

**VERBATIM REPORT OF THE PUBLIC ACCOUNTS COMMITTEE MEETING HELD IN THE SMALL COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON THURSDAY, 6<sup>TH</sup> APRIL, 2017 AT 9.25 A.M.**

**Submittee: Ministry of Health and Medical Services**

**In Attendance:**

1. Mr. Philip Davis - Permanent Secretary for Health and Medical Services;
  2. Mr. Apolosi Vosanibola - Chief Pharmacist;
  3. Mr. Ami Prasad - Director (Finance); and
  4. Mr. Sanjay Chand - Acting Principal Accountant
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MR. CHAIRMAN.- A very good morning to you, Honourable Members, members of the Secretariat, members of the staff, media and members of the public, and a very warm and hearty welcome to the representatives of the Ministry for Health and Medical Services headed by the Permanent Secretary for Health and Medical Services, Mr. Philip Davis; Chief Pharmacist, Mr. Apolosi Vosanibola; Director (Finance), Ami Prasad; and Acting Principal Accountant, Ministry for Health, Sanjay Chand. I welcome you all to this Committee.

As you are aware, this Committee is conducting an important task on behalf of the Government and the Parliament, and that is to scrutinise public spending, expenditure and the audit issues that have been picked up by the Auditor-General's Office.

To assist us in this work today, we have the representatives from the Office of the Auditor-General on your right, headed by the Director:

- 1) Mr. Kuruwara - Director Audit;
- 2) Niraj - Audit Manager;
- 3) Farisha - Senior Auditor.

On your left, we have the representatives from the Ministry of Economy who are also assisting us in this process, namely:

- 1) Ashwini Prasad
- 2) Dominiko Tabuarua - Senior Accounts Officer, FMIS;
- 3) Sala Kurusiga - Principal Accounts Officer, Policy; and
- 4) Lanieta Senibulu - Principal Internal Auditor

Let me introduce you to my team: on my right, we have the Government Members of Parliament and Members of this Committee, Deputy Chair, Hon. M.M.A. Dean; on his right is Honourable Howard Politini replacing Honourable Assistant Minister for Health and Medical Services, Honourable Alex O'Connor. We thought it prudent that he be not in this Committee for this session since he is with the Ministry but he is also away on official duties.

On my left we have the Opposition Members: Honourable Aseri Radrodoro and Honourable Ratu Sela Nanovo.

With that brief, I will now request the Ministry, through the Permanent Secretary, to make their submissions on the 2014 Report, as requested by the Permanent Secretary.

There were a lot of issues in the 2014 and 2015 Reports, so we will just deal with the 2014 Report today.

You would have noted, Permanent Secretary, the amount of audit before your time but there are various and numerous audit issues that have been picked, and the Ministry for Health, being an important institution (one of the bigger Ministries), we would like to scrutinise it thoroughly and that is why we have allocated two days to your Ministry for this exercise.

Thank you very much and we will now hear from you.

MR. P. DAVIS.- Thank you very much, Mr. Chairman, maybe I should just introduce the colleagues who are sitting with me at the front here.

On my left, we have the Chief Pharmacist, Apolosi; on my right is Ami Prasad, who is the Acting Director of Finance and Asset Management; and on his right is Mr. Sanjay Chand who is a member of Mr. Prasad's team. So obviously we appreciate the opportunity to be here and to address the Committee's concerns, issues or questions regarding the Auditor-General's Report for the Year 2014.

As you have correctly pointed out, Sir, there are a lot of issues. We will fully be guided by you as to whether you want to focus on any particular ones or just work through the entire 53 in sequence, whichever way you prefer.

MR. CHAIRMAN.- We will appreciate if you take us from one end and if there is any question that arises, we will reserve that towards the end, so that if the issues are resolved, we do not take any further questions on that, so you will have the Committee and addressing the questions that are left.

MR. P. DAVIS.- Some of these are quite technical from the financial point of view and as you have correctly pointed out, Mr. Chairman, I was not even here in 2014. All three of my colleagues in fact were, so with your indulgence, I might actually ask Mr. Prasad to take the lead on addressing the questions and maybe we will just respond to each one and then quickly check if there is any follow-up and then move on from there.

MR. CHAIRMAN.- That is perfectly all right for us if Mr. Prasad can lead the submission. Just a reminder that this proceedings are recorded and if you are not sure of any answers or if you do not have that with you at the moment, you can ask for time to give written submissions and further time to address those but because it is recorded, we would like you to be as accurate as possible.

MR. A. PRASAD (Acting Director of Finance and Asset Management).- Thank you, Mr. Chairman, and good morning to all. We will start with Section 24(a), the Financial Statement where we are requested to provide a general comment on the following which is the audit opinion, Statement of Receipts and Expenditure, the Appropriate Statement and the Statement of Loss.

The Ministry has noted the findings of the Auditor-General's Office. After the Ministry has gone through the Report, it has put in appropriate practices to address the issues raised as highlighted in the Auditor General's Office on this.

We do acknowledge that there has been a few audit opinions formed by the Auditor-General's Office and as I said, the Ministry has put in appropriate practices in place to curb those issues, Sir.

Secondly, if you look at Part (b) which is the audit findings, again updates on the following: the variances in FNPF figures; the Ministry has put up with the FNPF team and we have identified that there were issues on the members' funds placed in the Suspense Account at FNPF because there were some name issues on the system, so the Ministry has met up with FNPF and we have rectified that as well. As we speak, the members have got their funds allocated to their accounts.

Drawings Account for Head Office and the Western Division: we have again met with the Ministry of Economy through the FMIS team and we have addressed the issues on the Drawings Account especially when it is talking about the unpresented cheque list which has figures reflecting from the EFT.

The Government brought in the EFT as a mode of payment processing which is basically to do away with unrepresented cheques being reflected during the year. The EFT purpose is so that the funds are going directly into the members' account.

We have had some issues because the bank system was not so tuned up with the EFT, with FMIS and they were reflecting lump sum figures, so that was one of the issues where it was all thrown to show as unrepresented but we have again met with the FMIS team and MOE and Government has come up with a new format of doing the bank reconciliation for the drawings account to address these issues.

On the other hand, they are liaising with the banks as well to work on their system as to how these issues could be resolved from their end. This is not only an issue with the Ministry of Health, it is an issue with all the other ministries and departments in the Government. That was covering for Items 24.5 to 24.7.

Item 24.8, VAT Reconciliations: the Ministry has noted the issue raised and has been liaising with the Ministry of Economy and FMIS on the way forward for the VAT Reconciliations.

Item 24.9, Over-Expenditure: we encountered the over-expenditure basically in SEGs 1 and 2 which is to do with the payment of salaries. The main area of over-expenditure was especially on overtime. Unfortunately, you would have noticed that the Ministry had vacancies due to which there was overtimes incurred and we needed to pay the officers for the overtime carried out, so that has basically caused the over-expenditure.

Item 24.10, We have acknowledged and instructed the team in Accounts that no one else apart from the authorised officers to be authorising the necessary journal vouchers.

Item 24.11, Anomalies in the Operating Trust Account: the Ministry has reconciled its Trust Accounts with FMIS General Ledger and that is going to be reflected in the 2016 Accounts, Sir.

Item 24.12, Main Trust Fund Account not maintained for Retention Sum: the Ministry has noted that and we have liaised with the Ministry of Economy then and we are advised to put the retention sum in the Trust Account with FPO (Fiji Procurement Office). However, Sir, the major projects for the Ministry goes on for over a period of time (two to three years), so it is really hard to really ascertain a specific figure of retention sum. Even now we are liaising with MOE, CIU (Construction and Implementation) Unit as to how we can really tackle this and put a retention sum into a Trust Account, so right now there is some discussion on this.

MR. CHAIRMAN.- Can I just ask a general question, Mr. Prasad, not to interrupt your submissions but the main questions will come at the end, it is just that why are these systems implemented after they are raised in the Auditor-General's Report? Why could the Ministry not implement these systems earlier and pick these things earlier and implement them to save this system of unauthorised payments, anomalies? Why did you wait for the Auditor-General's Office to pick that up?

MR. P. DAVIS.- I think you raise a good question, Mr. Chairman, and again noting that, I was not around in the period covered here but I think it is a more general observation. The process of improving and enhancing financial controls never ceases, it is going on all through the year. Of course, we do have a fixed point every year when the auditors come and identify issues. I think what anyone would recognise in Government or in the private sector is actually audit is as much a learning experience as a punitive process. So actually, these findings should not be seen as critical of what has gone before. What you do not see in here is all the work that is being done to improve systems. What the auditors are helping us identify are those areas where work still needs to be carried out.

No organisation, public or private will ever be perfect so we really value the fact that our audit colleagues actually tell us where we need to get better and as you are hearing from Mr. Prasad, we have those issues to our agenda and we tackle them vigorously following the receipt of the audit reports so I think we need to see this

notice as criticism but is actually helping us to improve. That has always been my view of the relationship with an auditor, it is an improvement process rather than a process of criticism and punishment.

MR. CHAIRMAN.- Thank you again for that explanation. That indeed is the case or it was usually there to assist everybody to find where the loopholes are and it is something that the Ministry has not implemented yet, they could do it after the audit.

MR. A. PRASAD.- Item 24.14, Trading and Manufacturing Accounts; Item 24.15, Bulk Purchase Team: The Ministry of Health has a Bulk Purchase Team which is the TMA Account based at the Fiji Pharmaceutical and Ba Medical Services.

Previously, when we looked at the FMIS, it came in the entire Government in 2005 but for the Ministry of Health, it came on board in 2011, and before that, the Ministry was working on Epicor system so when the transactions were transferred onto the FMIS system from the old system, that is where we had some discrepancies as far as the mapping and transfer of transactions took place. However, right now, the Ministry has met up through the Auditor-General's Office and their assistance with the FMIS team and MOE and we have rectified those issues, Sir.

Item 24.15, Refurbishment and Extension of Operating Theatre Complex at the CWM Hospital: this project has been completed, however, the issue of the retention sum was withheld due to the defects of the new construction. Once this is rectified by the contractor, those retention sums could be released.

Item 24.16, Delay in the Installation and Commissioning of Operating Theatre Equipment: there was a delay in the site preparation before these equipments could be actually installed so the delay in site preparation caused the delay.

Item 24.17, Sigatoka Maternity Unit Extension: the contract documents were vetted by the Solicitor-General's Office before signing. The project has been completed and the new extension at the hospital is in operation, as the Ministry does not carry out its projects without the signing of the vetted contract documents, Sir.

Item 24.18, New Ba Hospital Project: failure to deduct provisional tax for current contracts, Sir, all contractors are deducted 5 percent provisional tax which came into effect at the beginning of 2016. The reason why it was not deducted was because then the provisional tax exemption certificates were provided, so once that certificate is in place then we do not deduct provisional tax.

Item 24.19, Exterior Painting Works at Lautoka Hospital: this project again has been completed with the Government Tender Board (GTB) having the authority to approve this tender.

As improvements, the Ministry of Health calls for tenders and quotations for its purchases and evaluated in an Evaluation Committee. Recommendations are then made to GTB who go through the recommendations and through their own deliberations, they award the tender to the best suited company.

Item 24.20, Anomalies in General Maintenance of South Wing CWM Hospital: this project has been completed. The Ministry had advertised for the Clerk of Works. However, there has not been interest shown from the public so the Clerk of Works (Maintenance) is not cost-effective as several maintenance projects are taken within one financial year, so it is actually difficult getting qualified Clerk of Works who really know the project and understand those big projects to really guide through. However, if we look at the capital projects that are being done, we are putting in place the Clerk of Works and they submit weekly reports on the progress of the projects.

Item 24.21, Anomalies in the Construction of Quarters at Bagasau Nursing Station: this project has been completed and as usual, all the contract documents are vetted by the Solicitor-General's Office after which it is signed and then the contractors are engaged to carry out those works.

Item 24.22, Maintenance and Refurbishment of Nurses Home at Tamavua: Sir, this project has been completed, and the Ministry agrees on the estimate by the Ministry of Infrastructure and Transport being somewhat overstated.

The tender meeting was also discussed and the estimate cost was based on the scope of works at the site. The contractor that was recommended had visited the site before submitting their bid which is a normal practice. The bidders, whoever they are, are taken around once the tenders are advertised, showing them what actually is needed to be done so that if there are any issues from their end, it is clarified before they make their submissions.

Item 24.23, Magnetic Resonance Imaging (MRI) Machine Room, Maintenance Works at CWM: the MRI Machine being the only one in Fiji, serves the entire nation, and the need to immediately restore the services was of highest priority therefore the rationale of selecting the contractor who installed and commissioned the machine is justified, because they are the best qualified to look into this unexpected event.

The machine having stopped services, had put the lives of local and regional patients at risk. The costs of transfers of patients overseas would accumulate and be greater than the repair cost of 50-plus patients being on the waiting list.

The contractor had demanded for advance payment before they would carry out the works.

Item 24.24, Supply and Installation of CAT6 Structured Cabling at CWM: the work is still not completed. The Ministry had referred the case to ITC (Information Technology and Computing Services) and it is still an ongoing dialogue between the contractor and ITC and the Ministry is currently undertaking to ensure that this work is completed.

Item 24.25, Anomalies in the Contract for Supply Installation of CAT6, Structured Cabling at Lautoka and Labasa Hospitals: the work has been completed for Lautoka - Phase 1 and Labasa - Phase 1. The current contract that exists contains a warranty clause, as the ITC's requirements to ensure these works are completed.

Item 24.26, Anomalies in Project Management: while engagement of the Clerk of Works is supported, as I have already mentioned, it is very difficult to practice for each and every project in terms of finance, salaries and their recruitment process.

For all major construction projects, however, we are ensuring to have the Clerk of Works as the way forward and way of improvements.

Item 24.27, Fresh Tenders not Called: Sir, I would go back to the comments made by my Permanent Secretary earlier on. This again we take as a learning process and lessons learnt from this for getting tenders called on time and in a timely manner.

Item 24.28, GTB approval is not obtained for variations, waiver of performance bond and reduction in contingency sum. GTB approvals for the variations have been sought. They go back to the Tender Board seeking their endorsements. Officers involved in the signing of contracts, unfortunately, are no longer in the Ministry at the moment.

Performance Bond for Service Contracts: we have got service contracts such as security and the cleaning services. We have inquired from the Ministry of Economy if there is a performance bond needed on the service contracts, however, we have the performance bond on all the capital projects but they were not sure so we are liaising with the MOE on that basis, Sir.

Item 24.29, No Valid Indemnity Cover: the Ministry does not have a specialised person to look after contract management however this requirement has been incorporated as part of the contract where a separate clause is inserted for a contractor to obtain insurance and to keep them valid for the duration of the projects. That is an improvement as the projects are going on now and these are the basic requirements as of now for the contractors to provide before they are actually engaged, so there is insurance, FNPF registrations, tax registration - all these are now a requirement before we engage any contractors, Sir.

Item 24.30, Poor Planning of Capital Construction: I would reserve to get back on this, with a more firm answer.

Outsourcing of Security: the two, basically the Security Services and the Cleaning Services have been outsourced, Sir. The tender was called, the normal process of evaluation of tenders took place. GTB gave its approval and there are companies or service providers in place that are carrying out these two outsourced services to the Ministry.

MR. CHAIRMAN.- So there is a blank in your response, is that a typo, or you need time to spend on that; Item 24.31, Outsourcing of Security Services; and Item 24.32?

MR. P. DAVIS.- Thank you, Mr. Chairman, yes, there is no tax for Items 24.31 and 24.32, and especially as I have said, probably Item 24.30 as well. I think we would like to come back, I will take those on notice.

The Honourable Minister and myself met with our Security Service Provider just a couple of weeks ago so that is still very much an active issue, and so I will be happy to update the Committee by taking Items 24.30, 24.31 and 24.32 on notice, that was the intent of the gaps in the paper.

MR. CHAIRMAN.- We will have those answers on a later date.

MR. P. DAVIS.- Thank you, Mr. Chairman, Issue No. 24.33 which are for Anomalies in the Charter of Aircraft. We have noted that the issue raised in here, Sir, is that, the orders being issued after the invoice is provided. With this case, Sir, it is difficult to get the dollar value of the Medivac Evacuation because this basically depends on the distance and the duration it takes to this such medic evacuation service providers to give an exact quote, so once the exercise is done, the evacuation is done, then they are in a position to give us a dollar value subject to which we then raise the order, Sir.

Item 24.34, Missing Payment Vouchers: we have noted this, Sir, and have advised all our officers to be diligent as far as filing of documents is concerned.

Item 24.35, Outstanding Contribution of Overseas Medical and Consultancy: we have also noted that this is to do with the patients paying-in. There were cases, matters of life-and-death situations. The Ministry had to act to save lives, that was where the Ministry went ahead and got the treatments done, but we are still liaising with those patients to, please, come forward and do their payments.

Item 24.36, Local Purchase Order (LPO) Raised After the Date of Invoice: as I have already said earlier on, it is basically because of those reasons where once the Medivac Service Providers have provided the service and only then they are in a position to tell us the actual dollar value, the cost subject to which daily orders are given.

Item 24.37, Sir, we will come back with the response to that.

Item 24.38, Mr. Chairman, Sir, I shall now, through our Permanent Secretary, handover to the Director FPBS (Fiji Pharmaceutical and Bio-Medical Supplies), to take us through for the issues from Item 24.38 and onwards.

MR. A. VOSANIBOLA.- Good morning, Mr. Chairman and Members of Parliament, the Ministry of Economy and the Office of the Auditor-General, media and colleagues.

My response will begin from Item 24.38, Anomalies in the Performance Bond: some of the contracts that we had with suppliers, some of the performance bond was not paid due to the current finalisations of some of the contracts with our Solicitor-General which have led to some of these contracts not being finalised. We carried out procurement from supplies because of the critical stock level that we have in our warehouse that if we do not replenish quickly, will lead to the disruptions of the services in the hospitals.

However, we are always carrying out in following up with our contractual finalisation with the Solicitor-General's Office so that we can execute the performance bond payment with our suppliers.

Item 24.39, Delay In Site Preparation: that response has been answered in Item 24.16 which works together with the Procurement of the Equipments to be installed in the extension of CWM Hospital Operating Theatre.

Item 24.40, Advance Payment Without Contract Agreement, also related to Item 24.38: we are trying to improve also in our process of finalising our contract agreement through our processes with the Solicitor-General because the delay in Procurement, will also lead to the delay in the Project Completion of the Sum of the Infrastructures.

Item 24.41, Delay in Supply of Medical Emerging Consumables: the delay of supplies from overseas is due to manufacturing process delays. The products itemised in the Table on Page 55 of the Auditor's Report were withdrawn from our supplies because they are irrelevant to their use in the hospitals.

Item 24.42, Anomalies in Purchase of Medical and Emerging Consumables, Contract No. 155/14. First to note, Mr. Chairman, that we refer back to our contract in our file. It was supposed to be Contract No. 132/14.

Again this is another case of Contract Agreement finalisation that if delays in the finalisation of the contracts and our stock level at the warehouse are at the critical level that will compromise our x-ray services in the hospitals. Some of these purchases were carried out while at the same time trying to finalise the contract with our Solicitor-General's Office and with our supplies.

Item 24.43, Purchase and Supply of Vaccines: no reconciliation for the cost-sharing. FPBS has noted the variations on the payment, however, it has to be raised that there was a pre-arrangement that was agreed by FPBS management with the donor upon the request that the Ministry to cover a portion of the payment as they are experiencing financial constraints. They were waiting for their new fiscal year to begin in July where they will pay additional amount to the supplier which is the amount paid by the Ministry, and this has been carried out.

Item 24.44, No Government Tender Board Approval for Change in Contract Sum for CTN 121.13 (Contract for the Provision of Essential Medicines): this is noted by the Ministry and FPBS and the contract template now has been adjusted to reflect the contract sum that has been awarded by the Government Tender Board.

Also, just to note that we usually attach the schedule and the annexure which capture the total amount that have been awarded to the contract, the quantity and which products have been awarded to the contractor as our usual practice. However, we have complied with the requirements of the Auditor-General that now we have adjusted that clause to capture the total sum.

Item 24.45, Delay in the Supply of Drugs and Consumables: the Auditor-General has captured the Report that came out from our Epicor Information System (EIS). The Epicor currently cannot differentiate which

purchase orders are on split shipments, meaning they can arrive four times a year, however, in the Epicor, it still captures the total volume that needs to be ordered even though we have received the initial shipments so that is one of the challenges that we have with our information system.

Also Epicor cannot differentiate which orders are advanced orders for six months because of the six months lead time with our supplies. We are really looking at our reporting system on how we can capture in differentiating which ones are split shipments purchase orders and also advanced order in the Epicor Information System that we are currently using.

Item 24.46, Discrepancies in Stock Card Record and Actual Stocks: on the discrepancy records, there were a few issues that we have investigated that contributed to the discrepancies in stock card and the actual stock on the shelf. There was HR (Human Resource) constraints that we had in the warehouse where the work demand was trying to push the medical supplies to the hospitals and compromising our process in the warehouse.

What we have done now, the Ministry has now given us more Human Resources in the warehouse to improve some of our business processes. We also noted that there were errors of simple calculations in the posting of stocks in the stock cards. We are carrying out regular training with our warehouse staff in ensuring proper posting and proper processes are carried out in stock control activities in the warehouse.

Open Contract for Supply of Essential Medicines: this is a similar issue that we have with the response on Item 24.44. Now we have included the total value awarded in our contract.

Item 24.48, Anomalies in Supply of Emergency and Accident Equipment: we will need to come back and update the Public Accounts Committee on this response.

Item 24.49, Poor Monitoring and Supervision of Stores: we will also need to come back to the Public Accounts Committee on this; what happens to the missing two units, however, we have improved our processes of receiving all equipments and supplies in the warehouse that they will need to be checked.

One of the current challenges that we have with our supplies for biomedical equipments because they come in crates, boxes. We cannot open these boxes until the suppliers come and open these boxes at the installation site because if we open the box, the warranty value that we already agreed with the supplier can be nullified because we have exposed the equipments to the environment without their presence. However, we are trying to find another way on how we will need to improve this process in the receiving of biomedical equipments.

Item 24.50, Losses due to Tender Bids in Different Currencies: globally, for international commerce transactions, the most used currencies are the US dollars, Euro dollars, British pounds and the Japanese yens. Majority of our supplies are overseas-based and would use these currencies for their bidding. It is quite a challenge. We did attempt four years ago for bidders to bid in Fiji dollars, unfortunately they were not able to do that because of the variations in the currencies.

The other options that we also have approached the Ministry of Economy which is hedging, and that is a discussion or subject with the Ministry of Economy to advise the Ministry. Why we have asked for hedging is because we raise purchase orders and payments are usually carried out six or seven months after the initial purchase order has been raised. Between that period, there is a lot of variations, however, we are mindful of these variations in the currency.

MR. P. DAVIS.- Mr. Chairman, if I could just interrupt at one point that it might be an interesting question for our audit colleagues.



The foreign exchange suggests that presumably there are occasions when we actually make a profit through foreign exchange variations as well so while the auditors have obviously highlighted the losses, I suspect there may be a number of examples where we made a profit so over the course of a year, this may actually balance out. It is an interesting financial discussion that we could have but it may not be meaningful.

Item 24.51, Delay in Contract Signing: Mr. Chairman and Honourable Members of Parliament, one of the main causes of the delay in contract signing is our process with the Solicitor-General in vetting the contract and also trying to get the supplies to agree with some of the clauses that are being brought forward by the Solicitor-General to protect the interest of the Government in engaging any overseas supplies in this process.

As mentioned, we are regularly meeting with the Solicitor-General on how we can fasten this process. As you will note, one of the Auditor-General's Report that want the length of waiting for the contract to be signed even took right to 11 months, so we are working very hard on trying to reduce this period.

Item 24.52, User Guide and Other Documents not Provided by the Supplier: this has been acknowledged by the Ministry and FPBS. We are now ensuring our check-list in terms of all the requirements for medical equipments supplied, which are not only the equipments themselves but also the User Guide and the technical information documentation that need to be supported when there is supply of equipments.

Item 24.53, Poor Inventory Management: Now FPBS has a system of keeping old stock-cards in the warehouse and the review of stock levels is carried out on a yearly basis.

Item 24.54, Variance Between Epicor and Actual Stock Count: currently, we have a consultant with us at the moment who is reviewing our Warehouse Operation Management, together with it is an Information System that will help us to alleviate the current issues that have been frequently reported in the Auditor-General's Report in the previous years. The Ministry and FPBS acknowledge that there is a variation in the stock count in the information system and their physical stock.

Item 24.55, Increase in the Value of Expired Stock, Expiry of Medical Goods Especially Consumables: it is always unavoidable because it has a shelf-life and use after shelf-life can be a risk to the services itself. However, we always set a target to keep the expiry to an acceptable level. Currently, we use 5 percent of the expenditure or budget as per the World Health Organisation's reference. For 2014, wastage rate was 1.9 percent. However, we are also being mindful that we try to ensure that there is a reduction in the wastage but we also do not want to lead in a stock-out situation because of the logistic challenges that we have currently experienced with our supplies.

Item 24.56, New Stock for Drugs and Consumable: the Current Information System at FPBS is that, Epicor Information is a challenge with the variation of stock level in Epicor and physical stock as reported in Item 24.54.

As I mentioned, in Item 24.54, currently, we have a consultant who is reviewing our process. Currently, what we are doing is, even though there are variations, we have a verification team that continue to ensure double checking of the stock information in our Epicor and also the physical stock before we make decisions for reordering or not to order.

Item 24.57, Stocks Below Pre-Determined Minimum Level: all standard items have a pre-determined maximum where the maximum stock levels should be kept in the warehouse at a minimum level which is the lowest stock level to be in the warehouse where reordering will need to be decided.

FPBS was in the process of reviewing our minimum and maximum level for the warehouse. When we had this report where we have increased some of our minimum level and hence there were a lot of items that were below the minimum level, however, not all products that are below the minimum level need to be

reordered. We do consultations with the users, whether we need to re-order this or consult with them on the reasons, whether they are still utilising the products.

Currently, Sir, we have a consultant who is also reviewing our business processes that include our reordering process and also our information system.

Item 24.58, Stocks in Excess of Pre-Determined Maximum Level: very similar to the response on Item 24.57, we were in the process of reviewing our maximum level where some of our maximum levels have been reduced and our current existing stock level in 2014 when the report was taken, it was higher than the maximum level.

We are reviewing that process and also having a consultant in the warehouse reviewing our information system.

MR. P. DAVIS.- Hopefully, that has covered all the 58 issues to the Committee's satisfaction. Thank you to my colleagues for working through that so assiduously. If I could just make a couple of closing observations before we perhaps take some questions or invite further comments from our colleagues.

Mr. Chair, as you pointed out, there are a lot of issues and as the Honourable Member pointed out, why were these not addressed during the year. I think I have made the point that we are working through this and hopefully the responses you will have heard confirmed that the Ministry does seek to respond to these concerns and take action whenever we can.

We still have a way to go, it is interesting, the next time we meet, we will be looking at the 2015 Report. The number of issues raised in that are actually 25 percent less than in the 2014 Report. I will not guess what is going to be in the 2016 Report but if we continue that trend of the 25 percent reduction and issues every year, I think we will be doing very well.

You heard a lot of issues there from 2014 concerning FPBS. The Chief Pharmacist who is the Acting Director of FPBS at the moment and his team, have done tremendous work under most difficult circumstances, as I am sure you will agree, supplying pharmaceuticals and equipment is absolutely fundamental to maintaining the integrity of health services.

A lot of these products are at the end of a very long supply chain. Sometimes, the gap between placing an order and the goods arriving in the country can be as much as six months. There are also issues of some pharmaceutical products and medicines where there is actually a global shortage affecting all countries. I was reading something recently where our neighbours in Australia where you might think money is no object, even they are struggling to obtain some supplies of some fairly important pharmaceutical products so the team at FPBS do work under very difficult circumstances.

Rightly, I think, they often respond. I am sure no one around this table would say that we should delay the provision of medicines while we go through elaborate financial probity issues. That is not to say we should ever break the rules but sometimes patient welfare does have to take precedence and I am sure you would agree we would all look very bad if patients were suffering while we went through what the public would see as bureaucratic processes, so there is always the difficult balancing act and you will have seen that in running through a number of the responses. Obviously, we do play by the rules but reconciling that with patients' interest and the protection of patients can sometimes be very difficult.

The Epicor System which you have heard about a number of times I think is now almost 15 years old and I think you will have got the message from what you are hearing there, it is no longer fit for purpose and a lot of the challenges that Apolosi and his team deal with stem from weaknesses in that system, so again you will have heard that we are currently looking. We have got expert advice literally at Jerusalem Road as we speak coming up with some very clear recommendations but already I have got feedback from that consultant that that system

is a major handicap for the Acting Director and his team, so that is very high on our agenda. That is something that we need to address, but having said that, I am more than happy to take any further questions or comments from the auditors, thank you.

MR. CHAIRMAN.- Thank you very much, Permanent Secretary and the team, Mr. Vosanibola and Mr. Prasad for your presentation.

Yes, indeed, Permanent Secretary, we note that the Ministry for Health being one of the larger ministries has some issues. The main part here is that, the audit of the Ministry of Health is not only done by the Auditor-General and the Ministry of Economy, it is also done by the public and every day when we hear things from the Ministry, it makes all of us curious. Everyone is on guard when it comes to this particular Ministry, and it is encouraging to see as you have mentioned, we have to confirm that but 25 percent and there were fewer issues in the 2015 Reports, and with that trend, in three or four years' time, we will not have any issues.

What this Committee hopes, we hope for the day when we will have in the OAG Report, just start with "Introduction" and end with the "Conclusion", no issues. There are some good ministries actually where we have had no issues and we have chosen not to invite them because once we invite them, there is nothing else to discuss.

As I have said earlier that this Ministry is one that is always under heavy public scrutiny. If someone is not able to get an x-ray done in a remote hospital in the West, the questions raised: what happens to the supplier; where is the medicine; where is the film; where are the chemicals? That is the public scrutiny that is there, so for that purpose, we will now revert to the questions if Honourable Members have any, and we will go section by section. We note that there are various aspects that you need to come back to us on, and we will allow you time on that but as it is, in the greater public interest, we will be asking pertinent questions and may be asking for further details.

As you have noted, we have allocated your Ministry two particular days and if more time is needed, we will allocate you further time, because this one is a scrutiny that is not only our Committee, not only the Ministry of Economy and OAG, the public is also scrutinising this Ministry therefore we will now get to Part A, Item 24.1 where we will look at the General Comments first.

Honourable Members, any questions on Item 24.1 - Audit Opinion?

HON. A.M. RADRODRO.- Mr. Chairman, I will just start with the general question to the Permanent Secretary in terms of the rules and responsibility of the Ministry. Most of the audit issues which we will discuss later focus on the hospital services and probably the curative side of things but equally important is the preventative side of things and that is probably dealing with public health.

Can you just advise the Committee as to how the Ministry wishes to address this side of the Ministry in terms of resource capability, ability for the public health side of things?

MR. P. DAVIS.- Thank you, Sir, that was a very apt question and I am very grateful you asked it because you are actually highlighting one of our major concerns and that is prevention, early intervention and actually keeping people well and out of the hospital.

Obviously, hospitals absorb a lot of funding and as you will have seen, as you have observed, they are very complicated organisations therefore financially, and in many other aspects, they do absorb a lot of focus, management, time and attention because they are such complicated organisations.

Having said that, the Ministry has always and will continue to focus very heavily on prevention and primary health care out in the community. We have a Deputy Secretary who is designated as the Deputy

Secretary of Public Health as opposed to Deputy Secretary of Hospital Services and I think that shows that we do attach that level of focus.

It is a very interesting observation that a lot of these findings appear to come from the hospital sector, probably because the prevention area is much more about people, it is much less reliant on equipment and medications, et cetera, so when I think what keeps me awake at night is more often not issues to do with hospital services but that is not to underplay the importance of all the work that does go on in the preventive space, ranging from immunisation programmes right through to public awareness campaigns.

We actually have tomorrow (Honourable Members may know) is World Health Day on the theme of depression. Let us talk about it and you are more than welcome to join us in Ratu Sukuna Park at 9.00 tomorrow morning to mark World Health Day on depression.

HON. A.M. RADRODRO.- Permanent Secretary, going forward, how are you going to address this current scenario in terms of resource capacity, capability and building up the resource to ensure that the preventative work is carried out well before people reach the hospital.

MR. P. DAVIS.- Obviously, each year we go through a budget setting process. We are just starting off on that now for 2016 and 2017 and each of our District Medical Officers who are the next level down responsible for most of the prevention and community-based care but also our national health advisors who oversee a number of these programmes. Each of them is invited to put forward proposals for additional funding and then obviously that is all consolidated and that forms part of our budget bid.

I think the Director of Finance and Asset Management confirmed that they are now trying to come forward with those proposals and those requests for extra funding. Obviously we give those a high priority in our submissions to our colleagues in the Ministry of Economy who obviously ultimately are responsible for the overall allocation of resources.

MR. CHAIRMAN.- Thank you, Permanent Secretary, for that information background. We can now move to the audit issues.

HON. A.M. RADRODRO.- Sir, just a supplementary question: there has been a viral outbreak going around now in terms of probably dengue, we have yet to reconfirm on that and Leptospirosis. What is the Ministry going to do about that, is there going to be a notice or advice to the general public in terms of the status of these outbreaks that are currently hitting Fiji at the moment?

MR. CHAIRMAN.- It is not an audit query but you may choose to answer that one?

MR. P. DAVIS.- I guess but I am happy to respond because it is a public health message which I am always happy to convey.

Dengue, you may have seen, we have reactivated the “fight-the-bite” campaign with TV advertisements, poster campaigns and radio advertisements where we need to inform the public, we are always keen to get those messages out. In other areas, we have large scale prevention programmes underway, so it is a constant (I will not say) “battle” but may be over-dramatizing it, but there is a constant effort to inform the public about how they can minimise the risk that they face but also when treatment is needed obviously, we have the network and we endeavour to deliver that treatment in a timely and effective manner.

Every family, every hassle can do their bit, particularly, in the case of dengue to help us “fight-the-bite”.

MR. CHAIRMAN.- Let us move on to Item 24.1, Audit Opinion: First point, I believe some of these have been answered in detail but we would like to hear responses from the Accounts especially.

On Point 1, the Opening Balance of the Trust Fund Accounts Statement of the Receipt and Payments that were Incorrectly Stated: what was the reason for that? It was supposed to have a debit balance but what was posted was a credit balance, if I am correct on that?

MR. P. DAVIS.- Part A, Audit Opinion, Item 24.1: Point 1, the Trust Fund Accounts Statement and Receipt and Payments of the Year Ending, 31<sup>st</sup> December, 2013 had a debit balance of \$149,000. However, the Trust Fund Accounts Statement and Receipt and Payment for the Year Ending 31/12/14 had an opening credit balance of \$746,781. The opening balance for the Trust Fund Accounts Statement of Receipts and Payments was incorrectly stated.

OAG notes “I was not able to ascertain the correctness of the main Trust Fund balance of the account at balance date.”

AUDIT REP.- Mr. Chairman, the General Ledger had an incorrect posting which needed to be rectified and that had been rectified here, it was the posting error.

MR. CHAIRMAN.- Was it a human error? Whose fault was it?

AUDIT REP.- It is a human error, posting the data, Sir.

MR. CHAIRMAN.- Was an action taken against this particular person for this error? It is a paid job, it is not voluntary.

AUDIT REP.- Part A, the officers are counselled and advised to be more vigilant while doing the postings.

MR. CHAIRMAN.- Has any steps been taken that this kind of things are not repeated? It may not look that serious but the thing is that, it is a different figure, different picture of what it actually is?

AUDIT REP.- We have started, so to say, team-talk where the staff are gathered together and highlight these kind of issues and we have started doing that regularly, Sir.

MR. CHAIRMAN.- It is not a problem that is unique to your Ministry but we have noted other places as well. Human errors have cost Government a lot of money and some of these have to be written off because we could not substantiate with documents so this kind of losses can be prevented if you have taken that action of counselling and may be team talk.

HON. RATU S.V. NANOVO.- Was the amount written off or something like that? What was the action taken, corporate practices to address the issue?

AUDIT REP.- The adjustments have been done, like postings.

MR. CHAIRMAN.- What sort of adjustments?

AUDIT REP.- Wrong postings.

MR. CHAIRMAN.- The correct posting was done and it shows the actual balance?

MR. P. DAVIS.- It is not an actual loss. It is just the wrong figure being shown in the books and once the figure was corrected, the reality was shown.

HON. RATU S.V. NANOVO.- That, in your view, is taken to ensure that this is not going to be a recurring issue again. Have you conducted training regarding that?

MR. P. DAVIS.- Yes, I think that was the point just made that we actually talked with the staff. Any system that relies on human input is always going to be at risk of error, but I think through training of staff and implementation of cheques and balances, we try and bring those to an absolute minimum.

Again as I said earlier, that is why audit is useful. It tells us where we should be focussing those training efforts and hopefully, the likelihood that it will never happen again, apart from this one Ministry who clearly gets everything correct but we certainly try and reduce those. Where we do see them happening, we look at the human and other factors and steps we can take to reduce the likelihood of that happening again.

MR. CHAIRMAN.- Point 2, the Ministry recorded receipts of \$338,000 in the Trust Fund Statements of Receipts and Payments. The total receipts for the Trust Fund FMIS Ledger was \$195,000. I was not able to ascertain the correctness of the main Trust Fund Account at the balance date. Is that related to the same one? Also the documentation seems to be a problem.

MR. A. PRASAD.- Mr. Chairman, for the information of the House, it is a similar situation as the earlier misposting. On the improvements, we have reconciled the bank with the receipts and the general ledger has been adjusted in 2016 with the assistance of the FMIS team.

MR. CHAIRMAN.- Do these kinds of problems keep recurring or have they been curbed?

MR. A. PRASAD.- They have been fixed for 2016 Accounts and adjusted. The reconciliations are done only on monthly basis and any anomaly found is adjusted within the closing period.

MR. CHAIRMAN.- That seems to be under control for the time being.

Point 3, the Ministry's bank reconciliation for the Trust Fund for December, 2014 did not reconcile with their FMIS Ledger. There is a variance of \$130,000, what is the cause of that?

MR. A. PRASAD.- Thank you, Mr. Chairman, it is basically the continuation of the two earlier issues highlighted which had been rectified.

MR. CHAIRMAN.- Is that the same for the second paragraph on Point 3: the Trust Fund Bank Account Reconciliation for December 2014 proved an unsubstantiated amount of \$224,822 to reconcile. Trust Fund Account Balance with Trust Fund Manual Cash Book, is that a migration problem from the old system to FMIS (Financial Management Information System)?

MR. A. PRASAD.- Mr. Chairman, it is a misposting of one account which reflects corresponding accounts and off-balances the closing balances.

MR. CHAIRMAN.- This misposting is a human error or a machine error?

MR. A. PRASAD.- No, it is a human error.

MR. CHAIRMAN.- Responsible for these three points is the same human being responsible for those three mispostings?

MR. A. PRASAD.- Yes.

MR. CHAIRMAN.- I hope he or she holds an Accounting degree.

HON. RATU S.V. NANOVO.- On that, Mr. Chairman, how often do you check your staff to ensure that on a monthly or weekly basis, ensure that what they are doing is correct?

MR CHAIRMAN.- Yes.

MR. A. PRASAD.- Mr. Chairman, we have introduced working with our staff fortnightly.

MR. CHAIRMAN.- Does the Ministry of Economy do a monthly reconciliation or is there a need for monthly reconciliation for Trust Fund as well? If that is done on a monthly basis then you will arrest the problem earlier.

MOE REP.- Mr. Chairman, for the information of the Committee and submitters, yes, the Ministries and Departments are mandated to submit reconciliation each month. Most of the ministries lagged behind in their reconciliation especially in their drawings and in their Trust Funds are reconciliations as well.

MR. CHAIRMAN.- What is the reason for that? Why are they lagging behind?

MOE REP.- That question is to be posed to them, this might due to the lack of personnel submitting their reconciliations, lack of knowledge which might be due too to the general ledger reports that we send to them, however, we tried our very best from the FMIS Unit to assist them.

MR. CHAIRMAN.- The point being that the Auditor-General audits the accounts on an yearly basis. If the Ministry does a monthly reconciliation, that problem will be curbed at the monthly level, after 30 days. We do not have to wait for 365 days so, Mr. Prasad, what is the reason that monthly reconciliations are not done as required by the Ministry of Economy?

MR. A. PRASAD.- Mr. Chairman, one of the difficulties we had was the number of the staff we have had. Obviously as you have rightly mentioned, we did not have all the qualified staff but the way-forward was we have encouraged our officers to take on studies and if you are to look at the staff in the office, a number of them are doing their studies, upgrading their qualifications in the accounting area. As I said, we had issues on the number of personnel but again, now we are having the numbers and addressing these issues.

MR. CHAIRMAN.- You are saying that the issues are being addressed?

MR. P. DAVIS.- If I could just add to that, Mr. Chairman, I would ask everyone around the table to remember, we are talking here about the situation three years ago, so I think a lot has changed in that three-year period. Please, let us not see any of these conversation now necessarily being reflective of how the Ministry works as of to-date.

MR. CHAIRMAN.- Yes, of course, that is what we do understand that what is happening now will obviously come in the 2017 Reports. Why we are asking that is to see if those problems raised if you can give us a bit of background when we look at your 2016 Accounts whether these problems are recurring.

MR. CHAIRMAN.- Point 4, “The Ministry did not maintain a separate Trust Fund Account to record retentions subjected from progress payments of capital works, Trust Fund Statements of Receipts and Payments Retention, some held were not included in the Special Purpose Financial Statements required under section 25 of the Financial Management Act.” What is the cause of that - the retention sums for progress payments?

MR. A. PRASAD.- Mr. Chairman, we had written a request to the Ministry of Economy asking if we could be allowed to open up a Trust Account for the retention sum. That request was declined and we were advised to use the Trust Account with FPO. Apart from that, Sir, as I had already mentioned earlier on, one of the issues is on getting the percentage of the retention sum, what is to be deducted and placed in the Trust Account.

As I had earlier mentioned that that issue is still in discussion with MOE right now, Sir.

MR. CHAIRMAN.- The general practice has been, as we have noticed from other ministries, 15 percent of the total contract sum is to be retained until that “fault period” is over, so is that currently practised, 15 percent?

MR. A. PRASAD.- No, Sir, one of the situations we have is like when the invoice is being given to the Ministry from the contractors, the Director (Building) calculates the retention sum, reduces it from the total amount that is to be paid so we are only given the amount that we need to pay to the contractors excluding the retention sum. So what happens is that, the retention sum becomes due at the end of the next 12 months, so that is factored-in in the following year's budget request, as part of the retention sum that would be paid out in the following year, so that is why we do not keep a retention sum.

MR. CHAIRMAN.- There is no need for an account to keep the retention sum because it is actually not kept, it is not retained, it is just subtracted from the actual sum.

MR. A. PRASAD.- Yes, Sir.

MR. CHAIRMAN.- But then there will be a problem if the Ministry refuses the request for additional sum, you will not have the money to pay the retention sum.

HON. A. PRASAD.- It is requested in the following years's budget.

MR. CHAIRMAN.- That is what I am saying, if it is not approved then you will be in a bit of problem, so is that the practice across or is that the way it is done, Ministry of Economy?

What they were explaining is that, when they paid the invoice amount, it reflects an amount minus 15 percent which is the retention amount, which is paid after, probably the last invoice after six months so that there is no need for a trust account to retain the retention sum?

MOE REP.- Mr. Chairman and Honourable Members, in any situation, the Ministry of Economy usually do not condone the opening of trust accounts due to Government funds controlled by ....

MR. CHAIRMAN.- The question is, the Ministry is explaining that they do not need the Trust Fund because they do not retain the money anyway. The amount shown on the invoice is minus 15 percent anyway so they will then pay the retention amount in the next requisition from the Ministry of Economy. The following year's budget will ask for the retention sum to be paid to the contractor, is that the common practice?

MOE REP.- Yes, Sir, that was the old practice when "carry forward" was still approved as of now.

MR. CHAIRMAN.- But if the new process is that they now have to retain that sum, the invoice has to show the accurate full sum and it will be 15 percent. You are not approving them for opening an account, where will they get the money?

MOE REP.- The money is paid from the Project and if the retention of fund is not paid this financial year, then they have to request the fund the following year.

MR. CHAIRMAN.- That is what they are doing now but the question is, you said that that is the old system, 2014. The new system is that, they actually have to retain that amount.

MOE REP.- I am sorry, Sir, no retention.

MR. CHAIRMAN.- All right, so that solves it.

HON. A.M. RADRODRO.- Sir, just a supplementary question to the Permanent Secretary: the need for maintaining the maintenance of retention fund. I think this is quite serious when the Ministry is not retaining retention funds especially for bigger projects because there is no fall-back if projects do not work after the completion of its installation, and in that particular instance, I would like to ask the Ministry and the Permanent Secretary to probably give the Committee an update on the medical incinerator in Tamavua whether it goes through the same process as well.



MR. P. DAVIS.- We will have to take the details of the incinerator on notice.

MR. CHAIRMAN.- That incinerator is not mentioned here.

MR. P. DAVIS.- It is not really relevant, it is in the 2014 Report. I am happy to give you an update on that.

HON. A.M. RADRODRO.- I think that was installed in 2014. That is part of the capital projects which is to come later.

MR. P. DAVIS.- On the issue of retentions, the money is available to be withheld, all paid out. The issue is for these capital projects, we do not get the money into our budget upfront. We draw it down from our colleagues in Economy as and when we are paying it out so all we are saying really is, we do not even draw down the retention amount of 15 percent from the Ministry of Economy, it is sitting in the Ministry of Economy.

MR. CHAIRMAN.- So the fall-back is always there.

MR. P. DAVIS.- It does not come through our books so it is always there and it can be paid out or not paid out when we certify the clearance of the defects.

MR. CHAIRMAN.- That explains that.

HON. A.M. RADRODRO.- So in these instances, the total project costs that are stated here is less 15 percent, so it is not the two-fold total project costs.

MR. CHAIRMAN.- No, the project cost will have the full amount. The invoice amount will minus the 15 percent.

MR. P. DAVIS.- It is like we are holding back the 15 percent until everything is signed off at the end of the project, but actually it is staying with our bank, which is the Ministry of Economy.

MR. CHAIRMAN.- Is this sort of having dollars and cents somewhere in the safe in CWM, just keep it in the Ministry of Economy and draw it when it is needed?

MR. P. DAVIS.- Yes.

HON. A.M. RADRODRO.- Does that explanation clarify your audit qualification, OAG?

AUDIT REP.- Sir, this is the requirement for the retention fund. It has to be required and the sum is there in the contract. Also, for the Ministry's financial management, they need to be recording this. This becomes their liability, something they have to pay, fall-back on the economy. That is a different entity and they have provided the grant to be paid, the budget for the capital project so once we implement the project then we have to incur the expenditures, so when you do not provide for this retention then the expenditure may be understated by that amount so this needs to be incurred into the expenditure.

MR. CHAIRMAN.- First, the better practice is to draw down that full contract amount and retain the 15 percent in some account.

AUDIT REP.- That is budgeted for that year. You cannot rely on next year, that is a different one.

MR. CHAIRMAN.- Yes, exactly, any final comments on that?

MR. A. PRASAD.- Mr. Chairman, we take note of the comments from the Auditor-General's Office. As I had said earlier on, this is in discussion with MOE and the CIU (Construction Implementation Unit) as we are progressing, Sir.

MR. CHAIRMAN.- OAG, please, discuss with the Ministry if there is a need for that change because I do understand your point that that project is budgeted for that year. It includes the 85 percent plus the 15 percent retention. If they need 15 percent drawing from future budget, then that budget is not fully utilised.

Point No. 5, Included in TMA Balance Sheet is VAT Receivable, \$134,000 and \$794: the bulk purchase scheme does not pay VAT on the purchase of medical supplies from Fiji Pharmaceutical and Bio-Medical Services for re-sale and VAT Inclusive Price.

VAT Receivables of \$134,794 incorrectly stated in the TMA balance sheet.

MR. S. CHAND.- For the information of the Members here, the TMA Department or the Bulk Purchase Unit at FPBS is a commercial arm that supplies affordable medicine to the general public, where the public can go and buy the diabetes checking strips, the diabetes machines and similar products.

The TMA Department purchases its products or its stock from FPBS, the major warehouse so it is purchasing at a cost at a no-mark up cost and sells at a minimum mark-up to recover its operational cost. It is not purchasing on a Vat Inclusive Price (VIP), it is just transferring stock and selling it to the public so whatever VAT it gains from the public, that is the VAT that it pays to FRCS.

There were some transfers from the old Epicor System to the new FMIS system which we went live in 2012 for the TMA Department. There were some incorrect postings or postings that were not justified and these, after consultations with FMIS and the Auditor-General, have been adjusted in the 2016 Account so it has been adjusted.

There was no loss of money, no over-payment or no short-payment but it was just transferring of data from the old software to the new software where the interface was not correct and the incorrect amounts were updated, this has been adjusted.

MR. CHAIRMAN.- OAG is satisfied that the bulk purchase scheme do not need to pay VAT. It is a minimal mark-up to cover operational cost and the VAT is paid on the final sale to the public. Is that fine with you?

Point 6, "The Ministry of Finance posted \$81,972 into Account Receivable Debit Entry and the TMA Account Surplus Credit Entry Account, no detail of the adjustment was provided by the Ministry. I was not able to ascertain the correctness of the accounts receivable, the TMA Account Surplus Balance of \$98,345 and \$1,129,625 respectively." There are two amounts mentioned there by the OAG which he could not ascertain.

MR. S. CHAND.- Mr. Chairman, Sir, and the Members, it is a continuation of the issue earlier. TMA does not deal with credit sales then there were some incorrect postings that I had mentioned earlier and this has again been adjusted in the 2016 accounts.

MR. CHAIRMAN.- This is cleared now.

Item 24.2, Statement of Receipts and Expenditure: Honourable Members, any questions on this, nothing has been picked up by the OAG on that.

Item 24.5, (Audit Finding, Part B) Variances in FNPF Figures: I think you had explained that in your submission.

HON. M.M.A. DEAN.- Item 24.23, Variances in FNPF Figures (the variance of \$442,070): Mr. Chairman, as per the written submission on Page 4, this variance was noted between the Ministry's gross pay, FNPF was paid and the audit calculations of gross pay. The explanation there was that it was not being reconciled.

"Currently, our contribution schedules is sent electronically to FNPF and has been updated till February 2017". That is all right and as explained, there were some variance in FNPF.

MR. CHAIRMAN.- Item 24.6, Drawing Accounts: any questions on that? One of the things that is noted there is that the Ministry did not carry out the board of survey for unrepresented cheques.

MR. A. PRASAD.- Mr. Chairman, it has been done.

MR. CHAIRMAN.- Which year?

MR. A. PRASAD.- Every year, when they came in, it was delayed but it had been done, Sir.

MR. CHAIRMAN.- Any questions on that? Point 2 is a more serious one on Page 7, "The Ministry of Finance approved write-offs to various allocations for the whole of Government for the Year 2014. The Ministry of Finance posted \$3,097,903.62 of these write-offs into the Ministry of Health Drawings Account balance. As a result, the drawing account balance was over-stated." How did that happen? Why was there a need to write-off \$3.097 million?

Ministry of Economy, can you assist them?

MOE REP.- Mr. Chairman, all submissions for write-offs received by the Ministry of Economy that had been posted were qualified under our verification process and those were submitted by the Ministry.

MR. CHAIRMAN.- The Ministry of Health submitted to the Ministry of Economy then that \$3.097 million be written-off?

MOE REP.- Yes, Sir.

MR. CHAIRMAN.- Why did the Ministry make a submission? What was that amount for?

MR. A. PRASAD.- Mr. Chairman, if we may give a response.

MR. CHAIRMAN.- Yes, there is a problem that we see in some other ministries as well. A lot of dollars are written-off, some going into millions, probably because of unsubstantiated documents, accounts but we would like to hear from you.

We are trying to curb this one, especially, there was an example from a particular Ministry that made a request to the Ministry of Economy to write-off an amount about \$500,000. The Ministry of Economy refused and asked them to go and verify it. When they verified it further, they were able to verify \$200,000 of those \$500,000 which brought the amount down to \$300,000. That means had it been written-off, that amount would never be verified, so probably you can have some explanations on that, why the Ministry requested the Ministry of Economy to write-off \$3.097 million.

MR. A. PRASAD.- Thank you, Mr. Chairman, we will come back with the response on that.

MR. CHAIRMAN.- Any questions so far on that, Hon. Radrodro?

HON. RATU S.V. NANOVO.- Mr. Chairman, we have been highlighted throughout this week that there are processes to be followed in write-off cases like this. All the avenues that should be looked into should be exhausted before writing off so we will need to see that, especially for all the items that should be written-off.

MR. CHAIRMAN.- Under Table 24.4 which is headed “Details of Variance in Closing and Opening Balances”, “The table notes that the Ministry’s Headquarters Drawing Account did not reconcile with the FMIS General Ledger, the balance of the Year ended 31<sup>st</sup> December, 2014, the Ministry’s Drawing Account Reconciliation for December 2014 had a balance of \$11,160,552 while the FMIS Ledger had a balance of \$4,545,000, a variance of \$6,615,243 was noted between the Ministry’s reconciliation and FMIS General Ledger.”

You have explained something on that earlier, on general questions, what is the cause of that variance that your accounts do not match with FMIS General Ledger?

MR. A. PRASAD.- Mr. Chairman, we will get back to you on this with the response.

MR. CHAIRMAN.- We would like to hear that huge amount there, \$6.615 million, as explained by Permanent Secretary earlier, it might not be an actual loss of money, it could be a posting but we would like to hear from you on that.

What the finding actually indicates under Variance in Table 24.5, the findings indicate the lack of supervision and monitoring by senior officers and the lack of coordination between the Ministry and the Ministry of Economy. As a result the audit could not ascertain the accuracy and the correctness of the Drawings Account Reconciliation. The issue here is an internal audit issue, lack of supervision and monitoring by senior officers which lead to some of these errors, posting. Is the system in place now in the Ministry that the senior accounts officers supervise properly so that these errors do not occur?

MR. A. PRASAD.- Thank you, Mr. Chairman, yes, we have got the senior officers now dealing with the Drawings Account Reconciliations.

HON. A.M. RADRODRO.- Sir, just a supplementary question: there are two separate records, General Ledger and the FMIS. Who updates the FMIS; is it the Ministry of Economy or the Ministry of Health? One is updated by the Ministry, which is probably the first one; and the FMIS, who updates this FMIS records of \$4 million?

MR A. PRASAD.- The input of data is through the Ministry.

HON. A.M. RADRODRO.- Through the FMIS?

MR. A. PRASAD.- Yes.

HON. RATU S.V. NANOVO.- All this human error, Mr. Chairman, is from the Ministry again, what sort of training have you undertaken to address this issue?

MR. S. CHAND.- Mr. Chairman, we have an automated or real time software, the FMIS software. When the vouchers are processed, it is processed according to the contract order, invoice with the source documents and that is the amount that is keyed in to the system and the cheques are processed accordingly.

How the software works, we have no expertise on that. The only thing we do is to go back on a monthly basis, check the balance amounts that we have written, does it actually update the general ledger which is the FMIS system? If there are any anomalies, we go back and find out which amounts or journals are not posted and that is when we deal with FMIS to recover journals or move journals from the current financial months to the new financial months and update, so that is our process.

Anything to do with the software, our workforce does not have the expertise but as supervising officers, we do ensure that we check the vouchers as it is documented. I hope I have answered the questions of the Honourable Member.

MR. CHAIRMAN.- You have pointed to the right direction but how serious is this concern of misposting, how serious is it?

MR. S. CHAND.- Knowing the Government financial systems, previously, we close the financial year on 31<sup>st</sup> December. The journals keep updating until the final accounts are released. In some instances, we are halfway into the second financial year and we finalise the previous years' accounts.

MR. CHAIRMAN.- These journals reflect all revenue and expenditures, all revenue collection around all the hospitals, for medical fees, et cetera.

MR. S. CHAND.- Yes, Sir, all revenue is posted into that journal, in the FMIS software and all expenses are posted in the same software.

MR. CHAIRMAN.- So that Government revenue received, the white one that you issue, that has to be tallied with the books, those entries have to tally with the general ledger and that has to be posted on the FMIS.

MR. S. CHAND.- And into the bank.

MR. CHAIRMAN.- When the reconciliation does not happen, that means some documents are missing or either receipts were not issued or there is less money or more money in the bank than what the books show, that is what reconciliation should be finding out, so there is a misposting, will that affect the reconciliation?

MR. S. CHAND.- Yes, Sir.

MR. CHAIRMAN.- That is outside of the book?

MR. S. CHAND.- The misposting would affect the general ledgers.

MR. CHAIRMAN.- Yes, that is a serious problem but is it minimised with the direct entry into FMIS or you are still maintaining the journal system?

MR. S. CHAND.- Yes, Sir.

MR. CHAIRMAN.- What I am saying is that, when there was migration from the old system to FMIS in some ministries, those documents were lost so they could not reconcile but with FMIS, because you have implemented the FMIS system in 2011, this problem is still arising in 2014, so what is the problem there; what is missing?

MOE REP.- Mr. Chairman, for the information of the Honourable Members, as I have mentioned earlier, 2014 was the early periods when we implemented Electronic Fund Transfer (EFT). During that period we were still in the early stages of conducting training for processing through EFT. Most officers in ministries and departments then were not well-equipped and acknowledged to process therefore resulting in some of the payments processed in the system were left incomplete or not compliant, therefore even though the funds have gone to the bank in the general ledger, it was still under-stated. From thereon we had conducted EFT trainings, and reconciliation trainings as well.

HON. RATU S.V. NANOVO.- Still on that, Mr. Chairman, just a supplementary question again: I used to be a bank officer, and for data entry officers, there is a supervisor that work with them every evening. They do the input and once all the inputs are done, their supervisor checks everything and signs that off, do you have that system in your department or not?

MR. A. PRASAD.- Mr. Chairman, again that is a learning process, as mentioned by the FMIS team, this EFT came in then and there were issues but as the way forward, those improvements have been brought in and the documents are checked off in the evening when the postings are done.

MR. CHAIRMAN.- It is 11.00 o'clock, we will take a short 10-minute tea break, I have to give everybody a bit of rest and then we come back and start from Item 24.6.2 for the Western Division.

We will start again at a quarter-past 11.00.

The Committee adjourned at 11.02 a.m.

The Committee resumed at 11.21 a.m.

MR. CHAIRMAN.- Honourable Members, we can now start the second phase of today's proceedings and we will start from Item 24.6.2, Western Division.

The notation there that all bank accounts shall be reconciled monthly, the bank reconciliations shall be outstanding cheques, et cetera, the audit noted the following anomalies in the drawing account:

“1) The Ministry did not carry out the board of survey;”

I think that was answered.

“2) The closing balance of Drawings Account Reconciliation for the month of August was not carried forward, as the opening balance for the month of September. As a result, the audit could not ascertain the correctness so the failure of carrying forward the account which is normal, the amount of the previous account should be carried forward.”

Accounts, why did that happen?

MR. A. PRASAD.- Mr. Chairman, for that, basically that was when we started the Drawings Account for the Western Division. Until then, it was all from the Head Office. The Drawings Account for the Western Division was actually opened then.

MR. CHAIRMAN.- That is why there was no balance in the previous one?

MR. A. PRASAD.- No, it is a new Drawings Account.

MR. CHAIRMAN.- The Ministry's Drawings Account reconciliation, Western Division was not reconciled, a variance of \$2.272 million existed between the Drawings Account Reconciliation and FMIS General Ledger, again the same problem but it is a new account you are saying?

MR. A. PRASAD.- Yes, Sir, it is a new account and as we were explaining earlier on, it is the issue we had with the EFT payment processing, where the figures were bulked so that is one of the issues that is being rectified with the new format of Drawings Account Reconciliation process.

MR. CHAIRMAN.- If you understand that when you use EFT, a lump sum is deposited to the bank and then it is very hard to verify which entry the lump sum amount repayments is to how many; and which entries?

MR. S. CHAND.- Mr. Chairman, we process and send lump sum through EFT cheques to various banks. Each amount, for example, pays an amount to Westpac which would have a number of vendors payable in Westpac Account, so we are issuing BSP cheques and Westpac which would clear in a number of days so there would be overlaps if it is in the last few days of the month.

MR. CHAIRMAN.- But the list of vendors are provided so that they can know.

MR. S. CHAND.- Yes, Sir.

MR. CHAIRMAN.- Any questions on that, Honourable Members?

Item 25.7, Unpresented Cheque List: any explanation on that, I think you have touched a bit on that?

MR. A. PRASAD.- Mr. Chairman, it is the carry-on effect of the earlier questions, regarding the unpresented cheque list, because when we look at the payment processes, basically the entire process now is through EFT payment. Just a handful of cheques for emergencies or the system is down or electricity is out and

we need to make emergency payment, that is only when we are processing cheques but it is the EFT payment processes that was affecting that then, Sir.

MR. CHAIRMAN.- The case of unpresented cheques is to a minimal now?

MR. A. PRASAD.- Yes.

MR. CHAIRMAN.- Item 24.8, VAT Reconciliation: the comment by the OAG is, the Ministry prepared VAT reconciliation of 2014, however, it was not consistent with the audit format. The review of VAT returns and total expenses revealed a variance of \$2.064 million between the taxable supplies as per VAT return and total income expenditure as per statement of receipts.

It is not the bulk-buying that you mentioned earlier that you do not need to pay VAT on but something else; what is the issue there, VAT reconciliation? You did not use the format?

MR. A. PRASAD.- Yes, Sir, and with the format given, that has been addressed.

MR. CHAIRMAN.- Table 24.9 (just underneath that): “In addition to the Variance of \$6.948 million that existed between VAT paid to FRCS of 2014 and the balance disclosed in FMIS Ledger.” There is a difference between the actual VAT paid and what was referred to in the Ledger.

MR. A. PRASAD.- Mr. Chairman, we will come back with a response to that.

MR. CHAIRMAN.- Because the OAG noted there (underneath Table 24.1) that “No expenditures provided by the Ministry for the Variance”, so you had not provided the explanation to OAG as well, so we would like to hear from you on the issue of the non-reconciliation of VAT and poor monitoring. That is what the OAG notes, “Non-reconciliation of VAT and poor monitoring by the Ministry has resulted in the variance highlighted above. The Ministry may be paying incorrect VAT to FRCS, as a result the audit could not ascertain the accuracy.”

Please, come back to us on that and see if the correct VAT was paid.

Any question on Item 24.8, Honourable Members, we will await the Ministry’s further response to see what further action or comments we can make?

Over-Expenditure, Item 24.9: “The audit noted that the Ministry over-spent the funds that were allocated for established staff, Government Wage Earners (GWEs) and purchased goods and services. The over-expenditure was due to recruitment of additional medical personnel and extended opening hours of certain health centres in 2014. The Ministry utilised funds from VAT allocation to meet the over-expenditure.”

These things are not budgeted for in your budget requisition. These things are not envisaged that you may need to recruit more staff and open health centres for long hours.

MR. A. PRASAD.- Mr. Chair, the over-expenditure, as I had said earlier, was in SEG 1 where the Ministry went ahead and extended its services, for example, opening up the health centres up till 10.00 p.m. That is why expenditures like it is unforecasted because it came in during the year when that year’s actual budget was in-place, that is one of the things.

For the purchase of goods, again we will refer back to the earlier comments made by the Acting Director FPBS that that is due to the variance in the exchange rate when we were making payments.

MR. P. DAVIS.- If I could just add on that one, Mr. Chairman, with all due respect to my colleague, I do think that that is a legitimate criticism. Had it been due to some unforeseen outbreak of a rare disease or some natural disaster, and may be even foreign exchange variations to some degree, but I do believe way-back in



2014, for over-expenditures, you should see that coming and you should take remedial action to prevent it happening. I may regret saying that but I think as a general principle, we also have to be honest, \$5 million or \$6 million in a budget of \$250 million, in percentage terms is not missing the target by very much and we would be criticised if we under-spend so it is very difficult to hit the target exactly but I do think that we do need to be more assiduous in balancing money out, with money in, as a general principle.

HON. H.R.T. POLITINI.- Just on Item 24.9, Over-Expenditure: I believe all the hospitals and health centres do have stagger shifts, is that right? That is like you do an eight-hour shift and you do another one until like 10.00, for example, but I think the area of concern here, in the past, I think, they had workers who abused overtime, where they reached their eight hours and work that was supposed to be completed within the eight hours, they tried to complete it after hours because they know that they are going to have time and a half and double time.

MR. CHAIRMAN.- It is not mentioned here in the Report.

HON. H.R.T. POLITINI.- I am just asking whether it is an area of concern in terms of overtime.

MR. P. DAVIS.- As a general principle, we would expect managers and supervisors to monitor overtime very carefully and I believe that is happening. How it was going in 2014, again, we cannot be sure but that is part of what managers should be doing.

MR. CHAIRMAN.- The issue here was the recruitment of additional staff and opening hours.

HON. A.M. RADRODRO.- Sir, just the issue here in terms of the payment of overtime. Is the Ministry ensuring that all those that work overtime were paid overtime accordingly during this time because there were instances where reports have been coming up that some cadres are still awaiting their overtime payment from past years?

MR. CHAIRMAN.- It is not a finding of the audit so you may choose to answer that, that is not mentioned here, irrelevant.

Item 24.10, Unauthorised Journal Voucher: this is the issue that we picked elsewhere as well. Only the Principal Accounts Officer or Senior Accounts Officer should approve general adjustments, "Audit noted several instances where general vouchers were posted in the FMIS General Ledger without the approval of the Principal Accounts Officer."

You have mentioned something in your submission but what is the action that has been taken now?

HON. A. PRASAD.- Mr. Chairman, the staff are informed that they are not supposed to be signing the general vouchers, it is only the Principal Accounts Officer as the Finance Head who is going to approve that, that has been made clear to the staff.

MR. CHAIRMAN.- That will minimise the instances of improper postings.

HON. RATU S.V. NANOVO.- Has there been any disciplinary action taken against them?

MR. A. PRASAD.- Mr. Chairman, we did two things: we have counselled the officers; and secondly, that has become part of the Finance Manual for the Ministry, which needs to be complied by all the staff.

MR. CHAIRMAN.- The recommendation was that, the Permanent Secretary should investigate and take appropriate disciplinary action against those responsible, not controlling, monitoring the processing of journals.

Honourable Nanovo's question was, was that recommendation on disciplinary actions taken on board?

MR. A. PRASAD.- The officers were counselled, Sir.

MR. S. CHAND.- Mr. Chairman, there are two things here: initially the journals were passed because we wanted to make those adjustments, to have a proper reflection of the account. However, with the highlights of the audit, we have advised staff not to pass journals, not to sign until and unless verified and countersigned by the respective officers and now, the Finance Manual in place, guides them not to do and take disciplinary actions if somebody is violating it so the Finance Manual here acts as our guide.

MR. CHAIRMAN.- Item 24.11, Anomalies in Operating Trust Fund Account: the explanation was that the Operating Trust Fund Account has been reconciled with the bank and updated in the FMIS general ledger system. What was the reason for the anomaly, we understand that that has been rectified now, how did it happen?

The narration there is that, the Operating Trust Fund Account consists of other moneys that were recorded as Trust such as salary deductions payable to other entities, insurance premium reductions for employees, FNPF, those were the moneys that were recorded in Operating Trust Fund Account and by convention, should always have credit balances, thus the Trust Fund Account should not at any time be overdrawn.

The following anomalies were noted, “The Ministry did not reconcile the Operating Trust Fund Account from the month of July. The Ministry’s Operating Trust Fund Account was over-drawn by \$781. The closing balance of the Ministry’s Operating Trust Fund Account Reconciliation and the FMIS general ledger balance at the variance of \$111.14.”

It is a small amount but the issue was, that it should not have been overdrawn. In what circumstances can a Trust Fund Account be overdrawn?

There is some help there on Page 15 that the overdrawn Operating Trust Fund Accounts may arise from payments to organisations for which deductions were not made, so perhaps if you did not deduct something for FNPF but you still paid them, that will be a loss to the Ministry. Would you like to come back to us on that?

MR. A. PRASAD.- Yes, Mr. Chairman, we will come back with a response to that.

MR. CHAIRMAN.- As I said, it is not a huge amount but the problem is that, there is a issue there that you may have paid for something that you did not make the deduction for.

Item 24.12, Main Trust Fund Account not Maintained for Retention Sum: I think that was adequately answered by you, that is taken care of.

“The Trust Fund Account not in the FMIS general ledger”, that is the one that I do not understand. What is it about?

MR. A. PRASAD.- Mr. Chairman, this Trust Account here is in reference to the four different trust accounts maintained at CWM Hospital. These Trust Accounts basically, some donors give in some funds, for example, for the Children’s Ward, for the Cardiac Unit in CWM so that is why this Trust Accounts were opened.

When FMIS came in, these accounts for some reasons, were not put on the system however we requested MOE in 2014 to open up these trust accounts. We were advised to close those trust accounts, and because those trust accounts still had some money, after further discussions through the Office of the Auditor-General and FMIS at MOE, we have managed to open those trust accounts on the FMIS Ledger, and it is in-place now, Sir.

MR. CHAIRMAN.- So the amounts are still there?

MR. A. PRASAD.- The amounts are there and it is now on the FMIS System.

MR. CHAIRMAN.- It is good that you have actually now rectified because there are some very relevant issues there, Fiji Children's Overseas Treatment Fund, \$194,000. That is one of the segments of the Trust Fund Account, CWM Cardiac Force and CWM Hospital Staff Fund, so it was only initial posting?

MR. S. CHAND.- Sir, it was an issue of net-posting those accounts into the general ledger. The cheques were received and banked into the bank account but this was not incorporated into the ledger accounts, the financial statements. This has now been rectified and the Trust Accounts on General Ledger with the Bank balances with the cash book at any time now.

MR. CHAIRMAN.- Because there is an issue there that if, for example, the whole line of staff changes, you will forget that there was an account existing unless the bank alerts you if it is not posted in your books. Is that a possibility?

MR. S. CHAND.- The signatories of the account is the Medical Superintendent of the Hospital with two other staff. Yes, we are all aware that the Account exists but as you rightly mentioned, Sir, there could have been a possibility but we have done improvements on that.

MR. CHAIRMAN.- The recommendation on the finding was that due to the laxity on the part of the Ministry's senior officers, the Trust Fund Accounts were not recorded in the FMIS General Ledger. As a result, the Ministry of Economy does not have any control over Trust Fund Accounts maintained by the Ministry for Health, so there are some indication of laxity on the part of the senior officers. Are they also being counselled?

MR. A. PRASAD.- Thank you, Mr. Chairman, really I would say that that is not the actual case, it was not known. It is a known fact that these accounts are many years old accounts, they were opened up, Sir. If we really look at that, those accounts go back to 20 to 20-plus years, I would suppose.

In those days, everything was basically manual, it was only when the system came in and MOH came on the system in 2011, somehow or the other it was not opened but once it came to light, it has been opened in the system, Sir.

MR. CHAIRMAN.- Item 24.14, Anomalies in Account Receivables: Credits should be properly controlled to ensure debtors pay on time and to avoid bad debts being expensed, accounts receivable should have a debit balance.

The review of accounts receivable revealed the following anomalies. BSP did not carry forward accounts receivable for \$23,000 which was for credit sale prior to 2009. There were no credit sales due in 2014 however TMA balance sheet as 31<sup>st</sup> December recorded accounts receivable, the balance of \$98,344, that means there were no sales but there is still the recording of accounts receivable. The Ministry of Finance posted \$81,971 to correct-credit posting made in FMIS General Ledger in the Year 2011 in the Ministry's TMA Accounts Receivable balance. As a result, the accounts receivable balance were over-stated.

The finding shows that the Accounts Receivable balance is incorrectly stated, as no debtors exist and accounts receivable balance were adjusted by the Ministry of Finance", so the finding there is that, "there were no debtors exist". The accounts were adjusted and probably the debts were wiped off. How did that happen?

MR. S. CHAND.- Sir, there were some postings in the FMIS System by the TMA operators in the Ministry of Economy. We had picked up this issue with the audit and upon numerous consultations with FMIS and the TMA team in the Ministry of Economy, we have reconciled and actually there were no credit sales. The postings have been corrected and it is incorporated in the 2016 Account.

MR. CHAIRMAN.- The debts have been recovered?

MR. S. CHAND.- There were no debts, no credit sales.

MR. CHAIRMAN.- Those amounts there are from BSP - \$23,986.78?

MR. S. CHAND.- There were some postings from the previous years of the FMIS, in the finalising accounts, they had posted some amounts which are not correct and had been adjusted in 2016.

MR. CHAIRMAN.- Any questions on that, Honourable Members? Adjustments have been made so it is confirmed that there were no debts.

MR. S. CHAND.- There was no transfer of physical cash or stock but only the journals had gone in which have been corrected. The same applies to Items 24.14 up to 24.14(3).

MR. CHAIRMAN.- Misallocation of TMA FMIS General Ledger, that is the one, Anomalies in TMA Bank Reconciliation?

MR. S. CHAND.- Yes, Sir, the respective General Ledger Accounts have been created for the reflected expenditures.

MR. CHAIRMAN.- For Item 24.14?

MR. S. CHAND.- Yes.

MR. CHAIRMAN.- The note in there is with regard to the concern raised, “In the absence of appropriate supervision and proper reconciliation, the Ministry may not be able to detect misappropriation of theft of money.” That is something that we actually noted in a particular Ministry where reconciliations were not done on a monthly basis and once this was done, it was found that a lot of money was misappropriated. Any comments on that?

MR. S. CHAND.- Actually, Mr. Chairman, there was no transfer of cash, no funds misappropriated. We had numerous discussions with the FMIS and probably if our officers from FMIS could answer why those accounts had those postings but I confirm that we have corrected the anomalies and there is no transfer or loss of cash.

MR. CHAIRMAN.- Ministry of Economy, can you confirm that, FMIS personnel?

MOE REP.- Mr. Chairman, as for entering into the system, the responsibility lies with the ministries and departments, however, any adjustments that we see fit then the FMIS Unit pass it from our side but to give information of this nature, we might have to come back via the Secretariat on this information.

MR. CHAIRMAN.- Please, supply the information because it might be necessary in report writing.

Item 24.14.5, VAT Amount Incorrectly Stated: The comment by OAG is that, the audit noted that BPS incorrectly applied 15 percent VAT on the purchase made from FPBS and posted the VAT amounts to FMIS ledger. As a result, the VAT receivables of \$134,694 was incorrectly recorded in the FMIS Ledger and TMA balance.

In addition, the VAT calculation, performance by audit noted with VAT payable of \$12,207, therefore VAT amount was incorrectly stated in TMA balance sheet, as a result the net asset as at 31<sup>st</sup> December, 2014 was mis-stated. Was that also a posting error?

MR. S. CHAND.- Yes, Sir, these amounts were posted by the TMA operators at the Ministry of Economy. We have had discussions and it has been adjusted and it should be reflected correctly now.

MR. CHAIRMAN.- The recommendation was that the Ministry should ensure that appropriate disciplinary actions are taken against those responsible for not performing their task. Has that action been taken?

Are the officers still employed by the Ministry?

MR. S. CHAND.- Mr. Chairman, I would like to share that my challenge here is that, we are still relying on FMIS to provide us with these reports, to carry out monthly, weekly reconciliations so this is an ongoing process between the TMA operator at Bulk Purchase and the Ministry of Economy TMA operator that every month, after posting of the receipts that we get out of the sales and posting of the receipts from the sale, we ask them for reports for verification if whatever has transpired physically is correctly reflected in the ledgers.

It is an ongoing improvement.

MR. CHAIRMAN.- So FMIS has to give you the posted details?

MR. S. CHAND.- Yes, details and access level if we can print it ourselves. Currently, we are restricted of that process.

MR. CHAIRMAN.- You probably cannot edit it, you cannot correct what is there but you can print it out.

MR. S. CHAND.- We can input and view on the screen but we cannot physically print out cheque and somebody certify that, somebody has posted the correct information but that is an ongoing improvement between Bulk-Purchase TMA and the Ministry of Economy.

MR. CHAIRMAN.- Probably FMIS can have a look, if there is a problem that is consistent with other Ministries, allow them to print and reconcile.

MOE REP.- Yes, Mr. Chairman, this is due to the access level. Most of the reports we generate at the FMIS Unit, we put it in their respective folders which they can access from their offices. However, those we request ministries and departments to submit names of officers who are qualified or authorised to schedule reports in the system and we give them access.

MR. CHAIRMAN.- We go on to the Construction Arrears, Item 24.15, Refurbishment and Extension of Operating Theatre Complex at the CWM Hospital, Contract No. WSC 200/2012. The response that you gave is that, the premises is now being completed, the retention sum is withheld due to defects and once rectified, the retention sum will be released but here the issue was that the Ministry did not retain 2.5 percent or \$37,000 retention sum from the payment of mobilisation fees of contractor, so his response is that, the sum was retained, there was retention but there is notation there that part of that was not retained. Any comments on that? There is a special condition in the agreement. The Ministry did not comply with Section 7 of the Special Condition of the contract agreement between the Ministry and the Contractor and the audit recommendations.

MR. S. CHAND.- Mr. Chairman, for the information of the House here, when we de-requisition our funds, we de-requisition the invoice amount deducted of the 15 percent retention so those retentions are paid upon the expiry of the defect liability period and as explained by my Director earlier, we request those unpaid amounts into the new financial year and it is budgeted and de-requisitioned when it is due for payment.

MR. CHAIRMAN.- So the amount was retained because there is a retention amount.

MR. S. CHAND.- The retention amount was not even de-requisitioned. It remained in the Central Bank.

MR. CHAIRMAN.- The one that was explained earlier?

MR. S. CHAND.- Exactly.

AUDIT REP.- It is not deducted?

MR. CHAIRMAN.- Yes, their response has been that only the invoice amount does not include the 15 percent retention, it is kept at the Ministry of Economy or the main bank. It is only given and paid out to them

when they are satisfied that the job is done correctly but as you mentioned earlier that if it has to be a requisition from a future budget, then that is the problem.

AUDIT REP.- In the budget, then you have to utilise. It is not that it is kept in the Finance, until you incur the expenditure, then it can be retained.

HON. A.M. RADRODRO.- You explained now that it should never arise as an audit issue because 2.5 percent is supposed to be looked after in the next future budget, that is what the Ministry is saying but you are saying differently that it should be taken out from the current year's budget so there are two conflicting issues or viewpoints there.

MR. A. PRASAD.- When looking at the comment by the Office of the Auditor-General, the guiding principle is that it needs to be deducted and kept in a retention sum, Trust Fund, but as explained earlier, when we are paying, the invoice that comes to us is reduced by the retention sum amount. However, the Auditor-General's comment is, though the invoice is reduced by the retention sum, their advice is that, we need to de-requisition including that retention sum amount and then that is separately going into the Trust so that when it becomes due, then it is paid out from that Trust Account, and that is where I had earlier said that this process is still in negotiation between the Ministry and CIU (Construction Implementation Unit) at MOE.

MR. CHAIRMAN.- There is another point that has been raised in the Report, No. 2 on page 22: "Under the contract agreement, the date of practical completion was 4.00 p.m. 18<sup>th</sup> December, 2014, however the contractor was not able to complete the project by the expected completion date of 18<sup>th</sup> December.

The Contractor submitted several extensions of time to the Asset Management Unit since 13<sup>th</sup> June, 2013. As at 17<sup>th</sup> December, 2014, the Contractor requested for extension of time for 66 days. The Ministry did not allow for any extension of time to the contractor as at 25<sup>th</sup> February, 2015. The contractor was not able to complete their project. As per the contract agreement, the contractor is required to pay, delay at the rate of \$100 per day for every day for delay, however the Ministry did not charge delay for extension to the contractor even though the extension of time was not allowed to the contractor. The delay in project completion may result in additional expenses of the Ministry," so there is an issue there.

MR. P. DAVIS.- To me, that is indicative of an oversight. We could have charged them \$100 per day for the delay and we failed to do so probably due to inadequate monitoring of the contract. Obviously, there is a lesson there that I hope have now been taken on board.

MR. CHAIRMAN.- If the contractor was not given an extension, then who completed the project? There was no extension given to the contractor so the contractor was not able to complete the project. Are you stating that the project is now completed? Who took over responsibility?

MR. A. PRASAD.- I am sorry, Mr. Chairman, the project is completed. The facility is in operation.

MR. CHAIRMAN.- Who completed the project?

MR. A. PRASAD.- The contractors, namely PBS (Pacific Building Solutions) and they have completed these.

MR. CHAIRMAN.- So the issue here is, they requested for an extension of time. The Ministry did not allow for extension of time with the contractor.

MR. P. DAVIS.- I think they sought an extension, we did not give the extension.

MR. CHAIRMAN.- So they completed within that time?

MR. P. DAVIS.- Which meant I think as I understand it, looking back, how do we grant the extension then we would not have been able to invoke the \$100 a day penalty. We did not grant the extension so that then triggered the \$100 per day penalty which we failed to impose. The second point is, according to this, as of the 25<sup>th</sup> February, 2015, two years ago, the project had not been completed, however, subsequent to their compilation of this report, it has been completed.

MR. CHAIRMAN.- The question is, who completed the project?

MR. P. DAVIS.- I think the wording there is unfortunate. As of 25<sup>th</sup> February, 2015, the contractor have not been able to complete the project, might have been a better reflection.

MR. CHAIRMAN.- That means there were eventually some extension granted to him for the contractor. Was some extension granted to the contractor after-all?

MR. P. DAVIS.- Apparently it was, yes, which should may be why we then could not claim \$100.

MR. CHAIRMAN.- There has to be some update on that report here. My question would have been, if they did not do it, then who did it, how were they procured?

MR. P DAVIS.- They did not do it?

MR. CHAIRMAN.- Yes, but looks like they finished the job.

Item 24.16, Installation and Commissioning of Operating Theatre Equipment: it has been done now. The delay was the site preparation, however equipment has been installed, commissioned and now in operation. So here, "The audit noted that because of the delay in constructing the operating theatres the supplier only managed to install and commission equipments in two (Endoscopy and the Cardiac operating theatres), out of four operating theatres.

The sites for the installation of the equipment for the Orthopaedic and Neurology Operating Theatres are not ready as at the date of audit on 31/1/15. As a result, the supplier of the equipment could not install the equipment in the other two (Orthopaedic and Neurology) operating theatres. The equipment has been left idle for the last 7 months. As a result the Ministry did not obtain value-for-money from this project."

So with the project now completed, are those same machines being used in those facilities?

MR. A. PRASAD.- Yes, Sir.

MR. CHAIRMAN.- If I understand correctly, there was no actual loss of those machines. The word here is that, the equipment has been left idle for seven months.

MR. P. DAVIS.- I suppose in strict economic terms, we lost seven months of potential use of the equipment or we paid for seven months before we start abusing it so we lost seven months of use of funds.

MR. CHAIRMAN.- The other question that arises here, Permanent Secretary, is that when these projects are done, or when you do procurement for these projects, is there not a scope of work conducted that the Ministry would know within which time the ground work will be done or should be expected to be done so that when the machines are brought in, it is with that vision that it will be fitted at this time but there was a delay in the preparation for the ground work.

MR. P. DAVIS.- I think again I am sure there are aspects here where we could do better with better planning and better project management. Again, I cannot speak for the construction just through here but I would imagine this is high-tech equipment which is being sourced from off-shore so it may well be that we have little control over the actual delivery date therefore the equipment might arrive on-shore sooner than we

would choose to have it arrive on choice. It is not as if we can operate on a just-in-time basis. We are often at the mercy of when the next ship from Japan is arriving.

MR. CHAIRMAN.- The earlier the better, if it is later, then it is a problem.

MR. P. DAVIS.- Which is obviously what happened in this case, it came early so at least when we were ready, we could start using it and we were not embarrassed with an empty building.

MR. CHAIRMAN.- Item 24.17, Sigatoka Maternity Unit Extension: Contract No. WSC 98 of 2014, again there was the issue of Clerk of Works. It was mentioned there that the Ministry did not have a Clerk of Works for 70-odd days and that caused lack of supervision. Is there a Clerk of Works appointed now?

MR. A. PRASAD.- Mr. Chairman, we finally had the Clerk of Works for the project and the project has been completed. The facility is in use.

MR. CHAIRMAN.- Item 24.18, Milk Bar, Hospital Project Management, Failure to Pay Provisional Tax: this is an issue that we had encountered earlier in other Departments as well. Has the Ministry for Economy advised all the other ministries that there has to be deduction of provisional tax? There was an understanding that it is only for overseas contractors but in this case, Ba Hospital is an overseas contractor, is it not?

The issue here is that, the consultant did not provide tax exemption certificate from FRCA and the Ministry should have rejected provisional tax at the rate of 15 percent but they did not do it.

MR. A. PRASAD.- Mr. Chairman, I believe the exemption certificate was provided a bit later.

MR. CHAIRMAN.- So they were exempted but the certificate came later?

MR. A. PRASAD.- Yes, we ensured to deduct provisional tax if the companies do not provide the exemption certificate which eventually has changed from 2016 where the rate has been reduced and it is a compulsory five percent deduction of provisional tax, Sir.

MR. CHAIRMAN.- So there is no question of exemption now, you pay 5 percent.

MR. A. PRASAD.- Yes, Sir.

MR. CHAIRMAN.- Item 24.19, Exterior Painting Works of Lautoka Hospital, Contract No. WSC 64/2014: just a matter to note, I have been to the Lautoka Hospital recently and it does not look painted, but anyway: “The review of project files and contract documents revealed the following anomalies:

- ✓ The Tender Bid submission required the Bidder to provide a detailed list of work done for each summary of works. The summary of works included preliminaries and general, painting works and prime cost for the aluminium windows and doors.

However, the Contractor when submitting its bids for the exterior painting of Lautoka Hospital did not provide the detailed cost breakdown for each summary of works. Instead the company provided the total cost for each summary of works.

- ✓ A total of 7 companies submitted their bids for exterior painting of Lautoka Hospital. After the bid assessment the Tender Evaluation Committee (TEC) recommended that the tender to be awarded to another Contractor based on the technical evaluation and similar works carried out at CWM Hospital in the past. However, the GTB awarded the tender to the Contractor which was the 3<sup>rd</sup> lowest bidder.
- ✓ The GTB did not provide the reason as to why the tender was not awarded to the Contractor as recommended by the TEC.”



So the TEC made a recommendation but the GTB gave it to somebody else and that contractor did not even provide the breakdown of the summary of works.

- ✓ The Contingency Sum and the Project was \$126,148 (VIP) which is 20 percent of the contract price. The Permanent Secretary for Health approved 7 variations to the Contractor amounting to \$249,371 which was \$123,223 more than the contingency sum approved by the GTB. In addition, the Ministry did not obtain GTB's approval for the variations ....”

So there are various problems here: firstly, the contract was given to somebody who was not recommended, then when it was given, that contract did not have details and then there was approval for variations which cost the Government more money. Can that be explained, please?

MR. P. DAVIS.- I think the first point is an issue for the GTB to address because obviously, once the matters are in their hands then it is not appropriate for us to be involved. In terms of the Permanent Secretary approving variations over and above the contingency, I cannot speak for the Permanent Secretary who was on the post at that time as to why that happened and on what basis and what authority that was done and whether that was within the individual's delegations at the time because I am afraid, without going back forensically over that, we would struggle to address that.

MR. CHAIRMAN.- Any questions in that regard so far, Honourable Members?

Let us look at Item 24.20, Anomalies in General Maintenance, South Wing, CWM Hospital: before going on to that, I think we should make a note, Honourable Members, at this point here that the former Permanent Secretary for Health approved seven variations to the contractor showing the irregularities in that contract and the contingency sum. It seems irregular.

Item 24.20, Anomalies in General Maintenance of South Wing, CWM Hospital, Contract No. WSC 38/14: “During the physical inspection of the works completed by the contractor at South Wing CWM Hospital, several instances of poor workmanship were noted. Despite the poor workmanship of the work completed by the contractor, the Director (Building) and Government Architects for the Ministry for Works, Transport and Public Utilities had approved all contractor claims.” Is this an issue for the Ministry for Health or is it the Ministry of Works?

MR. A. PRASAD.- Mr. Chairman, the invoices are certified by the Director (Building) from the Ministry of Works. They verify, then certify and subject to their certification, the Ministry effects the payment.

MR. CHAIRMAN.- Who inspects this property? If the works are completed, maintenance work is conducted, is it the Ministry for Health who procures it?

MR. A. PRASAD.- Ministry of Works.

MR. CHAIRMAN.- This section will be referred to the Ministry of Works. You should write a letter to the Ministry of Works to explain this part of how they can certify approved payments for the contractor claims when the workmanship was obviously poor. That is not the Ministry of Works issue, I guess.

Based on the certification and approval of the progress claims by the Director (Building), the Government architects in the Ministry of Works, Transport and Public Utilities, the Ministry paid, so the Director (Building) and Government architects and the Ministry for Health's Clerk of Works, did you have a Clerk of Works at that time? Findings indicate poor project management supervision by the Director (Building) and Government architects in the Ministry for Health's Clerk of Works, you did not have a Clerk of Works at all at that time so that goes back to the Ministry of Works.

The recommendation: “The Ministry should ensure that the disciplinary action is taken against the Clerk of Works for not preparing the progress report.” There was not one?

The Ministry’s comment at the bottom of the page is: “Clerk of Works - it is not cost-effective to appoint the Clerk of Works for each project undertaken - there is no separate allocation for payment of wages. Therefore off-site Clerks of Works are appointed who manage multiple projects.” Was there an off-site Clerk of Works in here?

MR. P. DAVIS.- I am sorry, Mr. Chairman, that does appear to be the case, yes.

MR. CHAIRMAN.- “Clerk of Works, Project Officer 1 was appointed as Clerk of Works for the Design & Build Project at CWM Hospital. However, with the growing number of projects that AMU looks after, other projects were assigned to him, one of which was South Wing. As per General Manager CWMH (EO-Infrastructure CWMH) was to assist Clerk of Works Project Officer, one on daily inspection and he was looking after one of the major project Design and Build project (PBS) due for completion. Poor workmanship”, so there was somebody appointed.

MR. P. DAVIS.- Again, with the benefit of hindsight, this almost appears to be one of those cases where the accountability was not clear. It sounds like the Ministry of Works had the Clerk of Works. We had a Clerk of Works and I would not be surprised if both of them thought the other one was responsible and therefore nobody was obligated. I think, again there is a lesson to be learnt from that as I have already said, this is a learning experience.

MR. CHAIRMAN.- Is anybody employed on a full-time basis at Clerk of Works now with the Ministry or is it again on temporary basis?

MR. P. DAVIS.- We would assign a clerk. We do not have a permanent position designated as Clerk of Works because there are peaks and troughs in the capital projects that are underway but we do know for certain any significant project, we will appoint or identify a Clerk of Works. I know for example the new Ba Hospital development, we have got a Clerk of Works, full-time on-site and I think we are seeing the benefits of that approach in terms of oversight of the building.

MR. CHAIRMAN.- Because the contractor will not be able to “pull wool over the eyes” if something happens on the site.

MR. P. DAVIS.- Yes, such is what we believe.

HON. A.M. RADRODRO.- A supplementary question to that: is the Clerk of Works from the Ministry of Infrastructure or do you engage your own independent Clerk of Works?

MR. A. PRASAD.- We engage a Clerk of Works, not a Ministry staff.

MR. P. DAVIS.- MITT?

MR. A. PRASAD.- No, the Ministry engages, and just to add on a bit to what Permanent Secretary has said, the major projects now for the Ministry of Health, we have the Clerk of Works for each of them, Sir.

We have one for Ba, the other one, we have one Clerk of Works for both the projects at Makoi and Nakasi, the other major project is for Rotuma, and we have a Clerk of Works for that project as well.

MR. CHAIRMAN.- Item 24.21, Anomalies in Construction of Quarters at Bagasau Nursing Station: “The Director of Building and Government Architect failed to provide fortnightly reports to the Ministry for Health on a fortnightly basis. This indicates that the project site was not visited at all by the Director (Building)

and the Government Architect during the construction period. In addition, the Ministry for Health did not follow up with MWT and PU for fortnightly reports ....”

So you had not requested for follow-up on MWT?

MR. A. PRASAD.- Mr. Chair, I would say in this case, it is again lessons learnt and the improvements as we have mentioned earlier, having the Clerk of Works and the people in-place to monitor the projects.

Item 24.22, Maintenance and Refurbishment of Nurses Home at Tamavua, Contract No. 117/2014: here the issue is that “The Ministry obtained project total estimated cost from MWT and PU to have a fair idea of the financial resources required for the project and to select a contractor who can carry out the project successfully. The MWT and PU estimated that the overall cost of the project would be approximately \$270,910.82.

However, the Project was completed by the contractor at a cost of \$182,600 which resulted in \$88,310.82 or 48.36 percent, lower than the estimated cost by MWT and PU. The significant variance in the MWT and PU cost estimate and actual cost of the project indicates poor project costing.”

It is not actually a bad thing to save that money. It is one of the rare cases where the budget was under-spent but was the building built properly?

MR. P. DAVIS.- We have no reason to question the quality of the build as far as I know, and obviously the estimate was done by the Ministry of Works. We probably would not be considering ourselves competent to question our original figure so I guess that is really an issue for them in terms of the quality of their estimates.

MR. CHAIRMAN.- Item 24.23, MRI Machine Room, Maintenance Works at CWM Hospital.

MR. P. DAVIS.- I think, Mr. Chairman, that is one of those examples I have alluded to earlier where the need to maintain service integrity is one where occasionally we have to fly a little bit closer to the wind in terms of the financial procedures. It is always very difficult as a public servant to make these decisions but I think with only one MRI machine in the country, it was probably defensible.

MR. CHAIRMAN.- Was there an urgent need? I also note that there were contracts that were drafted or vetted on your behalf by the Solicitor-General’s Office. This particular case did not include things like performance bond, defect liability period delay, damages and retention sum not included. Is this a regular problem within the Ministry?

MR. P. DAVIS.- I think it can be a problem where we have only got a single supplier, again for this high-tech equipment, quite often who you buy the equipment of, at their mercy, you then effectively, in terms of upgrades and replacement parts, et cetera, and of course, in a negotiating situation, that does give them a very strong position.

It is certainly something we might want to give some thought as to whether we can put some better protections for Government’s interest in those contracts from the outset.

MR. CHAIRMAN.- Secretariat, we will need to write a letter to the Solicitor General’s Office on this part, Item 24.23, quote that part: “All Government contracts must be prepared by organisation and should be vetted by the Solicitor-General”, and that part, “however necessary terms and conditions per contract as Performance Bond Defect was not included,” so the Solicitor-General’s Office should have included that if there is a need, but as explained by the Permanent Secretary, sometimes you need priority-base as well.

You do not need to go into details but we can hear from the Solicitor-General on that, because the OAG notes a serious concern here that has the Government’s interest not protected without a contract until 28<sup>th</sup> of August, so it could be either way. There was a need because of the one machine ....

MR. P. DAVIS.- Patient's interest comes into this as well.

MR. CHAIRMAN.- Something had to do be done quick.

Item 24.24, Supply and Installation of CAT6 Structured Cabling, CWM Hospital: what is a CAT6 Structured Cabling? I have no idea.

MR. P. DAVIS.- I am sure someone will know the answer to that. It sounds very complicated.

MR. CHAIRMAN.- Anybody from the Ministry?

MR. S. CHAND.- Mr. Chairman, I just have a brief knowledge of these structured cables. These cables are technically fast or superior in terms of data exchange so the Ministry of Health is trying to have medical imaging and HRS, HRM softwares, patient information system so we needed high-tech technology so that a medical officer in Suva could access patient information from Labasa, so that is where this structured cabling was in place.

MR. CHAIRMAN.- Issues raised are as follows:

- “The Contractor had exceeded the timeframe given for the completion of works;” (so here, there is a delay, contrary to what was explained earlier, because sometimes you need to use shortcuts so that something is implemented quicker but here there is a delay);
- The Contractor's technicians are not using the Ministry of Health Management Systems MoHMS), ID's instead some other site ID's are used;
- The Contractor's technicians are not reporting to the site on time;
- The Contractor failed to provide the project plan and updates;
- The progress updates given to MOH does not comply to the template which makes it impossible to synchronise with previous updates; and
- The Contractor has used the current ducts thus the current setup is offline from the past five or six months.

The ITC did not respond to the Ministry's concerns. In addition, the Ministry also did not follow up with the ITC on the issues raised in its Memo, dated 25/11/14.

The findings indicate that that clear line of responsibilities was not established between the Ministry and the ITC for the project. “As a result, the project was not properly supervised either with the Ministry or ITC which resulted in the delay in completion and the project works not carried out up to the Ministry's expectations.”

Is this operational now?

MR. P. DAVIS.- I believe the cabling is now approaching.

MR. CHAIRMAN.- “The work is still not completed and the Ministry has referred the case to ITC”, that is your response in Item 24.24. So the work is still not completed, it is on Page 4 of the submission (the last part), “the work is still not completed, the Ministry has referred that to ITC, ongoing dialogue between the contractor, ITC and the Ministry has currently undertaken to ensure the work is completed.”

HON. RATU S.V. NANOVO.- Mr. Chairman, to my understanding once a contract is delayed, normally the penalty clause in the agreement is seen. What happened in this case, do they have that?

MR. P. DAVIS.- I am sorry, we are just checking on that. What was the question again?

HON. RATU S.V. NANOVO.- I was just advising the team that once a contractor delays in the work that he is doing, normally the penalty clause in the signed agreement kicks in.

HON. P. DAVIS.- This contract was managed by ITC so in a sense we had a contract with ITC, we had a contract with the contractor so most of these issues seem to be arising at the interface between ITC and their contractor so we really are at liberty to intervene in that relationship so we are putting pressure on ITC to be more aggressive in their management, but obviously they were not doing so.

We were lax in our management of the contract with ITC, however they were lax in their management of the contract with the cabling contractor so there are two areas where problems can arise but the detailed points listed here are all ITC responsibility.

MR. CHAIRMAN.- This was the 2014 Report, it is 2017 and it is still not completed so we should write to ITC to find out.

MR. A. PRASAD.- I am sorry, Mr. Chairman, I am just trying to think where it says that the project is still not completed.

MR. CHAIRMAN.- In your submission, on page 4, the last part: under the heading “24.24”.

MR. A. PRASAD.- I am sorry, Mr. Chairman, I may just need to verify that because I believe the project is completed because in 2014 when this was queried, at that point in time it was not but the issue was referred to ITC so I assume the project is completed as we speak now. I just need to verify that statement, Sir.

MR. CHAIRMAN.- You are on the right track because if the audit is of 2014, at that time it was not completed, it was just for our knowledge whether it has happened or not because there seems to be something amiss here but if it is completed then you let us know.

MR. A. PRASAD.- Yes, thank you, Mr. Chair.

MR. CHAIRMAN.- Item 24.25, Anomalies in Contracts of Supply and Installation of CAT6 Structured Cabling, Lautoka and Labasa, the same one now for Lautoka and Labasa.

MR. A. PRASAD.- Mr. Chairman, it is a similar situation.

MR. CHAIRMAN.- Your answer there was, “The work has completed for Lautoka and Phase 1 for Labasa, “The current contract that exist contains a warranty clause as per ITC’s requirement,” so it is still an ongoing project, but at that time the issue that was raised was, the Ministry did not obtain the warranty cover on the IT equipment used in the project. The findings indicate the Ministry was not vigilant in ensuring the contractor complied with the terms of the contract agreement.

As a result, the Ministry may not be able to hold the contractor liable for the malfunction of the IT equipment used in the project during the warranty period.” Any comments on that?

MR. A. PRASAD.- Mr. Chairman, I believe it is the monitoring of the contract that was in place then and again, similar to the earlier situation where it is the ITC and the contractor, so that monitoring bit would not have been in-place then, Sir.

MR. CHAIRMAN.- Then we have anomalies in project management. There is the general question which has a general query by OAG, “Capital projects need to be properly supervised and managed from

planning to post implementation phase. Project management is the application of knowledge, skills, tools and techniques to achieve the project requirements.

The audit examined several capital projects carried out by the Ministry during 2014. The following anomalies were noted in terms of project management and supervision. The Ministry should appoint a Clerk of Works.” That has been done for the respective project.

“The Ministry appointed Project Officer 1 and Project Officer 2 and Project Officers stationed at the Ministry of Health Headquarters. The Project Officers, amongst other duties, were appointed as Clerks of Works for capital projects undertaken by the Ministry: one was appointed as Clerk of Works for the hospitals; Project Officer 2 was Clerk of Works at the nursing stations. The Ministry implemented several capital projects during the year, some of which were implemented particularly with other projects.

The audit noted that the Ministry only hired two Clerks of Works to supervise all the projects that were practically impossible, hence the several projects that the Ministry’s Clerks of Works were not based at the project sites all the time to directly supervise and monitor the project works carried out by contractors, hence there was very little on-site supervision by the Clerks of Work and they had many projects to inspect.” Is there a budget for appointing Clerks of Works for individual projects?

MR. P. DAVIS.- Mr. Chairman, I think we have just explained that we are now endeavouring to identify Clerks of Works externally for all major projects. Obviously, there is cost-effectiveness in this argument. We do not want to be paying for the Clerk of Works for the minor projects that can be managed through the normal channels but since 2014, identifying external Clerks of Works have become routine for the major projects as we have just elaborated.

MR. CHAIRMAN.- Give us some results?

MR. P. DAVIS.- Lessons learnt again.

MR. CHAIRMAN.- As I understand, there is one or two Clerks of Works that are stationed at the Ministry’s Headquarters and the others are on-site.

MR. A. PRASAD.- They are all on-the-site, Mr. Chairman.

MR. CHAIRMAN.- It says that the Ministry’s Clerks of Works were not based at the project sites all the time to directly supervise and monitor the projects carried out, so where do they spend the rest of the time?

MR. P. DAVIS.- They do now, that was then. In 2014, we were trying to do it remotely, we have learnt the lesson when we have them on-site or close to the site.

MR. CHAIRMAN.- It is implemented now at least so that should minimise the problem.

Item 24.27, Fresh Tenders not Called: “The audit noted several instances where the Ministry did not call for fresh tenders for additional works which were not part of the initial scope of works. For some variations, the Ministry requested the GTB approval.” So I understand that whilst works were in-progress, there were some extension of variations needed and fresh tenders were not called. I see a reason for that as explained by the Ministry for Housing earlier. If one contractor is doing the works, it might be better to let him continue but then that leaves a room that the contractor might be lax and delay the construction to get an extension and get more money. Is that supervised properly now?

HON. P. DAVIS.- Again, I refer you there, Mr. Chairman, to the Ministry’s comments on page 38, I think that probably summarises the responses.

MR. CHAIRMAN.- The Ministry's comment, "Properly planned and review variations. The Ministry being under-pressure to complete the works, requested GTB's approval for the variations. The same contractor being recommended to avoid further delays", all right, I understand that. That was what we heard from other ministries as well that if one is doing the work, you might as well let him continue to save the delay. Any questions in that regard now, Honourable Members? That was well-explained.

Item 24.28, GTB's approval not obtained for Variation, Waiver of Performance Bond and Reduction in Contingency Sum: this is the one that was noted, "The audit noted instances where the Ministry did not obtain approval from GTB for variation in the performance bond. The amount to be paid by the contractor, waiver of performance bond and reduction in their contingency sum" so in those days, some of those extensions were not approved or approval was not sought. Are you in a position to answer that?

MR. P. DAVIS.- Again, I think it is in the past. That was obviously not appropriate for the 10 percent to unilaterally reduced to 5. I do not know whose authority that was done, if anyone's.

The second one obviously was approved by the Ministry of Economy and the third one was reduced again probably without the appropriate authority.

MR. CHAIRMAN.- So currently, if there is any variation that is needed on a project, you obtain the approval from GTB?

MR. A. PRASAD.- Yes, Mr. Chairman.

MR. CHAIRMAN.- For all projects?

MR. A. PRASAD.- Yes, Sir.

MR. CHAIRMAN.- That seems to be in order now, but in those days, all the other anomalies were also not well-managed. "No valid indemnity cover," that is the question that I raised with another Ministry too. When a contractor is hired, whose responsibility is it to check whether they have indemnity cover for building works?

MR. P. DAVIS.- I think what you will see here, Mr. Chairman, is in every case, they have indemnity cover. Half the time the contract was signed and the works started. The flaw here is that, we have obviously not set the reminder that that indemnity cover expired before the work was completed so this is kind of analogous to the earlier one about not imposing the \$100 a day.

To me, it points to the tendency to sign the contract and then assume everything is running but actually these contracts need to be monitored on an ongoing basis or notes need to be put in the relevant diaries when key-dates are reached. It is a fundamental discipline of project management which I think is something that we, and probably a number of other ministries, need to get better at.

MR. CHAIRMAN.- Possible oversight as well, I think?

MR. P. DAVIS.- Well, it is probably not an oversight, if something that should have been done, it is probably never even there to have been done.

I am looking to my colleagues now and saying, "I assume this would not happen now" and we do monitor the expiry of indemnities.

MR. CHAIRMAN.- Why this is necessary is because we had an instance where the contractor just disappeared in thin air and that particular Ministry had no recourse. Had there been an indemnity cover, they would have may be sought some refuge from that.

MR. S. CHAND.- Mr. Chair, I would say that that was the first few years that the Ministry had done projects of that magnitude. We have learnt lessons and I think we are better-equipped now in terms of project management, indemnity cover and performance bond.

MR. CHAIRMAN.- “Poor planning of capital construction”, your answer was that the issue still exists with all the capital budget being under “R”. This will need to be discussed with the Ministry of Economy for the next financial year.” The issue here was that the Ministry was allocated a total of \$29 million.

MR. S. CHAND.- (Inaudible)

MR. CHAIRMAN.- From Items 24.30, 24.31 and 24.32, he will come back to us with answers, Item 24.30 as well, Poor Planning.

Anomalies in Charter Aircraft: I think that was explained well by the Accounts. There was the need basis for emergency evacuations and if I noted correctly, they provide the service first and then invoice and that is why the invoice date is after the LPO is issued; the invoice done earlier and LPO later.

Item 24.34, Missing Payment Vouchers: In those days, a lot of payment vouchers were missing and I notice that the Ministry is making an effort to ensure that proper filing is done this time. Why would a payment voucher go missing? Is it a filing problem or is it not entered electronically?

MR. S. CHAND.- Mr. Chairman, the payment vouchers are generated electronically and a physical copy of the voucher is also processed. We have changed our filing system now, vouchers are filed according to the bank file number or the EFT number in sequence so if anybody or any auditor wants to check a payment voucher, they go and pick up the EFT number and it is bound into bundles. It was unfortunate that at the time of the audit, the vouchers were not available. It could have been filed in a wrong sequence but all payment vouchers are prepared in accordance with the documents provided in accordance with contracts.

MR. CHAIRMAN.- Because at that time, it was noted that in the absence of these vouchers, the audit could not substantiate payments made to various suppliers in 2014 totalling \$2.789 million, it is saying that it was a filing problem.

MR. S. CHAND.- We have other users of our payment vouchers like verifying officers from the FICAC Office, verifying officers from internal audit so I will not say that the answers that I am providing is the exact words that need to be in but the vouchers could have been missed, filed into another batch and not available but with this improvement, I am pretty sure that we are well-equipped with the availability of payment vouchers.

MR. CHAIRMAN.- Item 24.35, Outstanding Contribution for Overseas Medical and Consultancy Service: for general information of the Committee, how does this work? For overseas medical treatment, what is the ratio of the Ministry to patient contribution ratio?

MR. P. DAVIS.- It does vary, in some cases, we meet the full cost and some of the patients have to pay transport, we pay treatment; and for others, we pay a fixed sum. It is actually the payment arrangements that are tailored to the individual patient’s needs, financial situation and financial responsibilities so it does vary from patient to patient, and condition to condition or treatment to treatment.

MR. CHAIRMAN.- Is it provided for all medical treatments or basically those that are most probably not available locally.

MR. P. DAVIS.- Obviously, if it can be done locally, it will be done locally.

MR. CHAIRMAN.- Is it for any condition?



MR. P. DAVIS.- No, but I cannot answer the next question, you are going to ask me which is which condition.

MR. CHAIRMAN.- Yes.

MR. P. DAVIS.- There is a written policy on overseas treatment which we can provide to the Committee if you wish.

MR. CHAIRMAN.- My next question was actually a bit outside that but if it is a congenital problem or something that you know that there is no hope, would you still invest into that?

MR. P. DAVIS.- There is a difference between a congenital problem and a condition with no hope. Some congenital conditions which basically means conditions that a person is born with, they can be treated. I know some of the members may have heard of China's hospital in Hawaii who do amazing work for rehabilitation of physically disabled children.

However, the second part of your question which is, if it is fatal, if a patient is incurable then I believe I am right in saying that we would not pay for overseas treatment if it is going to be futile (the expression that the doctors use).

MR. CHAIRMAN.- We note that 15 patients owed the Ministry a total of \$185,000 in respect of their contribution. That means in these instances, they did not contribute but they were still sent out probably on a humanitarian basis.

MR. P. DAVIS.- Yes, again, I think this does point to an area where we probably need to be a little bit more assertive in terms of recovering payments.

As you say, we probably cannot always demand cash before people leave but certainly when they come back, they do have a debt to Government and as with any debt, we should be pursuing that vigorously.

HON. H.R.T. POLITINI.- Mr. Chairman, just through you, Permanent Secretary, do you pay 100 percent or is there a contribution from the patient?

MR. CHAIRMAN.- That is what he was explaining a while ago.

MR. P. DAVIS.- There was almost always a contribution from the patient or their family.

MR. CHAIRMAN.- It is either they pay for their airfares or the patient pays on a case-by-case basis.

MR. P. DAVIS.- It varies from case to case but I think it will be very unusual that there is no contribution from patients at all, I may be wrong on that, but I have not seen anywhere where the patient pays nothing.

MR. CHAIRMAN.- Permanent Secretary, what are some of the avenues that you employ to recover these amounts? Do you go to courts or do you treat that as bad debts? On humanitarian basis, I do not feel like asking much on this but financially, we must have some answers. How do you recover these outstanding amounts? What avenues do you employ?

MR. S. CHAND.- Mr. Chairman, I guess surcharge is out of question in here. Simply, we need to go back and track these patients, hopefully if we can find them. I hope they have not met any fatalities and they are still living. We will need to consider their financial status now, are they employed? Are they having any superannuation or FNPF or are they a burden to the Social Welfare? There is more work to be done, we need to get back to the patients. I know my team has made some communications with the patients to recover but out of question, as a solicitor, do we have any regulations to recover?

MR. CHAIRMAN.- Yes, if there is a debtor to the Government, there are various ways you can recover that. You can issue a writ because this is a contract. It is a verbal and written contract and you can do a lot of things. You can register a charge on the titles held, extreme cases, sell the land, sell the house and recover it. You can issue writ of F.I.F.A (*feri facias*), you can possess their personal properties, that is what I am saying, I did not feel very comfortable asking this question but those are not the avenues. You can do a JDS where somebody can deliver a summons, pay \$100 a month to recover their cost. You can also do something called bankruptcy, if they are still alive. We had a case yesterday where by the time FICAC went to the doorsteps of the Ministry, the people had died.

There are a lot of avenues that the Ministry can explore but it is a question whether you will be able to recover anything. If the person is totally “a man of straw”, the legal cost you will incur will be much higher than what you will eventually recover.

MR. P. DAVIS.- Thank you for answering our question, Mr. Chairman, we have turned the tables.

I think there is a precursor to even all of those things which is actually, I mean this is probably a “no” to my team to actually look at what the patient signs before they go because you refer to a contract being in existence. I would actually want to know whether there is a contract in existence or whether we just say that it is all verbal or very informal, but they will be required to repay so I think you have actually alerted me to an area where we might want to look at strengthening our processes. However, having said that, we also need to bear in mind that there are certain other risks associated with the Government pursuing patient for sums of money which we might also want to be aware of.

HON. RATU S.V. NANOVO.- Mr. Chairman, what is the age of these debtors with the Ministry?

MR. CHAIRMAN.- It is a statistical question, you might want to come back to us in writing.

MR. S. CHAND.- Yes, Mr. Chairman, we would come back with more details of the patient’s age, their current status, and make submissions on what should be our best possible option.

MR. CHAIRMAN.- Just a general observation: there are also in some cases for some medical conditions you are entitled to withdraw from your FNPF to pay for the bills. If your contract with a patient has that clause then they can assign that portion of their FNPF to the Ministry, after they come back, you can go back to FNPF and enforce that contract, get that deductions.

MR. P. DAVIS.- Certainly, I approve all the overseas treatment, approvals, requests and set out in these individual’s bank balance and FNPF balance and that is taken into account when we work out how much we are paying, so in a sense we have already assumed that that money will be forthcoming in terms of the patient’s contribution.

HON. A.M. RADRODRO.- What is the success rate of these overseas treatments because that will decide also on this collection?

MR. P. DAVIS.- I think we generally buy return tickets on the aeroplanes.

MR. CHAIRMAN.- You will be paying more in getting the remains back to the country. It is cheaper to travel in the passenger compartment than the luggage compartment.

Item 24.36, Local Purchase Order (LPO) raised after the date of invoice: I think, part and partial of that was explained for airfares, charter aircraft, I think you have explained that. Is there anything else that needs to be added? Is there any other area where LPOs are issued after the invoice, procurement of goods and service? They were all aircrafts, so that is all right. I think I understand that, but is there a way where if you hire a particular aircraft all the time, operate a company, is there not a scheme where you can issue the LPO before?

MR. P. DAVIS.- We would typically have the scale of charges, would be agreed in advance under contract but then obviously these are, by their very nature, flights that need to be commissioned at very short notice and the cost for a charter plane is not just distance, it is time on the ground so they need to stopover so I guess it is a bit like taking a taxi. You know what the rate of kilometres it is going to be but when you get in the taxi, you do not know what the actual charges need to be so we have set the rate but not the actual charge.

MR. CHAIRMAN.- That is explained, Item 24.37, Invalid Memorandum of Understanding: I believe you had sought time to advise the Committee on that, the engagement of the Kidney Foundation so we will allow you time, that brings us to Fiji Pharmaceutical and Ba Medical Services. It is almost time now for submissions but I suggest as I spoke to the Permanent Secretary earlier, we can take this on another day and not tomorrow but on a day that is suitable. My secretary will liaise with the Ministry to see if there is a suitable date, we have also postponed two other Ministries later in the week, depending on the number of issues so we can hear from the Chief Pharmacist and also the Permanent Secretary if he wishes to attend on a later date. My secretary will confirm a date with you.

MR. P. DAVIS.- That would be fine, if I could possibly suggest that we avoid the week of a site visit because those are short weeks and I think a number of staff may actually be planning to take leave and may be Members may be doing the same.

MR. CHAIRMAN.- Which week is that?

MR. P. DAVIS.- Next week and the week after are short weeks, so we are probably talking three weeks which means our staff can make themselves available.

MR. CHAIRMAN.- We will see a date that is convenient to all the sides.

With that, Honourable Members, I would like to thank the Permanent Secretary, Ministry for Health and Medical Services, Mr. Philip Davis; the Chief Pharmacist, Mr. Apolosi Vosanibola; Director of Finance, Mr. Ami Prasad; and Acting Principal Accounts Officer, Mr. Sanjay Chand; for your appearance this morning and afternoon. Your questions and submission have been thorough and these will help the Committee in its work.

Of course, there are numerous issues left for Pharmaceutical Supplies with questions in that regard as well and we will hear from you on that on another date, thank you very much.

Honourable Members, we are adjourned until next week, Tuesday at 9.00 a.m.

The Committee adjourned at 12.45 p.m.

# **PUBLIC ACCOUNTS COMMITTEE**

**Submittee: Ministry of Health and Medical Services**

***[Verbatim Report of Meeting]***

**HELD IN THE**

**COMMITTEE ROOM (WEST WING)**

**ON**

**THURSDAY, 6TH APRIL, 2017**