministry is paying for it?

AUDIT REP.- Yes, Mr. Chairman.

MR. CHAIRMAN.- OAG, in the reconciliation if that is missed, how can that be brought in order? The money is definitely being paid, but it was just not reflected in their accounts?

AUDIT REP.- Mr. Chairman, if it has been paid to the vendor, then I think it probably was not debited to the Ministry’s account but probably to a different Ministry’s account. That is why is not appearing in the bank statement of the Ministry of Defence. So, in that case, probably the Ministry of Economy should do a reconciliation. Unless the Ministry goes back to the bank to actually find out which Ministry has been charged that payment, but from the Auditor-General’s side, I think the Auditor-General brought up that issue because the EFT was supposed to resolve the un-presented cheque.

Mr. Chairman, we have just completed 2016 Audit for Ministry of Defence, this is not an issue for the latest audit that we have done.

MR. CHAIRMAN.- Thank you, PS, we can move forward.

HON. A.M. RADRODRO.- Mr. Chairman, just a clarification; when you do this payment through EFT, who is initiating the payment, the Ministry of Finance or the Ministries and Departments?

(Inaudible)

MR. CHAIRMAN.- Yes, PS, you may go ahead.

MR. O. CAWARU.- Thank you, Mr. Chairman and Honourable Members.

On 6.7 - Loss of Money and Unsubstantiated Write-offs; in terms of the Auditor-General’s recommendation, it says, and I quote:

“The Ministry should review internal controls weaknesses pertaining to revenue and implement cost effective system of internal controls which safeguards money against loss.”

We fully concur with the Auditor-General’s comments, Mr. Chairman. The officer who was implicated in the loss of money, that is, the $10,257 was unfortunately the Head of the Accounts Section at the time of incident. Upon the discovery of this case which tantamount to theft, the officer was immediately relieved off his duties with effect from 8th September, 2014 to allow for conduct of internal investigations with the assistance of the Ministry of Finance.

The officer’s contract was due for renewal as well on 11th October at the same year but was not renewed. The case was then handed over to the FPF for investigation and we have quoted there, Mr. Chairman, the Case No. CIDHQPP 190/2014 with the Fraud Unit. The FPF investigation has been completed and we understand the case is now before the DPP.

The Ministry, as the way forward, has reviewed its internal control system. Those are some of the measures that we have put in place, that is, the appointment of two Revenue Collectors. The daily bank lodgement has been a challenge and we had discussed this with the Accounts team for improvement in this areas, and also the verification of the Cash Analysis Sheet.

MR. CHAIRMAN.- Has any attempt been made to recover this $10,257 from the officer involved?

MR. O. CAWARU.- Yes, Mr. Chairman. Actually, the case is ….

MR. CHAIRMAN.- I mean, the case is with the FPF?

MR. O. CAWARU.- Yes.

MR. CHAIRMAN.- But he has not paid the money back or anything?

MR. O. CAWARU.- No.

MR. CHAIRMAN.- In this type of situations when an officer defrauds the Ministry at an exorbitant amount of money, does the Ministry now have any system in place to ensure that they return the money or some pay-back mechanism? Because I understand his contract was not renewed so he must be out of job, anyway, or unless he is working somewhere else. Can that be traced?

HON. A.M. RADRODRO.- What is the Ministry’s process or the Government process in dealing with this kind of scenario, is it automatically relieved of the duty or is it on half pay or how is the Ministry handling this particular kind of situation?

MR. O. CAWARU.- In this particular case, the officer was suspended and sent home, while we complete the due process of investigation in all due fairness to the allegation.

HON. A.M. RADRODRO.- In fact, my line of question is that the officer is not unnecessarily victimised for such an allegation? That is basically what I am trying to get it.

Secondly, probably you had had concerns regarding what issues to take up to the FPF and what issues to take up to FICAC. I know there are different interpretations involved so most of these cases, such as this, are referred to FICAC and in this particular case, it is referred to the CID. Who makes the call to refer to which particular agency?

MR. O. CAWARU.- In this particular case, we sought guidance from the Ministry of Finance.

MR. CHAIRMAN.- Yes, you can move on to the next part, PS?

MR. O. CAWARU.- Thank you, Mr. Chairman. On 6.81.

HON. A.M. RADRODRO.- I apologise, Mr. Chairman. PS, there is another audit point there, write-offs of about $1.7 million in the audit issue on 6.7. There is one, $10,000 and there is another write-off of $1.2 million and $1.7 million.

MR. O. CAWARU.- I understand, Honourable Member, that is for the Department of Immigration.

On 6.8 - Payments made after the Cut-off Date - Advance Payments; in terms of the Audit findings, it says, and I quote:

“The Accounts Officer should ensure that cheques are processed and released to the contractor after the successful completion of the work with necessary documentation in place to justify the processing of payments.”

Mr. Chairman, the Ministry acknowledges the Auditor General’s report and we have provided the appropriate updates on Appendix 4. Can I refer you to Appendix 4, Mr. Chairman?

MR. CHAIRMAN.- Yes, please.

MR. O. CAWARU.- On Appendix 4, those are the items that was under audit. The first was the payment of the photocopier, $7,990. According to the remarks, no LPO was raised, there was no signed delivery docket, no record in the Fixed Assets Register, there was no Minutes attached and there was also no competitive quotes and no invoice attached.

On the far right, Mr. Chairman, is the Ministry’s response. The Ministry further noted the financial requirements that only essential items can be purchased after the cut-off date of LPOs. So given the nature of the work of the Division that looks after policy and the Disciplined Forces, we thought it was necessary to purchase and replace the old photocopier since we had the old one from 2008 and we have been incurring a lot of expenses in terms of upkeeping that particular machine.

In terms of issues raised by the Audit, the Ministry admits our negligence and the Permanent Secretary of Defence is currently conducting internal investigation in terms of some of the processes that was being by-passed in this particular case. So that is, Mr. Chairman, on the first item, the photocopier.

The second was the payments to the two laptops and five desktops which totalled $15,412. The Audit comments said that there was no signed delivery of the received items and the items were received on 2nd February, 2015 as per the Fixed Assets Register, hence, the advance payments.

Our response, Mr. Chairman, is that, the Ministry noted the financial requirements that only essential items can be purchased after the cut-off date of LPOs and during the reporting period, the Ministry needed to purchase replacement and new equipment for the new officers to support the reorganisation of the Ministry. And the Ministry’s internal circular number 9 of 2014 on our reorganisation plans is attached in Appendix 4-1.

Furthermore, the Ministry also acquired new equipment to enhance the search and rescue work being conducted by the secretariat, together with the Fiji Naval Division. The copies of the handing over of the items to the Fiji Navy is also attached and the search and rescue secretariat were prepared accordingly.

MR. CHAIRMAN.- So, PS, the issue here was that these items - the two laptops and the five desktops were actually purchased but it was only an issue of the processes, the delivery receipts and all because your office register maintains that those items are there. It is just the procurement was questionable.

MR. O. CAWARU.- That is right, Mr. Chairman.

MR. CHAIRMAN.- Do you have some systems in place so that when this kind of purchases are made, to see that the procedures are followed?

MR. O. CAWARU.- Yes.

MR. CHAIRMAN.- Thank you.

MR. O. CAWARU.- Thank you, Mr. Chairman.

On item 3, would you like me, Mr. Chairman, to go through item by item in terms of the equipment highlighted?

MR. O. CAWARU.- I think most of these are same issues, as you had rightly mentioned, Mr. Chairman, in terms of assistance and processes followed by the Ministry.

MR. CHAIRMAN.- So we can go straight to the next item on your submission.

MR. O. CAWARU.- Thank you, Mr. Chairman.

On 6.8.2, Mr. Chairman and Honourable Members, on the copy that you have, our summary is the one in blue fonts whereas the details of each item is detailed in the two appendices, that is, Appendix 4 and Appendix 5.

On the second question to 6.8, the recommendation says, I quote:

“The Accounts Officer should draw proper procurement plans and ensure all procurements are done before closure of Local Purchase Orders to avoid advance payments and extravagant purchases.”

We fully conquer with the Auditor-General’s remarks, Mr. Chairman, and the response to all the items are now detailed in Appendix 5.

Very briefly, the Ministry notes the requirement of the Finance Circular 20/2014 and as the way forward, a procurement plan has been developed to avoid unplanned purchases during closure of accounts. The Procurement Request Form has been designed and now being used accordingly within the Ministry to avoid future audits in these particular circumstances.

MR. CHAIRMAN.- Just a question on that, PS, if a procurement purchase order form is filled, who is approving the authority? Who decides whether something should be purchased or should not be purchased?

MR. O. CAWARU.- Yes, the PS would do that.

MR. CHAIRMAN.- That seems like a very stringent system to avoid further problems.

MR. O. CAWARU.- So the detail, Mr. Chairman, in terms of the issues raised in 6.8.2 is detailed in Appendix 5 and all the details and the up-to-date explanations as we speak, is on the far right of Appendix 5.

Item 6.9 – Internal Control Weaknesses for Procurement; the first recommendation by the Auditor-General says, I quote:

“The Accounts Officer should strengthen internal control for payments and ensure proper checking is done to avoid the above anomalies.”

Our response is that, the Ministry acknowledges the Auditor-General’s remarks and further update is there as well in Appendix 5.

As the way forward in terms of the comments being raised, the Ministry has developed a checklist to ensure that all procurement regulations, for example, the provision of three quotations, are adhered to before the requested budget is released.

The Ministry is considering instituting disciplinary action. This is an internal directive given from my office in terms of simple instructions being bypassed. So we are currently conducting investigations in terms of these issues being raised because unfortunately, after working with the team in terms of preparing these audit findings, we found laxity as well in terms of our documentation. This is a big challenge for us and we are trying to improve on this, Mr. Chairman.

In the second recommendation, it says, and I quote:

“The Accounts Officer should ensure that acquittals are obtained with appropriate documentations and evidences to support payment vouchers.”

We acknowledge the Audit remarks. As the way forward, the Ministry have sent out reminder notices to relevant organisations on the provision of proper acquittals for funds issued during the Fiji Day and the Remembrance Day events every year. Similar to one, that is our internal control in terms of our internal investigation.

MR. CHAIRMAN.- You mentioned there, PS, in your submissions that the Ministry will be initiating disciplinary actions against officers concerned in terms of surcharge. This is the 2014 Audit, has any surcharge action been initiated against any of the officers who might be responsible?

MR. O. CAWARU.- Mr. Chairman, this just came to light while I was going through the Audit reports with the team and that is a directive I gave to our Corporate Services in terms of disciplining officers.

MR. CHAIRMAN.- That is very thoughtful of you, PS, in fact that shows that the exercise the Public Accounts Committee is doing is actually bearing some fruits because we are able to neat pick and pinpoint to the areas that the Ministries and Departments could strengthen, in terms of surcharge, disciplinary actions to prevent recurrence of such events which actually involve a large chunk of public money. So, I thank you for picking that up and we will be following that up with you whether there has been any action taken.

MR. O. CAWARU.- Thank you, Mr. Chairman. This directive came about because some of the Audit queries were similar year in, year out, so I hope that will work in terms of us improving and moving forward.

MR. CHAIRMAN.- Of course.

MR. O. CAWARU.- So, there ends the queries that we are supposed to have responded to this morning and if you have other questions, we are happy to respond.

MR. CHAIRMAN.- That brings to the end of your submission?

MR. O. CAWARU.- Yes. Honourable Members, any questions to the PS for Defence?

HON. A.M. RADRODRO.- Mr. Chairman, just out of interest, in terms of the development; the Ministry’s work in attending to the Audit issues, Cheque no. 1029 in Item 6.9 - payment for Fiji Day Celebration, the Ministry’s response is that they still could not reconcile the acquittals and the Ministry will raise the current findings with their Accounts Section in the Ministry to ensure that proper processes are followed. Has that particular acquittal managed to be reconciled by the RFMF and your Ministry? I note your up-to-date issue is that, you are working for a way forward but what about this particular audit issue?

MS. M. RINAKAMA.- Thank you, Honourable Member, for these particular national events on Remembrance Day and Fiji day, those are currently coordinated by the Ministry. When the programme is drawn out, we have a different budgets provided by the various agencies that are part of the programme. We note the findings from OAG and when acquitting the funds that are given to the various agencies, they are supposed to give it in line with how they had asked the various the activities but I note in here that we have inadequate supporting invoices. This is something that we really take up with the agencies whenever we have a coordinating conference.

We have come to a stage where we have asked that we will not be giving money because of the acquittals that are still outstanding or they are not in line with the accounting procedures. So, what we have planned for this year, we would request them to pay their own in line with the programmes. When they provide receipts in line with the accounting procedures, then we will reimburse, otherwise we will continue to seek improvement in this regards.

HON. A.M. RADRODRO.- Thank you for the explanation. Just a point for area of supporting documents. This particular payment had inadequate supporting invoices but as rightly mentioned, this is a yearly annual activity. So, how does the OAG recommend to address finalising this particular audit when there are inadequate supporting documents?

AUDIT REP.- Mr. Chairman, the activities of the Ministries, I think that is the decision of the Ministry. The Auditor-General cannot state; “You cannot undertake that activity because there is no supporting documents”, but the Auditor-General would continuously recommend improvement and internal controls, supporting documents, et cetera. The onus is on the Ministry to improve.

MR. CHAIRMAN.- Yes, the activity itself is a policy issue so whether they do it or not, it is a Ministry’s policy. How they do it, that is where the Auditor-General comes in whether they have done the proper procurement procedure, expenditure, et cetera. If the Ministry wants to do a Remembrance Celebration or it wants to buy an aircraft or whatever, it is their policy decision.

AUDIT REP.- We agree, Mr. Chairman. The Auditor-General can only recommend improvement in internal controls on certain issues but cannot comment on the policy issues on whether an activity should be done or not. That is for the Government and the Ministry.

MR. CHAIRMAN.- The Public Accounts Committee direct….

HON. A.M. RADRODRO.- No, that is not the line of questioning. It is not a matter of deciding, it is a matter of inadequate supporting documents. How does the Auditor-General view this going forward? If it does not continue to provide supporting documents and if they continue to raise this? How will it address or recommend improvements to ensure that they do not do these things and continue to be highlighted when actually on the ground, it is probably not working?

AUDIT REP.- Mr. Chairman, the explanation provided by the Ministry, that it is only refunding when proper acquittals are provided, that is one of the good options that the Ministry is considering to adopt for 2017. Probably, that is the only comment that the Auditor-General can provide at this time.

MR. CHAIRMAN.- PS, I have a question regarding Appendix 4, the proposed fencing of the War Memorial. After your internal inquiry, it found that some works needs to be done on the plaster work, painting work, et cetera. Has that work been completed?

MR. O. CAWARU.- Yes, Mr. Chairman, that work has been done.

MR. CHAIRMAN.- That is one of the performance audit that we can look into, please note it down. Any further question, Honourable Members?

HON. A.M. RADRODRO.- Mr. Chairman, just to the PS regarding my earlier question from the grounding of the vessel, you mentioned that the Commander is handling that. Is it coming to the Minister?

MR. CHAIRMAN.- It is not an audit query. It is not picked up in the Auditor’s Report.

HON. A.M. RADRODRO.- Out of national interest.

MR. CHAIRMAN.- I know if you…

HON. A.M. RADRODRO.- Is the investigation report going to be put forward to the Minister or not?

MR. CHAIRMAN.- It is upon you, PS, whether you wish to answer that or not because it is not an audit query and we are strictly bound by what is an audit query.

MR. O. CAWARU.- As I have alluded to earlier, Mr. Chairman, and to the Honourable Member, the Commander is looking into that and he reports and updates the Minister directly.

MR. CHAIRMAN.- There is no further question and queries, thank you, PS, Defence and Director National Security, Ms. Silina Cama; Manager Corporate, Ms. Marica Rinakama and the Accounts Officer, Mr. Nemani Vakacabeqoli for your appearance before this Committee this morning and afternoon. You have assisted the Committee in the work it is doing and your presentation, as mentioned earlier, has been very thorough. In fact, you have given details of every audit query that has been raised. We will take into consideration your oral and written submission, and should be any further queries we will definitely contact you. Thank you.

The Committee Interview adjourned at 12.49 p.m.