

**VERBATIM NOTES OF THE MEETING OF THE PUBLIC ACCOUNTS COMMITTEE  
HELD IN THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS,  
GOVERNMENT BUILDINGS ON TUESDAY, 26<sup>TH</sup> SEPTEMBER, 2017 AT 9.35 A.M.**

---

**Submittee: Ministry of Economy (MOE)**

In Attendance:

- |                            |   |                             |
|----------------------------|---|-----------------------------|
| 1) Ms. Makereta Konrote    | - | Permanent Secretary (MOE)   |
| 2) Mr Pankaj Singh         | - | Chief Accountant (Treasury) |
| 3) Mr Intiaz Shah          | - | Manager, CIU                |
| 4) Ms Asinate Taukeinikoro | - | Director, FMIS              |
| 5) Mr. Atin Chand          | - | Asst. Manager (Treasury)    |
| 6) Mr Ashneel Prasad       | - | Asst. Manager (Treasury)    |
| 7) Mr Nemia Dawai          | - | Team Leader, AMU            |
| 8) Mr Tevita Tuicakau      | - | PAO                         |
| 9) Ms Raveena Kumar        | - | Manager                     |

-----

MR. CHAIRMAN.- Good morning everyone, on behalf of the Public Accounts Committee, I welcome all of you to this session. We have a long list of presenters today, the Permanent Secretary for Economy and her team, the Auditor-General, Mr. Ajay Nand and his team, together with the Internal Audit Unit of the Ministry of Economy. I welcome everyone once again.

As you are aware we have started the all-important task on behalf of the Government and the Parliament to scrutinise the Government finances. You are well-versed with our team. On my right, we have the Deputy Chair, Honourable Dean and Honourable O'Connor (the two Government Members) and on my left are two Opposition Members namely, Honourable Radrodro and the Stand-In Member, Honourable Ratu Naiqama Lalabalavu, we will have some questions for you after the introductory remarks.

As per our invitation sent earlier this week we are very interested to know a few things, in fact there are four Volumes of the 2016 Reports which we will be looking at a later date, but today we are looking at the Reports of the 2014-2015 Whole of Government, starting with Volume 1.

Before that, as we are all aware there was a Supplementary Report tabled by the Auditor-General, Mr. Ajay Nand, in Parliament which had additions to the initial 2016 Volume 1 and also some details in Volumes 2, 3 and 4. In fact, their Report as the name states supplements those Volumes.

As an introduction, before we go to the 2014-2015 Report, what we would like to hear from the Auditor-General and the Ministry of Economy (which is of public interest too) is why there was a need for a Supplementary Report and how it affects the current 2016 Report?

We have read the report and have seen the additional parts. There were explanations that actually came later from the Ministry of Economy on why those explanations were not forthcoming when the Report went to press. Of particular interest we have noted in your supplementary there are nine important steps on page 7 of the Supplementary Report that the Auditor-General employs before it reaches the final conclusion of a Report.

Those steps include the following:

- Step 1: Issue of Draft Audit Memorandum with audit findings;
- Step 2: Exit Interview (Meeting) held with auditee management following receipt of comments;
- Step 3: Issue of Final Audit Memorandum with audit findings finalised;
- Step 4: Audit Report issued with or without qualification for financial statement audits;
- Step 5: Key Audit Findings included in draft Auditor-General's Report to Parliament;
- Step 6: Draft report reviewed by Auditor-General and additional clarifications obtained where necessary;
- Step 7: Proof-reading and review of facts in the report;
- Step 8: Final Auditor-General's Report to Parliament sent to printers;
- Step 9: Final check done before report is submitted for tabling in Parliament.

With these nine important steps, we would like to hear from you the timelines following these steps and secondly, whilst following these nine steps, why were there errors in the Report. Can we hear first from the Auditor-General before going to the Ministry of Economy?

MR. A. NAND.- Mr. Chairman and Honourable Members, thank you for the invitation and the opportunity for us to clarify the Supplementary Report.

What normally happens we work on the agency financial statements, once a final audit report is issued then we start working on the Report on the Whole of Government Accounts, by then the Management comments would have come (this is for the ministries and departments). If there is any issue which is significant and has an impact on the Whole of Government Accounts then we include in Part 1, which is the Report on the Accounts and Finance.

Sir, in this particular case, we had sought the comments of the Ministry of Economy for all the issues which were reported, but at the time we finalised the Report comments for some of the issues had not come in. In fact, I looked at the Parliamentary Calendar the last meeting was in July and I could not hold on to the Report or wait for the comments because I would have missed the Parliamentary Sitting, which is one reason we decided to move forward. But generally speaking, sometimes we are pressed for time and as far as submitting the reports to Parliament I have a legislative deadline, but the agencies do not give us their comments on time.

The other thing when we audit the accounts we send it back to them for signing, so if they hold on to that because PS could be busy arranging a meeting overseas, Chair, I cannot issue a final audit report unless they countersign. These things all compound, when you work on a deadline sometimes you do not control the deadline but in this case specifically we did not receive the comments, we received the comments subsequently.

In the meeting we had on 31<sup>st</sup> August, that was where the Ministry of Economy gave us the comments, but unfortunately we did not have the luxury of time to verify it. Normally what happens we receive the supposed errors and omissions, then we would go through it and sort it out or come here and discuss, but on that particular day, I am sorry no one was prepared to listen or reason with the Auditor-General, that is all I have to say in that meeting. But apart from that when you look at the whole Supplementary Report you will notice that only three issues have been excluded based on the reasoning provided, we have included the reasons in the Report for transparency.

The other issues have been modified so it is not that all the issues have been excluded because there were calculation errors which we overlooked in the editing process. As the Auditor-General I am not expected to check additions in a Report but it happens so we accepted that fact when it was pointed out to us and that is all I have to say on that, Mr. Chair.

MR. CHAIRMAN.- At this point, PS Economy, the Auditor-General says that the need for the Supplementary Report was that explanations were not forthcoming at the time this Report went to press. We have had previous experience also when discussions took place in the Public Accounts Committee, the explanations were given by the Ministry for Economy to respective ministries but which were not given to the Auditor-General at the time of the Report. This is a recurring problem and the Auditor-General at this time has gone a step ahead on his own volition to prepare a supplementary to make everyone's work easier. But what is the reason that year after year we see that at the time of closing of the accounts, three months thereafter when the Auditor-General reviews these accounts these explanations are not forthcoming?

MS. M. KONROTE.- Mr. Chairman and Honourable Members of the Committee, as the Auditor-General has pointed out there have been issues of delay in responses to the Management Reports that are returned to the Ministries.

For our part as the oversight Ministry and the Ministry responsible for the Whole of Government Consolidated Accounts, our issue in terms of the significant audit issues at the agency level is because we do not receive the agency level reports prior to they being signed off and released by the Auditor-General. In terms of validation, we are not able to do that until the reports are published. In this case, as the Auditor-General mentioned of the six or so issues, three have now been removed and the remaining amended, that is because we only had the opportunity to review at the consolidated level going back to the Ministries after their reports were published.

In this instance also, I think because of the issue with time we were not able to hold an Exit Meeting with the Auditor-General. Going forward, we would like to suggest that at the Exit Meeting particularly for the Whole of Government Consolidated Report that the respective Permanent Secretaries also sit in together with the Ministry of Economy so if there are other issues that can be clarified before the Reports are published we can do that. But as mentioned in this instance, we were not privy to the information prior, but I agree that these are issues that we can work around and improve going forward.

One of the suggestions would be to have an exit meeting with all other respective PS's because obviously they would have signed off on their agency level reports, so any significant issues that are raised at the consolidated level they will be able to comment or address if they feel they have already addressed it at their agency level.

MR. CHAIRMAN.- Coming to the agency report, if a particular Ministry or a particular PS has not forwarded his accounts to the Ministry of Economy which is the main body that looks after finance, what sort of actions or sanction do you take that this agency then do it in timely fashion to make the Auditor-General's work easy and everyone's work easy?

MS. M. KONROTE.- Thank you, Mr. Chair, the respective ministries are not obligated to send their statements to us, they submit directly to the Office of the Auditor-General and they sign off at the agency level. The only time when the Ministry comes in is at the consolidated level.

HON. A.M. RADRODRO.- Mr. Chair, can I ask a question to the Auditor-General, you have highlighted in your supplementary the processes that were involved in preparing the Reports to Parliament. Firstly, hearing from your preliminary answers you had mentioned significant issues and why the need to go to the public and not call for the Public Accounts Committee's attention. I did not see in any of these steps listed that you need to go to the public for any significant audit issues so why the need to go public and not bring it to the attention of the Public Accounts Committee?

MR. A. NAND.- Thank you, Mr. Chair. I will comment on this and state that when these so called errors were also highlighted in the media I think it was a matter of professionalism on the part of my office to accept and inform the public that there were errors in the report. It is just a matter of professionalism I thought it was appropriate but the unwritten rule is that we sort this here, so I accept that.

MR. CHAIRMAN.- Auditor-General, in terms of the timelines the Public Accounts Committee is interested to know the accounts of each department, ministry and the government closes on 31<sup>st</sup> July, so what is the timeframe from thereon for the draft reports as Step 1 says - issue of draft audit memorandum, what is the timeline?

MR. A. NAND.- Unfortunately the deadline for the Office of the Auditor-General to submit the report to Parliament is legislated, but there is no legislated deadline for agencies to submit their timelines to us for audit. My deadline is 30<sup>th</sup> April, they could submit their accounts on 29<sup>th</sup> April and say you guys audit it. The issue is that I cannot delay because one ministry or department has not submitted their finances. In fact the whole of Government accounts got delayed for 2016, we received them on 1<sup>st</sup> May, 2016. The financial year ended on 31<sup>st</sup> July, 2017, because of the change of financial year the Ministry and everyone else was not prepared so they had to work out their IT systems to be able to close their accounts. Accounts were closed very late and all these issues compounded towards the end of the reporting period

MR. CHAIRMAN.- In an ideal situation the accounts of the ministry should have been with you if the accounts closed on 31<sup>st</sup> July, by the end of October it should be with you.?

MR. A. NAND.- The agencies should come out by 31<sup>st</sup> October and then they consolidate. When they receive the agency financial statement they will consolidate with Treasury so agency is alright, 31<sup>st</sup> October we will have a lot of time to work with and even the whole of Government accounts come by 31<sup>st</sup> January we will have at least three months to prepare.

MR. CHAIRMAN.- In this particular instance as you are saying the whole of Government accounts or agency reports come to you on 30<sup>th</sup> May?

MR. A. NAND.- On 1<sup>st</sup> May we received the whole of Government's draft accounts. The agency financial statements were submitted, some came in December and one we received in April because there is no legislated timeline. The Ministry of Economy gives them the timeline but in that case the accounts closed late so the agency could not prepare their accounts.

MR. CHAIRMAN.- Your deadline you say is legislated for 30<sup>th</sup> April?

MR. A. NAND.- It is legislated nine months after close of financial year so that is where we workout.

MR. CHAIRMAN.- PS any comments on OAG having nine months after the close of accounts to prepare everything and final check submitted to Parliament but because the agency and ministry reports come in late he does not have a choice he either submits it half-baked or he does not do it at all.

MS. M. KONROTE.- Thank you, Mr. Chair. I think as the Auditor-General had mentioned for this year the delay was compounded by the fact that we had a change in the financial year so a lot of ministries needed more time to close their accounts hence the delay. I think in this instance that would have been the main contributor to the delay in finalising the reports.

HON. A.M. RADRODRO.- Mr. Chair, an additional question to PS and probably OAG. Who initiated this supplementary exercise and why was it not brought to the Committee's attention rather than going public to correct the significant errors that you have mentioned before? Who initiated this process, was it your office or was it the Ministry of Economy and why did you take that process?

MR. A. NAND.- The Ministry of Economy initiated that and they invited me to a meeting.

MR. CHAIRMAN.- The meeting of 31<sup>st</sup> August?

MR. A. NAND.- Yes, Mr. Chair.

MR. CHAIRMAN.- The Ministry of Economy initiated the meeting and by that time obviously the reports were tabled in the July sitting.

MS. M. KONROTE.- Mr. Chair, as the Auditor-General mentioned we had our meeting as professionals and we agreed that there were some errors in the report which the Auditor-General also accepted and following that we decided that the press conference be held.

HON. A.M. RADRODRO.- Knowing fully well that the initial report is submitted to Parliament and to the Public Accounts Committee why did you still initiate the process? The next question is this the only Ministry that has significant errors that warrants this exercise to be undertaken, what about the other ministries?

MR. A. NAND.- Mr. Chair, no other Ministry has highlighted any errors so far.

HON. A.M. RADRODRO.- Looking at this report some are from the respective ministries and departments that are highlighted under the whole of Government.

MR. A. NAND.- As I had mentioned when we do the agency financial statements we issued the draft audit management letter and we receive their comments. Once we receive their comments, from my perspective when they agree we do not have any issue. If this issue have an impact on the

whole of government accounts of course we will put it into the whole of government with their comments. That is why the respective ministries and departments comments are there, they had accepted some of the recommendations we had made.

MR. CHAIRMAN.- In this particular instance there was no exit meeting, what was the reason for that?

MR. A. NAND.- There were a lot of information being exchanged through emails so the team thought there was an agreement and we issued a final audit management letter and audit memorandum to close the process. The exigency of time was the key that we were not able to have the exit meeting but for 2015 we had the exit meeting.

HON. A.M. RADRODRO.- Mr. Chair, just a supplementary question again to the OAG. You mentioned in your press release about the capacity and capability of Auditor General. Can you just go through the nine processes that you have highlighted in your report, which particular area was overlooked to allow for this supplementary report?

MR. A. NAND.- It is basically the quality control where the work of the supervising staffs are checked.

HON. A.M. RADRODRO.- Which particular step is it Step 5, 6, 7, 8 and 9?

MR. A. NAND.- It is more so when the final audit report is done.

MR. CHAIRMAN.- Step 9?

HON. A.M. RADRODRO.- That is the final step.

MR. A. NAND.- Step 3. By then if there are errors which have been detected they would be fixed, we have the exit meetings as well with the respective agencies.

HON. A.M. RADRODRO.- Taking into account the production of this report you said about timeline issues but I think from 2016 to when this was tabled in Parliament there is about 12 months. It was finished in July 2016 and submitted in Parliament on 11<sup>th</sup> July, 2017, so where is the timeline issue there?

MR. A. NAND.- The issue is the whole of Government accounts came on 1<sup>st</sup> May, 2017, that is when we started looking at the whole of government accounts.

MR. CHAIRMAN.- It was not a full one year, it was from 1<sup>st</sup> of May, 2017. You only had about two months.

MR. A. NAND.- I sought the extension from the Minister of Economy until the end of June to submit the report to Parliament because my deadline did not change. There was no mention of the extension of the deadline despite the delay or the new financial year.

MR. CHAIRMAN.- The deadline was already over by the time the report came to you?

MR. A. NAND.- Yes, it was 30<sup>th</sup> April.

HON. A.M. RADRODRO.- Is that timeline a one off situation or has it been continuous with the normal January to December financial year?

MR. A. NAND.- It has been quite manageable. Before when the financial year closed in December, we used to get the accounts on time.

MR. CHAIRMAN.- OAG, just a general question. For 2017, 31<sup>st</sup> of July, 2017 is passed so your deadline will be 30<sup>th</sup> April, 2018.

MR. A. NAND.- Yes.

MR. CHAIRMAN.- Are the reports from other ministries coming in?

MR. A. NAND.- Yes, we have worked with the Ministry of Economy on a deadline for submission of agency financial statements. They have closed the accounts on 25<sup>th</sup> September then the agencies, ministries and departments should prepare their accounts. I think 31<sup>st</sup> October is the timeline for the submission of the Agency Financial Statement to us for audit.

MR. CHAIRMAN.- Hopefully, with the financial year changing last year and the new system moving in ...

MR. A. NAND.- They should be able to manage it.

HON. RATU N. LALABALAVU.- Thank you, Mr. Chair. Just a question to OAG, Sir, has there been a similar case to such a supplementary report?

MR. A. NAND.- In Fiji, I cannot recall but in overseas what happens when information which was not available at the time of the audit which is subsequently made available to the auditor the person signing the audit report, the auditor can issue a supplementary report.

MR. CHAIRMAN.- Internationally, it is acceptable to have a supplementary report if further information comes in?

MR. A. NAND.- Later, after the accounts have been signed and the audit report has been issued as was in this case. It is unprecedented in Fiji but overseas in the Australian context the Australian National Audit Office (ANAO) office issued a supplementary, the Australian Equivalent Auditors Firm occasionally publish Supplementary Audit Reports.

HON. RATU N. LALABALAVU.- My question, Mr. Chair, my point is as you have stated in your statement you have a legislative work to carry out.

MR. A. NAND.- Yes.

HON. RATU N. LALABALAVU.- That goes for us as well here. In your supplementary report on Paragraph 1.3 you indicated that even with the corrections and all that it still remains unqualified. It also indicated in your statement earlier on that this is where we should sort this out,

corrections as mooted by the Ministry of Economy together with your office this is where it should have been fully addressed. But by going to the media it kind of undermines your very own signature to the audit report that you send to Parliament. I for myself would like to see that you need to be careful with this because you will set a bad precedent, signing it in your capacity as OAG, and all of a sudden you come up again with another supplementary report correcting your own self and that leaves a lot of questions that will come up within the Committee. We are getting a report signed and yet we are getting another supplementary report signed as well; so where does it leave the validity of the earlier report?

MR. A. NAND.- Thank you, Honourable Member, I will take note of your comments, your comments are valid. I do not think we will have a repeat of this anymore. We will improve the processes and I will also humbly request the Committee that currently it is a gentleman's agreement, it is not binding on anyone. If there are errors which are subsequently detected it should be brought to this August Committee. I shall call it a gentleman's rule and gentleman's rule anyone can break it.

MR. CHAIRMAN.- In fact in this particular case everyone went to the media. The political parties and everyone on the previous report. It is incumbent on you to come and tell the media too.

MR. A. NAND.- If there is any errors, I think the Committee could set the rules because everyone comes here, and this is the best place we need to sort things out.

MR. CHAIRMAN.- PS, do you have some comments?

MS. M. KONROTE.- Mr. Chair, just want to point out the earlier point made by the Honourable Member in relation to the significant audit issues. I think I just wanted to mention that none of the issues highlighted relate to the Ministry of Economy. These are for different agencies and as I mentioned earlier we are not privy to the agency level reports until after they are published by the Auditor General hence we were only able to notice the errors once we had an opportunity to go through the agency reports and compare that with the significant issues highlighted at the Whole of Government report.

MR. CHAIRMAN.- As we have heard earlier the agency reports goes straight to the OAG, it only comes to you after this report is printed. There was no way you would have known what the agencies have submitted. Now, is there a process that you have implemented or wish to implement so that you have a look at the agency reports first?

MS. M. KONROTE.- Thank you, Mr. Chair, going forward we want in addition to having all the other PS's sit in the exit meeting for whole of Government we also would like to suggest if the Auditor General agrees that for any agency level report with significant audit issues that impact the whole of Government level report that be given to us to review and comment on or discuss with the agency prior to this Whole of Government level report been finalised.

MR. CHAIRMAN.- Honourable Dean, you have a question?

HON. M.M.A. DEAN.- No, it was basically referring to the same comment you made that the reason why the Auditor General made a press statement is because of the many things that



were publicised. Yes, I believe there were lots of misinformation that were being spread so probably that led to them also doing that press statement.

MR. CHAIRMAN.- Thank you. PS, I understand that before you release finance to individual departments, ministries and agencies they are required to submit an acquittal to you of the funds previously used. For instance if the Ministry of Education for a special project if they spend their money somewhere they will be giving you an acquittal before the second or third batch of money is released to them.

MS. M. KONROTE.- Thank you, Mr. Chair, that only happens if the funds allocated under Head 50 and/or placed under requisition, so for any disbursements in relation to that particular allocation the Ministry will need to apply and send us an RIE application and provide acquittals for prior releases.

MR. CHAIRMAN. - For the rest of it the Permanent Secretary is responsible for individual Ministries.

MS. M. KONROTE. - That is correct.

MR. CHAIRMAN. – The Committee will note that we need to see the Permanent Secretaries for all the other Ministries when it comes to that stage. Any further questions in regards to supplementary before we move to the report?

HON. A.M. RADRODRO. - Just commentaries on the exercise. I think the important thing alluded to is the independence of the OAG and this exercise sort of questions that notion of independence especially when this supplementary exercise was mooted and initiated by the Ministry of Economy. It should be brought to this Committee to protect the independence of the OAG, I think that is very important. It is good that we received confirmation from the OAG that this will not be repeated in future.

The Whole of Government agencies I think we might probably go to it as we go into the 2014 and 2015 reports, all these things are the arm of the Government in which the Ministry of Economy is very much a part of it. You have your internal audit, now the accountants have been changed where they are no longer administered from your office, so whatever is significant is the whole process of Government and the OAG is the independent office to do the auditing. I still stand by the view that exercise was not necessary in terms of going to the public it should have been brought to the Public Accounts Committee to maintain the independence of the OAG and also the integrity of this whole exercise of this Committee especially when the report was tabled in Parliament.

MR. A. NAND. – Mr Chairman, I just conclude from my side the issues on this supplementary report and note the comments made by the Honourable Member. The other fundamental issue is that one of my staff who was engaged in the 2015 audit and also started the 2016 audit literally crossed the road and is now with the Ministry of Economy team. This is a fundamental issue of ethics as an auditor who is auditing a client is not expected to just join the client and start working from the other side. I thought I must bring this issue to the attention of the Committee.

The second issue is that the law says we should get access to information and the records we want, but you will see in the report in many cases agencies, even Ministry of Economy did not

release us the report. So I am asking where is the teeth in the legislation., As the Honourable Member has rightly said we are independent, what if someone impinges on my independence where do I go, this legislation does not provide anything. We are also proposing a review of the Audit Act; we are in the process of also recruiting a senior legal officer to assist me in providing legal advice so we do everything by the books going forward.

MR. CHAIRMAN. - Thank you. Just one information question, you mentioned something about the Australian equivalent which sometimes releases supplementary. Would you be aware of the circumstances in which they release the supplementary audits and who initiates this?

MR. A. NAND.- They were auditing the Military, the Airforce and there were issues relating to one of the aircrafts, the purchase of aircraft or parts of an aircraft, which at that time the agency had considered at first then later it was given to the Auditor General.

MR. CHAIRMAN. – They also did not go the Public Accounts Committee but went straight to the Auditor General?

MR. A. NAND. - I am not sure about the details.

MR. CHAIRMAN. –Thank you.

MR. CHAIRMAN. - Madam, PS, the Finance Instructions 2010, is a detailed instruction under the Financial Management 2004, about 73 or so sections. We have noticed that respective ministries and departments including the Ministry for Economy sometimes misses some of those steps in the FI. Where does the ultimate responsibilities lie for adherence to this FI 2010, in respect of each Ministry?

MS. M. KONROTE. - Honourable Chair that would be the respective Permanent Secretaries.

MR. CHAIRMAN. – Members we have heard clarifications and explanations on the supplementary report, the need for it and what it covered, there are respective areas in bold that cross refer to the 2016 report but I think we will come to that when we deal with the 2016 reports and to be fair to the Ministry of Economy because they will not be prepared for 2016. Let us move to where we had initiated and that is *Volume 1 of 2014 and then later Volume 1 of 2015*.

We have written submissions and the explanations together with the appendices by the Ministry of Economy. I invite the Permanent Secretary for Economy to take us through those reports, Volume 1 first and through your own submission, questions will arise as we go along we will interrupt for clarification so that it is cleared before you move to the next part. Is that okay with the Members and the Ministry?

MS. M. KONROTE. - Thank you, Honourable Chair, Honourable Members, I will provide an overview for both 2014 and 2015 accounts because I think in terms of the questions provided to us by the Committee, we have addressed all of those and included the appendices. Overall, we understand that many of the issues that have been highlighted in the 2014 and 2015 accounts are in fact legacy issues.

When we look at the underlying causes for a lot of these issues it goes back to challenges in relation to how respective Ministries and departments understand the importance of the Government financial statements and Government accounting systems, the different levels of capacity within the agencies. In a lot of the accounts sections there is high turnover of staff and often staff leave without proper handing over or succession plans. I also think there is always a

need for the respective Permanent Secretaries to take an active interest in their own financial performance.

Obviously, this also relates to the need for ongoing training for all the different accounting heads. The point I want to highlight here is that while we provide an oversight role the respective Permanent Secretaries as the officers responsible for their individual budgets need to take ownership of their financial statements. You would have noted from the attachments we have provided that we have sought legal opinion from the Solicitor General and he has confirmed that as for the Constitution of the Republic of Fiji and the different legislations the Permanent Secretaries of the individual Ministries are responsible for their financial statements, financial reporting.

At the Ministry of Economy we have taken a number of steps to address some of these audit findings that have continued to reoccur. As the oversight Ministry we continue to hold presentations for the respective Permanent Secretaries on audit and accounting anomalies that are found within the Ministries financial statements.

We hold monthly Head of Accounting meetings to discuss these issues and see where they need support from the Ministry of Economy. We have regular meetings with Accounting Heads and you know whenever we get requests for assistance in terms of financial issues, we as much as possible do all we can to help the different agencies. We also issue financial circulars, as you know there are some amendments to the Finance Instruction, so we have disseminated those amendments via the Ministry's circular to all the different accounting heads.

One of the issues that continue to reoccur is to do with reconciliation of accounts, so we are undertaking trainings, we have issued policies and procedures on how the different ministries can address reconciliation issues. We have also developed checklists to ensure that they conduct their accounts in accordance with the legislations. Also from our end we are reviewing financial policies in respect of ministry or department trust fund accounts, and these are issues that we continue to address at the monthly accounting heads meeting.

While we acknowledge that there is still room for improvement, we are seeing progress. You will note that 2015 whole of Government Financial Statement is unqualified both for 2015 and 2016, we compare that with what it was prior, and we think there is improvement. But as I mentioned earlier some of these issues are things that we will continue to work with the Head of Ministries and the accounting heads to resolve.

MR. CHAIRMAN.- On that point Madam, I do notice that the 2015 one does not have those four qualifications, I do not have the page number here but where there is a letter and the scope of activity by the former Auditor General he has given four reasons, four qualifications at the bottom of the page, it is headed *Qualifications*, and it says:

1. The non-preparation of bank reconciliation for various trust fund and Trading Manufacturing Account (TMA). I do not see that in the 2015 one so there is any improvement there.
2. Trust Fund account bank balances are not supported with evidence of cash held.
3. Variances in the drawing account general ledger balances relating to domestic bank balances and;

4. Material variances between the general ledger of various trust fund accounts and TMA against the actual cash records.

These four things have been ongoing problems previously, and you have mentioned that you have worked on it and there are some improvements, but what could be some of the causes of those things or what were the causes in those days, those four recurring problems because previous reports had those recurring issues, reconciliations, bank balances not supported with the cash that was held at hand, drawings account, general ledger balances, domestic bank balances and material variances between the balance and the ledger. The next step would be if it hangs in there for a number of years then to clean the books you have to write off certain things to balance the books and those missing amounts or those amounts will never be substantiated. What would be the cause of those issues?

MS. M. KONROTE.- Thank you Chair. As I mentioned a lot of these issues are due to the lack of capacity in the different ministries. On the issues that you have raised, you will note from the responses that we have prepared that we have addressed all these issues in terms of the causes and what we have done to address these issues.

MR. CHAIRMAN.- Which page of your submission are you referring to in terms of these issues on your explanation about this one?

MS. M. KONROTE.- I think page 7, 8 and 9 of our response relates to the Trust Fund Accounting, Operating Trust Fund Account and also on the student loans.

MR. CHAIRMAN.- Who is holding the position of the Chief Accountant at the moment?

MS. M. KONROTE.- Chief Accountant, Honourable Chair, is seated to my left, Mr Pankaj Singh.

MR. CHAIRMAN.- So without his approval, those accounts cannot be opened?

MS. M. KONROTE.- That is correct Chair.

MR. CHAIRMAN.- As far as the reconciliation are concerned the Chief Accountant is responsible to see whether the amounts in the bank is actually the amount shown in the ledger?

MS. M. KONROTE.- Again it is the respective Heads.

MR. CHAIRMAN.- Just a clarification, there is no reflection on you Chief Accountant.. Members, any question in this regard?

MS. M. KONROTE.- Thank you Chair, as I mentioned at the high level in terms of our own oversight roles, we have implemented certain measures to address this. We have worked with the technical agency the Pacific Financial Technical Assistance Centre (PIFTAC) of the International Monetary Fund (IMF) to enhance our internal reporting, and this is so that we fully comply with Section 60, 67 and 68 of the Finance Instructions.

Also we understand that there is need for continued training for the different agencies so that they understand the audit processes, the audit standards that they need to comply with and also to engage with the Auditor General's office in terms of their Annual Audits. We are also going to align the Annual Financial Statements of the various ministries with the whole of Government aligning this to be Cash Based IPSIS standard, and we are coordinating training together with PIFTAC for the upcoming months.

In terms of the audit findings, these are issues that we discuss at the Accounting Heads Meeting and we are of the view also that these audit issues should be included as KPI's for the Head of Accounts. Going forward the Head of Accounts at the different Ministries will address this as part of their own performance indicators. At the Ministry, we are setting up a dedicated Unit to look at these recurring audit issues and the top priority for this unit will be to look at why we continue to see these issues being raised every year in terms of the audit findings.

As I mentioned earlier, while there are still issues, we are seeing improvement and as the oversight ministry we will continue to work closely with the respective Permanent Secretaries. In the recent amendments to the Financial Instructions it was clarified there that while we provide the oversight, we provide advice and coordinate our Head of Government level. The respective Permanent Secretaries are responsible for their own financial performance and in that respect they need to take ownership of their audit issues and to address them. We of course are most willing to help them and we are setting out systems and processes to help them achieve those.

MR. CHAIRMAN.- Now to the internal audit team, if you find out or is it part of your responsibility that a particular ministry is not following the process especially those in the FI and Finance Manuals, or these processes that are not efficient, some things have not been done within a ministry, agency, department that is yielding this result of non-reconciliation or these issues that will lead to a qualified account, what sort of steps will you take? First of all is it part of your job to tell them that they are doing something wrong, and if they are what sort of steps do you take?

MS. M. NAISARA.- Mr. Chair, we normally highlight it in our Report, we make recommendations and we also sit with the Permanent Secretaries during Exit Meetings where we discuss our Report. In that forum we also agree on a timeline where the team will follow up on the implementation of our recommendations.

MR. CHAIRMAN.- What exit meeting is this; when does it happen?

MS. M. NAISARA.- It happens when we issue them their draft report where we normally get their management report as well, then we schedule an Exit Meeting where we discuss and bring that to the attention of the Permanent Secretary. We do not hold any Exit Meeting without the Permanent Secretary sitting in, as we need to report to the Permanent Secretary. When we finish our follow-up we also issue a final memorandum to the Permanent Secretary where we report that these are the number of recommendations we highlighted, these are the number of recommendations implemented, these are the number that are in progress and these are the number of recommendations yet to be implemented. It is the responsibility of Permanent Secretaries to implement our recommendations.

MR. CHAIRMAN.- Is that part of this audit process where the Auditor-General prepares a Report or is it a separate Exit Meeting that you hold with the ministries?

MS. M. NAISARA.- It is a separate Exit Meeting, it is our process.

MR. CHAIRMAN.- At what stage does it happen, is it taking the timeline of the Auditor-General's Report, does it happen after that?

MS. M. NAISARA.- Mr. Chair, can you repeat your question, please?

MR. CHAIRMAN.- What is the timeline or timeframe for that, does it happen after the Auditor-General has presented the Report and you find the anomalies in that Report or is it an on-going individual process where you look it up yourself?

MS. M. NAISARA.- When we do our planning, we look at the Auditor-General's Audit Findings and we also look at our previous Audit Findings and we follow up (that is another follow-up that we conduct during planning). If these recommendations are still not implemented, we highlight it again in our Report and discuss it in the Exit Meeting with the Permanent Secretaries.

MR. CHAIRMAN.- My line of question was that when something has been highlighted by the OAG in the 2016 Report, which is submitted in Parliament in 2017, your meeting with the respective ministries and departments would happen after that in terms of the recommendation that he makes.

MR. A. NAND.- Mr. Chair, if I can answer that question. What we do is the Ministry of Economy Audit Team would have their own Work Plan and we have our own Work Plan so the Standards require us to work together. If they are looking into one area, say the Arrears of Revenue, our staff will assess what they have done and our scope will sort of go onto something else after we have determined that what they have done is proper, in that way it cuts down the time for completing the audit; that is the international best practice.

In my first meeting with the PS for Economy, we said we would like to work together and that is the trend which happens in the private sector as well but overtime I think it is more on our people, my staff and the Ministry of Economy staff they seem to be always fighting. When we come here we meet, smile and greet but when we go back we are always at loggerheads. There is a bit of PR required as well not only with the Ministry of Economy even with the other Ministries. My team needs to develop a better customer-relationship and overall it will reduce the cost of audit.

MR. CHAIRMAN.- Why I asked that question was when is the earliest possible time that you can highlight to the Permanent Secretary that something has gone wrong? For example, in the 2016 Report, the closing date you presented in Parliament in the July 2017 session, almost a year after that account is closed then it comes to the Public Accounts Committee, but if one year has already lapsed after the accounts have been closed and you have found some errors then the Audit team will have a look at some of the issues and then have a meeting with the Permanent Secretary. What is the earliest possible time for the PS to know that something has happened and we need to improve on this?

MR. A. NAND.- In fact, the reporting is done at the year-end but the financial year has ended in July, the audit may commence in August and conclude in September, so these issues have to be reported to the PS.

The PS Economy raised an important point regarding KPIs (Key Performance Indicators) for the Chief Accounting Officers. The KPIs should sit on the PS as well. In the private sector, we have the balance score cards where they will have a ten percent rating for audit issues sitting in the CEO balance score card. It is not a bottom-up approach, it is a top-down approach where the PS is the one who holds the highest accountability.

MR. CHAIRMAN.- As early as two months after the closing of the accounts, the PS would be aware if something has gone amiss.

MR. A. NAND.- Definitely.

MR. CHAIRMAN.- So this is a good timeline.

HON. RATU N.T. LALABALAVU.- Just a point of clarification, Mr. Chair, to Madam PS, I fully understand what you have just stated regarding your role with that of the other PSs in their respective ministries regarding finance; how they watch finance; how they scrutinise all financial transactions at the operational level. To hear from you, Madam, compared 2014-2015, there has been some improvements, compare that with 2015-2016, there are some big improvements, I am not comfortable with that.

Do we have one accounting system to many, is that the cause of all this and that has been raised by the Office of the Auditor-General all the time, lateness, submission of reports with endorsements unattached, et cetera, these are simple and basic things. We are only here for a short period of time, four years, the Government of the day has only four years if it has to implement something, at the same time there is this system that we look at year-in year-out. For me, being here for some time, it is the same thing since I came into Parliament. How in your capacity as being in charge of operations because if we shift the thing to the other PSs, that needs to do with finance, Government finance, is there something in place where we could fine-tune all this and overhaul the accounting system? We tried the accrual accounting system and I do not know where it has ended up now.

MS. M. KONROTE.- Mr. Chairman, I think the issue here is the compliance of the different ministries. The rules, regulations and the policies have been set out, it is the adherence to this legislative framework and accounting standards that is lacking which is why we are seeing these issues crop up. As I mentioned, issues here are capacity within the different ministries, people leave and with staff turnover if there are no proper SOPs in place for the incoming people or if there is lack of proper handing-over procedures within the different ministries so those taking on the accounts will not know the issues or will not know where the gaps are. In terms of the policy framework, the legislative framework and the systems, these are all in place. It is the compliance with these systems that is lacking.

MR. CHAIRMAN.- By law, section 127 of the Financial Management Act places the responsibility on the individual Permanent Secretary of a Ministry in terms of effective, efficient and economical management of the Ministry. You do not have a direct power over that Permanent Secretary to tell him how to run his business.

MS. M. KONROTE.- That is correct Honourable Chair. As I had mentioned our role is an oversight role so we provide advice, we can coordinate, we ensure that there are policies and procedures to respond to different issues that arise overtime and to ensure that our policies, procedures and systems follow best practice. In terms of compliance with these systems that is the responsibility of the different Permanent Secretaries.

MR. CHAIRMAN.- How do you ensure that your advice is taken well by an officer who is at the same level as you are when you do not have any implementing power but only an advisory role? You cannot sanction them because if you do not give them the money then they will not be able to run the Ministry but there is something else?

MS. M. NAISARA.- Thank you, Honourable Chair, may I answer that question? The FMA 2004 mandates the responsibilities of the Permanent Secretaries. Part 5, Section 28 includes that the Permanent Secretaries should ensure the maintenance of an effective system of internal control for money and property. There are about (a) to (l) responsibilities mandated under the FMA. However, in regards to audit issues the responsibility mandated under the FI Part 10, Section 60 the Accounting Heads of every ministry have the responsibility which is mandated under the FI they need to provide a report every month to the Permanent Secretary whether all the reconciliations and cheques required in the agencies financial manual had been carried out. The second item is that they need to report to the Permanent Secretary on the current status of any unresolved external or internal audit issues. These are mandated responsibilities that the Accounting Heads of every ministry needs to undertake.

MR. CHAIRMAN.- That actually raises the most important issue that this is not followed and there is no monthly reconciliation in almost all ministries. The Accounting Heads are they reporting to the Permanent Secretaries or if they are not what are the Permanent Secretaries doing about this?

MS. M. NAISARA.- Thank you, Honourable Chair. In most of our audits we check this and we raise it to the Permanent Secretary that these are the reports that you need to receive and demand every month from your Accounting Heads.

MR. CHAIRMAN.- The Accounting Heads are very Senior Officers and obviously very highly paid and if they are not doing this on a monthly basis it does not reflect well on them. The Civil Service Reforms that are coming in will clean that up. I am not sure the problems that you face at your Audit Division is something that have been highlighted by your division on a continuous basis, Permanent Secretary's know about the law, it is actually legislated so there is no escape route for that, but still it is happening. As far as I have reviewed the report from 2008 and it is 2017, I have not seen the 2016 one but these things are coming up time and again. We see it as a problem or a blockage, you are doing your part, the PS is doing their part, OAG is doing their part, Public Accounts Committee is doing their part but what is the solution and how do we clean this plan?

MR. A. NAND.- Mr. Chair, if you allow me to comment on the issue in 2015 forward and again in 2016 forward we have mentioned, we could have the best system and we could have the best process but if we do not have the right people then we are not going to achieve this. The Accounting, the Administration (HR) some of them need to be trained, they cannot prepare reconciliations and they are holding these positions. In 2016 we have stated the Constitution



provides powers to Permanent Secretaries to make rules, regulations and policies for the staff to conform so that the strategic objectives of the particular ministry are achieved. If they are not doing it then that is the cause.

MR. CHAIRMAN.- As you had mentioned earlier if you as the Auditor-General have to check the addition part of an account then what are the other staff doing? In fact there is a funny figure that we have found in one of the reports it runs into billions there is no punctuation, I think it is a wrong amount we will come to that in a while. But if this kind of things has to be checked by the Permanent Secretary and the Head of Department it is almost like the foreman who has to hold the hands of the mechanic and teach him to use the tools at every inspection, there is a negligence case on that where the supervisors expects certain level of competence from their staff.

MR. P. SINGH.- Chair, if I may comment on this. In terms of reconciliation we highlight this in the Accounting Heads meeting, I refer to Appendix 5, you may note paragraph 3 in terms of our evidence, Sir. We highlighted how important reconciliation is but we want to go one step ahead because we noted reconciliation was one issue and this has been dealt with to quite a higher degree but some ministries still need to improve. As far as our FMIS Division is concerned they stock take some of the ministries who are not doing reconciliation and we invite them to come and present at the Accounting Heads in terms of the ministries who are not doing reconciliations, that is our evidence on Appendix 5.

MR. CHAIRMAN.- Chief Accountant, I will come back to you on that one. In a large ministry say Ministry for Health, how many personnel would be expected to be there in the Accounting Department?

MR. P. SINGH.- Chair, I will not go for number, it is the issue of competence. If we have four or five competent people who are able to reconcile. In our earlier comments it was highlighted that 2015 is unqualified and 2016 is unqualified. Unqualified means there is no material in the statements, however, there are issues because emphasis on the matter is there, and there are issues with some agencies. What we are doing in the Accounting Heads is we are summarising all the audit issues (is also here) and we are presenting the areas they need to improve on.

The other issue we are focusing on is the in-year reporting. What most of the Accountants are doing now their focus is external reporting. For in-year reporting they need to do monthly accounts because if you go for private companies they do monthly accounts. That is our focus now and we are working with PFTAC to develop an in-year reporting template.

First of all I want to start with quarterly reporting, the Accounting Heads must prepare a report for the Permanent Secretary who is the responsible Head of the agency. That will give a heads up to the Chief Accounting Officer or the Accounting Head in terms of how he is performing in terms of expenditure and in terms of outcomes that is one of the key focus.

The other one, Mr. Chair, if I may inform the Committee we have also requested the Pacific Financial Technical Assistance Centre (PFTAC) to provide an agency level cash basis training. PFTAC is a technical arm of the International Monetary Fund they are experts in the area of public sector accounting, and they are assisting us.

MR. CHAIRMAN.- That idea was floated at one of the sittings of this Committee that there should be quarterly reporting by the Accountants of the Departments so that you can follow up, you can arrest the problem within three months instead of waiting for the year end. But currently there is no law or regulation on that?

MR. P.SINGH.- There is no regulation, that is our focus and we have already started discussing that at the Accounting Heads level. We want to do a standard template for all the agencies and will be presenting that to the next Accounting Heads meeting. Currently we are working with PFTAC in developing that, Chair, I think it is very, very important.

MR. CHAIRMAN.- Yes, it is. OAG?

MR. A. NAND.- Mr. Chair, just a comment to the Chief Accountant, we have this Accounting Heads meeting for a while now so are we not achieving what we desire or the meeting just started recently?

MR. P. SINGH.- This meeting has been on-going and for 2015 and 2016 having unqualified reports we are making improvement.

MR. CHAIRMAN.- Some progress.

MR. P. SINGH.- Progress has been made but there are still some gaps and of course we need to keep the momentum, we need to get the right expert, and as you have highlighted we need to have competent people on the ground like some of the big agencies, Mr Chair, you have highlighted, Ministry of Health, Ministry of Education, Ministry of Infrastructure and Transport. In terms of reconciliation they need to be up-to-date.

MR A. NAND.- Mr. Chair, in respect of unqualified, I think I need to clarify what qualified means. The issue will be qualified if there is a significant material used materiality in accounting, it may be two percent of your total net assets for example. Whole of Government accounts are consolidated and they run in billions of dollars if you apply two percent materiality, 100 million will not be material. But for a tax payer every cent will be material.

MR. CHAIRMAN.- You are right.

MR. A. NAND.- It is how you look at it and in what context. We are applying what the standards require for our reporting but in terms of what is highlighted in the report that is for the Committee to do.

HON. A.M. RADRODRO.- At agency level?

MR. A. NAND.- It will be material.

MR.CHAIRMAN.- When you say unqualified it does not mean that all is crystal clear, there is no significant.

MR. A. NAND.- No material issues in accounting and auditing.

MR. CHAIRMAN.- In the media it was published that \$1.7 billion is unaccounted for the entire revenue for the country is \$2.3 billion, if \$1.7 billion is out then how is the country running? This is common sense, but then as you highlighted it is not usually the case.

HON. A.M. RADRODRO.- Just a supplementary question to the PS and probably the Auditor General. We have been talking about the respective agencies and ministries, these exercises are undertaken at the ministry level and also Ministry of Economy (commented that everything is improved), do respective ministries and departments have an Annual Corporate Plan and is it all linked to the Ministry of Economy; I do not see that in any of your reports.

Secondly, the comments by the Ministry of Economy that everything has improved as you have stated from 2014, 2015 and 2016. Have you engaged external agencies to conduct an audit on the public financial management to standby what you said addressing the weaknesses, addressing the strength that are inexistence and where you can improve, has that been conducted?

MS. M. KONROTE.- Thank you, Honourable Member, yes, we have.

We had the World Bank conduct Public Expenditure and Financial Accountability (PEFA) assessment in 2012, and based on that review we have put together our public financial improvement plan which was approved by Cabinet last year. We have a work plan in terms of how we are going to implement those actions. At a system and processes level also in terms of financial policies we are making those improvements, but I think at the agency level we are trying as much as possible to simplify the processes and to raise these issues with the agencies themselves and to assist them to comply. The PEFA assessment report is available and we have also as I mentioned taken the recommendations of that report and produced an improvement plan and that has been endorsed by Cabinet.

MR. A. NAND.- In regards to planning, every ministry and department is required by the FMA and the FI to have Annual Corporate Plan and Strategic Plan. They have been prepared but how they are being measured against is something we would perhaps review and advise whether they have been achieving the targets they had set. What happens is like a tie to your balance score card as they say so whatever you said you will achieve is already in your IWP. If you achieve your IWP you achieve the targets in the plan. We have performance audit.

I also take this opportunity, Chair, we have done our Strategic Plan for 2018 to 2021 and we would like to present this during the break to the Committee. Ending this on a positive note we all agree there is room for improvements. Our office needs a lot more improvements and the Strategic Plan details that. We will welcome comments from the Members once you have gone through it. You are a very important stakeholder and we will also be presenting a copy to the Madam Speaker.

MR. CHAIRMAN.- If you have a plan like the OAG is talking about, if it is not confidential we can have a copy of that too. Let us have a short ten minutes tea break, everyone can relax and then we go back to Part 2 and we will have a look at the plan in one of the sessions very soon.

PS, how are you placed for the next few days, three days have been allocated to your department to finish off Volume 1 and 2 but I do not think we will be able to finish all today. We

will need you here until Thursday at least morning sessions, if you cannot your Deputy PS can come, we need to finish this and move to the next one otherwise we will not have enough time.

MS. M. KONROTE. – Mr. Chair, we obviously cannot be here for the whole day but give us notice of the dates that you intend for us to be here

MR. CHAIRMAN.- The first half of the day that is 9.00 a.m. to 1.00 p.m. until Thursday that is when we are sitting, which is tomorrow and the next day.

MS. M. KONROTE.- My apologies, Mr. Chair. I will not be able to make tomorrow.

MR. CHAIRMAN.- What about Thursday? You can get your Chief Accountant or Director because we have written submissions here. Is there someone who can take us through this when we are going through it because if you postpone the 2014/2015 we will not touch the ministries and departments and I think OAG has dedicated this three days.

MR. A. NAND.- If I am not available one of my senior directors will be available then the whole team is here.

MR. CHAIRMAN.- Alright.

HON. A.M. RADRODRO.- Mr. Chair we have scheduled Ministry of Economy previously but it was cancelled because of your consultation commitment. We have rescheduled to last week again you were busy and today was basically set for other ministries and departments where we scheduled you.

MS. M. KONROTE.- Mr. Chair, we will try and finish it today.

MR. CHAIRMAN.- Let us see how far we can go as there are numerous issues. Our issue is this room will be used by another Committee after 1.00 p.m., so let us see how far we can go and then we can work on a plan.

The Committee adjourned at 10:54 a.m.

-----

The Committee resumed at 11.10 a.m.

MR. CHAIRMAN. – Thank you, honourable Members, we will start the next session. We will start with *Part 2 of the 2014 Volume 1*.

The first question we have Chief Accountant and Madam Permanent Secretary, at Paragraph 1.0, Financial Position of Government. The general question on paragraph 2, it is noted “as the Government uses a cash based system for accounting.” I understand the ministries are required to use accrual system now?

MR. P. SINGH. – The plan is once all the agencies are full cashed then we transit it to accrual basis of accounting.

MR. CHAIRMAN. - Volume 1, 2014, Part Two, Page Two; Financial Position. Please take us through your submission.

MR. P. SINGH. - Thank you, Mr. Chairman. Twenty-five questions were raised by the Committee, Question number 1 is in regards to the reconciliation that is submitted to the FMIS, “Is the Ministry accepting incorrect reconciliation?” I think the fact of the matter is that first of all you need to accept the reconciliation then you can review it. That is the response for the first one. The other point that I would like to highlight is that FMIS section is receiving 1,623 reconciliations on a monthly basis, and this is an additional exercise they have taken on board because there were recurring issues in the agencies reconciliations. This is the additional initiative that was taken on board by the FMIS section, just to improve the reconciliation across Government.

MR. CHAIRMAN. - Two issues arises there, first you have to have the reconciliation, if it is not given to you, you cannot access?

MR. P. SINGH. - Yes.

HON. A.M. RADRODRO. - Supplementary question on this one. This is an initiative of the Ministry of Economy to address the audit anomalies highlighted from the respective Ministries and departments?

MR. P. SINGH.- Yes.

HON. A.M. RADRODRO.- Receiving is one thing, but receiving the correct reconciliation is the most important thing. What if in situations where 1,623 reconciliations and 50 percent is incorrect, what do you do?

MR. P. SINGH. – We discuss the reconciliation with the staff, if there are certain items that needs to be brought to the attention, we bring it to the attention. FMIS division has also developed a template in terms of how to ease their reconciliation. The other exercise we are doing is the importance of in-year reporting. If they improve their in-year reporting, they go to monthly reporting. But in order to prepare monthly reports, you have to do monthly reconciliation, which is the prerequisite. That is why we are now encouraging for all the agencies to start with in -year reporting because once you prepare reports, then all your reconciliation and other aspects will fall into place.

The legislation does not provide us any teeth to actually impose any punitive measures because as far as the budget is concerned the responsible authority is the respective PSs. From our side the only thing we can do is sometimes we can stop their payments. As far as Ministry of Economy is concerned, in terms of cashflow purposes we can stop their payments but of course we also do not have legal powers to do that too. We warn Ministries that you need to improve your reconciliations, there has been some improvement but some Ministries are still lagging behind.

That is the reason we are planning to have a presentation to all the Permanent Secretaries, which would be led by our Permanent Secretary for Economy in terms of highlighting all these

issues. It is incumbent on the Permanent Secretary to ensure that he or she has a competent accounts team. Not only a competent accounts team but that he does what is required of an Accounting Officer or accounting team in terms of reconciliation because reconciliation is just the basics. What we are focusing now at Ministry of Economy is improving our reporting. We want to go full cash basis first, then go accrual, develop a Fixed Asset Register, we are trying to focus on all those aspects but we are also mindful that some Ministries are still lagging behind and that is why we want to do a presentation to all the Permanent Secretaries to highlight these issues because it is very important.

MR. CHAIRMAN.- You said you have included accounting as well as in the MQI's of Permanent Secretaries?

MR. P. SINGH.- In terms of accounting heads, one of the performance indicators should be to ensure that the reconciliation is up to date and of course there are other performance indicator to ensure that they have unqualified account. Once they have unqualified account, that will indicate there are no material misstatements in their accounts.

MR. CHAIRMAN. - We move onto the next one.

MR. P. SINGH. - Question number two, on Page Two, Volume One.

HON. RATU N.T. LALABALAVU .- Honourable Chair, before we got to the second question, I would like to raise something that was indicated by the Madam Permanent Secretary, indicating that compliance is the biggest problem. We need to have a deterrent in place, simply talking about it will not resolve it. We have to start from the reconciliation.

MR. P. SINGH. - Yes. You are right Honourable Member.

HON. RATU N.T. LALABALAVU.- That is why I was asking Madam PS, she being in charge of operations, the purse of the country, we need to have firmer position to take action on this rather than just brushing it aside and just having simple discussion and the PS is answerable. We would like to see slowly to put an end to the compliance problem.

MR. CHAIRMAN.- On that issue Honourable Member, the earlier discussions we had she cannot implement financial sanctions because that will stop the arms of the Government, also the Permanent Secretaries if they are responsible she cannot take actions against them because PSC is the appointing authority. We have to go to PSC, they are the appointing authority of Permanent Secretaries. Anything apart from that the Chief Accountant mentioned there has no teeth in the legislation, so probably an amendment to the law.

MS. M. KONROTE. - Chair, Honourable Members, thank you for the question. You correctly pointed out that the Public Service Commission is the employer for all the Permanent Secretaries, we are in the process of signing off our performance assessment plans, individual performance assessments, a pillar of that assessment relates to financial accountability in terms of Ministry budgets. So that essentially will capture audit issues in particular, PS's are aware that is part of their performance and they need to address these issues. As far as the Ministry is concerned, we do not have any authority over the different Ministries budget. As the Chief Accountant

mentioned, we can delay but we do not have any powers to stop payments and of course in cases of fraud that has its own process as well.

MR. CHAIRMAN. – We can go to the next one.

MR. P. SINGH. - The second question, “Most of the results and matters arising from my audits have been reported in the past and it would be prudent for respective heads of ministries/departments to take ownership in addressing recurring issues.” As we have highlighted earlier it is incumbent on the respective Permanent Secretary to ensure that the accounts are proper. Of course the Ministry of Economy is concerned with the recurring issues over the years as this affects the whole of Government financial statements. There are some basic issues that the Ministry of Economy addresses in every accounting heads meeting. We remind accounting heads to be vigilant and to follow the Finance Instructions and the Financial Management Act and we of course stress to them the need to rectify the recurring issues. Mr. Chair, there has been some improvements made from 2015-2016, and the demonstration is the unqualified audit opinion, but there is still room for more improvement.

Sir, Question 3, “Can the Ministry of Economy provide an update on how many of the 38 Ministries and Departments produced an annual report in 2014?” The Ministry of Economy does not have oversight role as far as tabling of Annual Reports are concerned.

Question 4, “Can the Ministry of Economy provide assurance to the Public Accounts Committee that all financial statements from all 38 Ministries and Departments were presented to the Ministry of Economy in accordance with Financial Management Act 2004. If not? Why not?” The response is under the Financial Management Act 2004, Ministries and Departments are required to submit the financial statements to the Office of the Auditor General for the audit of the accounts and not to the Ministry of Economy. The respective agencies submit the account directly to the Auditor General’s Office, and the Auditor General’s Office then tables it to Parliament through the Speaker.

MR. CHAIRMAN.- On that point Chief Accountant, we understand that the ministries do submit their account direct to the Auditor General, you do not have any control on the contents of that. The question was more of how can you ensure that those Ministries do that, is it within your powers?

MR. P. SINGH.- As far as that is concerned, we do not have any powers Sir, but the Financial Management Act mandates them.

MR. CHAIRMAN.- That goes back again to the respective Permanent Secretaries, and if not then the employer of the Permanent Secretary?

MR. P. SINGH.- Yes. As earlier highlighted by the Permanent Secretary for Economy that as far as the substantial audit issues are concerned for the agencies, if that can be brought to the attention of Ministry of Economy because we are preparing the whole of Government Accounts. Currently, we do not know what the issues are because the report is done it is directly presented to the Office of the Auditor General (OAG), the draft, OAG audits it and they table to Parliament.

We do the whole of Government and what OAG does is in terms of substantive issues or material issues, then they incorporate that in the Whole of Government Accounts. We can only validate that once we see the agency report. So at what stage do we see the agency report, we see it once it is tabled in Parliament, and we also extract from the Parliament website.

MR. CHAIRMAN.- You are in no better position than us, we only see it when it is reported to Parliament?

MS. M. KONROTE.- Mr. Chairman, before we respond to Honourable Members question, this goes back to 2016 and the reason for the supplementary. Once the agency level reports were published we noted that some of the issues that were addressed and removed at the agency level, it appeared at the Whole of Government level accounts, so those were some of the issues that we brought to the attention of the Auditor General.

Mr. CHAIRMAN.- To regurgitate that the Auditor-General had discussion with the agencies and had finalised some things and removed them, but it had reappeared in the consolidated report. How would that happen or why would that happen? OAG, Director? You know what PS is saying, going back to the 2016 report, some of the issues discussed between the agencies were taken out and removed, when published it was again there. Is it what you think it is?

OAG REP.- Thank you Sir, Honourable Chairman, the Whole of Government Report once the audit is completed the draft management letter is forwarded to the Ministry.

MR. CHAIRMAN.- Which Ministry?

OAG REP.- Ministry for Economy. If there are issues relating to the other Ministries and Departments it is already there in the report, if they need it further they can extract the report from the various ministries and departments.

MR. CHAIRMAN.- Once you have highlighted that letter of certain discrepancies in those respective ministries the Ministry of Economy goes and check with those respective ministries, but as they do not have any powers and Permanent Secretaries say “I will not show it to you” then what do they do?

OAG REP.- There is an internal audit function in all ministries, they have access to all these records.

MR. CHAIRMAN.- So PS is that possible?

OAG. REP.- I think the other issue is the timeline that we face towards the end.

MR. CHAIRMAN.- Once the accounts are submitted, within two months as the OAG pointed out you will start knowing what the problem areas are and then you can communicate it by email correspondence to different ministries, and Ministry of Economy as well.

MR. P. SINGH.- Sir, as you have correctly highlighted we are working with a very compressed timeline. The important point also to note is for Ministry for Economy we also have to prepare our agency report because that is our key focus too, that is our accountability. We



prepare our agency report as far as Ministry of Economy is concerned, then we also prepare the whole of Government report. Our key focus is Ministry of Economy Report, our PS is accountable and I as Chief Accounting Officer I would also have to sign it so that is our key focus. As far as the Whole Government Accounts is concerned, as we have highlighted in terms of 2016, there were no issues for Ministry for Economy. There were issues for other ministries, once the agency report is tabled to Parliament we go over the issues again and then we discuss with the respective accounting heads. I just want to reiterate in terms of the issue of timeline and what is the prime focus, the prime focus for the Ministry of Economy is first Ministry of Economy accounts, yes then we do whole of Government's Accounts too.

MR. CHAIRMAN.- If you have to check yours plus 37 other ministries, that is duplication of work, something that they should have been doing themselves.

MR. P. SINGH.- Yes.

MR. CHAIRMAN.- But I think this question was more of supervisory when they are doing it something is highlighted to you and it is incumbent upon you to tell them that something is found here.

MR. P. SINGH.- Yes, and that is the reason why the Permanent Secretary for Economy proposed that now for the whole of Government account we also want to have a new initiative in place that the respective Permanent Secretaries to be part of the exit meeting. As far as other ministries and departments are concerned, the Ministry for Economy does not know the qualitative issues it is incumbent on the respective Permanent Secretaries to come and validate at the whole of Government Accounts meeting, the key issues and whether those issues exist or have been resolved.

HON. A.M. RADRODRO.- Mr. Chairman, I think the gist of this question is basically asking Ministry of Economy how does it ensure that the Whole of Government Account is not prepared by respective ministries, it is prepared by the Ministry of Economy through the respective system that you have. How do you ensure that the Whole of Governments Accounts are presented as per the questions?

MR.P. SINGH.- Thank you Honourable Member, thank you for the question. As far as the financials are concerned we get from FMIS system, which is a primary accounting system.

HON. A.M. RADRODRO.- That is basically the gist of the question to ensure that that is correct.

MR. P. SINGH.- But here the issue is in terms of qualitative issues that is highlighted in the whole of Government Accounts. The internal control issues we can only know once we discuss with the respective head of the agency.

MR. CHAIRMAN.- As you said, you probably will recommend some legislative changes as well or OAG said that?

HON. A.M. RADRODRO.- Basically, the respective Government Ministries submit their reconciliations and they do their normal inputting update from the respective ledger or GL that

they have, so how does that process ensure that the Whole of the Government Report that is presented by your Ministry, submitted to the Auditor General, is not respective as you stated here, it is the Ministry of Economy that submits the whole of Government accounts to the Auditor General for auditing. As you highlighted earlier it is submitted to the Auditor General by the respective Ministry, which is incorrect. It is the Ministry of Economy that submits.

MR. P. SINGH.- Yes, it is the Ministry of Economy that submits, we extract it from the FMIS system, as you have seen for 2016 there was no change of financials.

HON. A.M. RADRODRO.- We are not talking about 2016, we are talking about...

MR. P. SINGH.- Yes, in terms of qualitative issues that is our issue, we can get the qualitative issue once we see the agency accounts because for us we only have access to FMIS and that is the financials.

HON. A.M. RADRODRO.- And the FMIS system will provide the information.

MR. P. SINGH.- Yes as per our system we will provide it. We have reconciliations and our reconciliations is coordinated by our FMIS division. From 2014-2016 improvement has been noted, but there is still some room for improvement and that is why we have got unqualified report.

MR. CHAIRMAN.- You will only know whether it is right or wrong that qualitative assessment when you see the OAG Report, before that you will have no idea?

MR. P. SINGH.- Yes.

MR. CHAIRMAN.- There is no law and probably it is not your primary objective to check everyone else, it is for you to get yours correct?

MR. P. SINGH.- Yes, of course.

HON. A.M. RADRODRO.- For the Whole of Government accounts?

MR. P. SINGH.- Yes, of course, but we will extract from the FMIS system.

MS A TAUKEINIKORO.- Mr. Chairman, for the Ministry of Economy, the Whole of Government accounts is extracted after all the agency financial statements are finalised. All the adjustments are done through agency financial statements, so we expect all the financials to be correct before we submit the Whole of Government accounts.

HON. A.M. RADRODRO.- Also the exercise of empowering the Internal Audit Department to ensure that whatever has been attended to at the Ministry level are accurate and not leave it to the Ministry of Economy to find at the end of the day there is a lot of mistakes, a lot of errors, is that right?

MS M NAISARA.- Mr. Chair, Honourable Member, when we do our audit planning we have been liaising very closely with FMIS, and we get the status of reconciliation. We have a new initiative where we have allocated two officers to be trained specifically for FMIS and this officer

will provide training sometimes if not this month next month in regards to FMIS, reconciliation and other AP. We are trying to make improvements while we are auditing at the same time as well because when we go out there, we are not only auditing to find faults but we are trying to help the officers who are in the accounts sections.

HON. RATU N.T. LALABALAVU.- Just a point of clarification to Madam Permanent Secretary, your Accountant has just said that the improvements that you have made or you are going to make now you are getting all Permanent Secretaries to come and meet with you. This is probably when I read it as in your position to prepare the Government's overall Report so that compels you to bring them to you for the sake of cleaning the financial accounting problems that we encounter. What else do you need to empower you because that is the thing that is missing, the powers to ensure that compliance is adhered to and strictly followed? You are now able to invite these people to come across, what has made you to take that step now?

MS. M. KONROTE.- Mr. Chair and Honourable Member, I think the intention of bringing the different PSs to the table when we hold our Exit Meeting with the Auditor-General's Office where there are significant issues highlighted that relate to say a particular PS's Ministry, he or she at the Exit Meeting will be able to validate and confirm to us whether that was in fact an issue that was raised at the agency level, and whether or not they were able to address it at the agency level, because otherwise it will be the situation of the 2016 Report where we were only able to validate after the reports were tabled. There is no requirement for us to call them to the table but we are thinking that this is just another measure to assist in terms of ensuring that at the Whole of Government level, the issues reflected at the agency level are also reflected at the Whole of Government level and where those issues have been addressed at the agency level those issues do not feature at the Whole of Government level.

MR. CHAIRMAN.- In a nutshell, what happens is that when they are doing the Whole of Government accounts they look at the individual ministries, take their accounts at face value and then prepare theirs. When a problem is found in that (which is done by OAG), then they realise that theirs will also fall short because of their errors and that is why there was a need for the supplementary, is that right? I think that is the crux of the matter. If the accounts of those 38 ministries are all well and good with no errors, when you do the Whole of Government relying on those will also be accurate but any inaccuracy on those will lead to inadvertent errors on your part as well.

MS. M. KONROTE.- Exactly, Mr. Chair, which is why we need to work closely with agencies and also with the PSs.

MR. CHAIRMAN.- That is why despite you not having enforcement powers, you are still getting the Permanent Secretaries together to advise them and probably to coach them so that they do their part well so that it is not a bad reflection on your part.

MS. M. KONROTE.- Correct, Mr. Chair.

MR. CHAIR.- I think that is the conclusion of the entire process.

HON. A.M. RADRODRO.- Mr. Chair, just a question to PS and the Internal Audit Team, this has been a question that has been raised previously in terms of resourcing the Department of

Internal Audit, probably that is where the line of questioning is coming from, the reliability of what is happening at the respective ministries to reflect also at the Whole of Government level. How does resource capability and ability in terms of the Internal Audit Department an arm of the Ministry of Economy?

MS. M. NAISARA.- Thank you, Honourable Member, with the new restructure, the compliance team that used to be with the Fiji Procurement Office is now merged to our Division, so we have some additional resources to strengthen our Division.

MR. CHAIRMAN.- You have invested some workmanship machinery and manpower probably to get to the Ministries, to have theirs correct in the first instance?

MR. E. DOVIBUA.- What our PS has alluded to is that responsibility lies with the Permanent Secretary. It is the PSC who supervises whether the Permanent Secretary is placing emphasis on complying with these internal controls or making good what anomalies have been noted. This is something, Sir, you can ask the Public Service Commission if you have a chance, Sir.

MR. CHAIRMAN.- If the Permanent Secretaries are not doing their work or job right then it is the PSC to take those disciplinary measures because we heard from the PSC earlier that their part is only to appoint them, how they run their affairs is entirely upon them, so it is a big issue there.

HON. RATU N.T. LALABALAVU.- That is the answer I was looking for.

MR. CHAIRMAN.- The honourable Member was telling us from his experience as a Minister, he has been trying to fix this problem for a long time.

MS. M. KONROTE.- Mr. Chair, as I mentioned, PSs now have their own performance assessment individual performance and a key pillar of the performance assessment framework is with regard to financial accountability, on that basis PSs will be assessed.

MR. CHAIRMAN.- Why there are so many questions in this area is because it is a recurring issue. Once you move on this one, probably the 2016-2017 Report will be clearer, and there is a change in the financial year, so we do understand your part, and there will be a lot of migration issues as well in terms of change of financial year. Next one, please.

MR. P. SINGH.- Thank you, Mr. Chair. Question 5 says, "In light of FICAC in 2015 identifying ongoing discrepancies within the Financial Management Information System (FMIS) as a potential corruption threat, can the Ministry provide an update on how the Ministry is strengthening the use of FMIS, in particular, whether it is now capturing all the revenue and expenditure activities of all of Government?"

Mr. Chair, FMIS was implemented across the Central Government in 2005. All ministries and departments utilise FMIS for the financial processing or transaction and in preparing their annual financial statements. The refresher trainings are carried out twice yearly for users (these are civil servants especially, Accounting Heads and the team). FMIS User group meetings are held on a monthly basis to identify and address challenges faced by respective users in ministries

or departments. As the Accounting Heads have become familiar with the system the separate user group meeting is now merged with the Accounting Heads forum that is held monthly. Appendix 5 refers to the training plans and the minutes of the Accounting Heads addressing issues related to FMIS. The system is now almost 12 years old and the Ministry is reviewing the FMIS and its ability to continue to provide for the future financial needs of Government.

In terms of capturing all the revenue and expenditure activities of all of Government, Finance Instruction 2010 provides for the Accounting Heads to ensure that the expenditure (Sections 13 and 14) and revenue (Section 21(1)(a) ) are facilitated and recorded in the FMIS.

As far as the Ministry of Economy is concerned and as the responsible Ministry for the compilation of Whole of Government financial statements, all revenues and expenditures as approved in the annual budget are recorded on the FMIS.

The Internal audit of the FMIS systems has been undertaken and issues such as the transactions of revenue and expenditure not being recorded in the FMIS has not been raised.

Similarly, the Office of the Auditor-General had undertaken the audit of FMIS. Instances of budgeted revenue and expenditure transactions not been recorded has not been highlighted apart from the following. There were three issues across Government which are related to the Trust Fund Accounts which were not recorded in the FMIS:

- The RFMF Engineers Project Account. The project account was mainly for capital works received from ministries and departments. The account has been reconciled and have now been recorded on the FMIS from 2017 and the evidence is attached in Appendix 6. The trust account is maintained under FMA 2004 and FI 2010 with a trust charter developed.
- The Official Receiver Bankruptcy and Liquidation Trust Fund Account. This trust fund account has been recorded on the FMIS general ledger and is maintained under the FMA 2004 and the FI 2010. The Ministry is in the process of developing the trust fund guidelines to detail out its operations. Refer to Appendix 7 of the general ledger balances recorded.
- The Public Service Commission Trust Fund Account. The Trust Fund account held performance bond from the contractors doing maintenance work on the Government quarters. The account is now recorded on the FMIS general ledger Appendix 8 refers.

MR. CHAIRMAN.- Before you move to the next one in very simple terms can you explain how the FMIS system works, it is a system that captures revenue expenditure, right?

MR. P. SINGH.- Yes.

MR. CHAIRMAN.- Is it like the POS system point of sale system in the private sector?

MR. P. SINGH.- In case of Government the primary document is the budget. First, the budget needs to be incorporated. The budget is the primary document and that is why in terms of public sector accounting we have this comparison of budget against actual that is the primary. As far as they call the fund accounting so all the budget figures are inputted.

MR. CHAIRMAN.- In FMIS?

MR. P. SINGH.- FMIS, and against that the Ministry's do the expenditure. The key revenues of Government are mostly tax and the non-tax so it is from FRCS and from the other agencies like Land Transport Authority and the other agencies.

MR. CHAIRMAN.- If there is an expenditure in terms of capital project is entered straight away in the FMIS, there is a deduction from the budget amount?

MR. P. SINGH.- Yes, that is how it works. Once the expenditure is committed and once it is paid then it becomes part of the expenditure, so at that point the expenditure is realised from the FMIS system you can also extract commitment reports because we are doing cash basis accounting. Cash basis accounting is this exchange of cash but that is why FMIS system has got this feature you can extract commitment reports.

MR. CHAIRMAN.- Where is the error occurring if it is simply inputting everything in there and it works out itself against the budget, what is the problem?

MR. P. SINGH.- Mr. Chair, the central problem is the drawings accounting reconciliations because ministries are doing daily payments for Ministry of Economy we do daily reconciliation it is (T +1) because you will receive the bank statement the next day. So you do the bank reconciliation on the next day, some of the ministries are leaving this to next month or some of them they do it three months or six months or at the end of the financial year, and that is the issue.

MR. CHAIRMAN.- If you are making payments every day and if you collecting revenue everyday if you put it all in FMIS there should not be a problem...

MR. P. SINGH.- As far as revenue there is no major problem in the revenue because it is mainly done by Ministry of Economy, it is just the expenditures.

MR. CHAIRMAN.- All these revenue receipts the white ones we collect and pay in any department like the high court fees and all it will come to Ministry of Economy straight away?

MR. P. SINGH.- It comes to the Consolidated Fund. It is the responsibility of the respective agency to input it in the FMIS system. As far as we are concerned what we do is call BLC's from the bank statement we put it there so it is the responsibility of the individual agency to zeroise it, they will post it to their respective revenue items.

MR. CHAIRMAN.- If they do not do it on a daily basis, or monthly basis like you do then there will be discrepancy?

MR. P. SINGH.- As far as revenue are concerned we always follow up with them. The main issue is the expenditure and there is no issue with the revenue.

MR. CHAIRMAN.- Human nature where money is coming in no more vigilant the money is going out is alright.

MR. P. SINGH.- No, as far as expenditure is concerned we do not have control with the line agencies because line agencies generate their own PO's, they make their own payment. We do not have any control over that.

MR. CHAIRMAN.- This is the question that we ask the individual ministry when they come here that Ministry of Economy is very, very clear that they do T + 1 on a daily basis?

MR. P. SINGH.- Yes, T + 1 because we receive the bank statement the next day.

MR. CHAIRMAN.- But everyone drags their feet on this one.

HON. RATU N.T. LALABALAVU.- Through you, Honourable Chair. Just a question to the Chief Accountant you have indicated that you logged in the approved budget your measure to implementation. Do you go word by word on what is there in the budget?

MR. P. SINGH.- It is the financials that is inputted our Ministry says they need to give their 12 monthly plan in terms of each month, how much they expect to spend so that is inputted into the system, except for funds which are under requisition.

HON. A.M. RADRODRO.- Mr. Chair, just a question on this explanation these three trust accounts, who initiated the opening of this ledger accounts?

MR. P. SINGH.- These trust accounts are quite old accounts and they are not inputted in the system.

HON. A.M. RADRODRO.- It is in the system or it just been recorded into the system as highlighted here?

MR. P. SINGH.- So now it has been inputted in the system.

HON. A.M. RADRODRO.- What is the process of initiating this you can initiate from Ministry of Economy or do they initiate from the Ministry level?

MR. P. SINGH.- As far as the opening of trust account is concerned they need to take approval from the Chief Accountant. This account would have been initiated when approved by the Chief Accountant at that time.

HON. A.M. RADRODRO.- The other issue in terms of TMA Accounts. It is also some ongoing issues in terms of the operations and recording. I think one that comes into mind is the Department of Forestry, so how does the Ministry of Economy address these anomalies in the TMA Account? Is it here in your responses?

MR. P.SINGH.- If it was raised, Sir, then it is in the response but I do not think it was raised. As far as TMA is concerned, Sir, what we are intending to do is in terms of review whether it is fit for purpose now because that is the key focus area for us. We want to discuss with all the line agencies whether TMA needs to be there or whether they fit the modern day practice, so that is what we intend to do and we want to review the TMAs across whole of Government.

MR. CHAIRMAN.- The more accounts you have the more reconciliation and the more work needed. Next one please.

MR. P. SINGH.- Thank you, Mr. Chair. Question 6, following ongoing problems over previous years with Trust Fund Accounting across most agencies, can the Ministry of Economy provide a report on trust fund accounting across agencies, including the problems as identified by the Ministry of Economy themselves, as well as strategies to keep strengthening accounting standards?

Sir, as for Trust Fund Accounting, the accounting of trust fund accounts (main trusts) are maintained in accordance with the Financial Management Act 2004, Finance Instruction 2010, Part 9, Section 58 and the Finance Manual of respective ministries and departments. The trust account monies are kept in a separate bank account and is only opened with the prior approval of the Chief Accountant.

Monthly management reports are prepared and reconciling the trust fund cash at bank account with the liabilities held in trust. The names and balances held in trust (listing) are prepared and required to be signed off by the respective Permanent Secretaries as the responsible authority of the ministries or departments. A statement of receipts and payments are prepared at year end and is part of the audited annual financial statements. Receipting and Payments follow through the normal processing of transactions and its recording in the FMIS system. A cashbook is maintained accordingly of transactions processed.

Issues and Concerns with Trust Fund Accounts and strategies to address the issue in terms of:

- Main trust account not supported with the cash at bank. Ministry of Economy is liaising with the respective ministries and departments and will have the issues addressed by July 2018.
- Reconciliation not prepared dating to 1993. This refers to Judicial Department. We have discussed with Judicial Department the need to cover year by year, and have requested the Department to start from 2016 and work backwards.

MR. CHAIRMAN.- What is involved here, is that legal fees?

MR. P. SINGH.- They call it maintenance and also Suitors Club, this is the FNPF that is not claimed and it is quite a big amount of money.

MR. CHAIRMAN.- Staff is the Judicial Department?

MR. P. SINGH.- No, if any FNPF is not claimed it is actually held with Judicial Department with their trust account.

MR. CHAIRMAN.- That could be from any ministry, unclaimed FNPF from any ministry, anywhere?

MR. P. SINGH.- Yes.



MR. CHAIRMAN.- It is not reconciled since 1993.

MR. P. SINGH.- In 1993, yes. Sir, it is a massive exercise, we have discussed with them and I told them you guys need to start because we need to resolve it, begin from 2016 then work backwards.

MR. CHAIRMAN.- What will happen is that at some stage you have to clear the books again and wipe this out from somewhere.

MR. P. SINGH.- Mr. Chair, the fundamental issue here is we have Cash at Bank. When you are dealing with cash you need to do it in a very robust and prudent manner. First you need to do your reconciliation, if all that is done and you find no issues then you do the needful.

MR. CHAIRMAN.- Yes, some people might be short paid as they have not claimed it, some people's money is there it is a trust account. I think Mateo was not even born in 1993, you were born in 1993?

MR. M. LIGAMIRI.- No.

HON. A.M. RADRODRO.- Just a question to the Ministry of Economy official on the timeline. Do you have a timeline where you can exactly say that you have completed this exercise?

MR. P. SINGH.- Is not up to us Honourable Member. We have discussed with the Judicial Department accounting team and what we have told them at least for the next six months they need to clean up 2016. They will start with 2016 then go backwards, first of all they need to sort out the 2016.

HON. M.M.A. DEAN.- Mr. Chair, I have a question. This is a very interesting Cash at Bank scenario, all these pending FNPF funds lying idle there. Obviously you might have problems dispensing these funds to the right people. Let us say after that whom this fund is supposed to go to. What does the financial regulations say about such issues and how to deal with it; you just deal with it as on a Cash at Bank basis or are there any special conditions?

MR. P. SINGH.- No, as far as trust account is concerned it is a Cash at Bank but you are entrusted, so the party claiming it need to provide the relevant documentation then eligible for it.

HON. M.M.A. DEAN.- Alright.

MR. P. SINGH.- As far as trust account is concerned it is Cash at Bank but it is a restrictive case. We cannot touch those funds.

MR. CHAIRMAN.- Without reconciliation you will not know who it belongs to?

MR. P. SINGH.- Yes, of course.

MR. CHAIRMAN.- Judicial Department is working on that. Is it only FNPF or there are some other funds in there?

MR. P. SINGH.- As far as our discussions go, it is maintenance payment and Suitors Club (unclaimed FNPF).

MR. CHAIRMAN.- Maintenance probably someone did some work and never claimed their payment.

MR. P. SINGH.- No, Sir, it is a matter of divorce and maintenance settlement.

HON. A.M. RADRODRO.- The Judicial Department has its own regulations on how they will disperse these funds.

MR. P. SINGH.- Yes.

HON. A.M. RADRODRO.- The Ministry of Economy cannot dictate that?

MR. P. SINGH.- No.

MR. CHAIRMAN.- The Court Order is there to say that someone is entitled to be paid this amount and they have migrated or they have passed on, so the money remains there. The husband is probably paying the money but the wife never claimed it, some people are losing their rights from this thing and children might never benefit from it. So the earlier you do it the better.

MR. P. SINGH.- We have been discussing this with the Judicial Department because it impacts on the whole of government. These are ongoing issues like the Public Service Commission loans which we will be discussing later. We have rectified all the issues but if this issue is there then it will be reflected in the FS.

HON. M.M.A. DEAN.- Which is why I brought up this question is there any special regulations to deal with it because some of the funds can lie there forever without being claimed.

MR. P. SINGH.- I think it is best you pose that question with the Judicial Department. As far as the Ministry of Economy is concerned we want to clean it up and it needs to be paid to the rightful party, so it is best for Judicial Department to respond to that.

MR. CHAIRMAN.- We better mark this question for them because they have been coming here and they have not been talking much about this one.

MR. P. SINGH.- Question 6, Operating Trust Fund Accounts include the following: These are creditor payments held in trust from the direct deduction of employee salaries and wages such as FNPF, deductions for payment of insurance etc. The clearance and payment of deductions in operating trust are managed in accordance with the Finance Manual of the Ministry of Economy and that of respective ministries and departments. Monthly reconciliations are prepared as part of the monthly management reports of respective ministries and departments.

MR. CHAIRMAN.- Just a general question on that. The Ministry for Economy what sort of accounts do they operate, if you are paying salary to staff that will come out from the operating account, if you are paying money to other ministries or transferring money to other ministries under their budget what account is used there?

MR. P. SINGH.- All is given from Consolidated Fund Account (CFA). Ministries have their own Drawings Account and they can write against the drawings account, at the end of the day it will be cleared against the CFA, what we call sweep against the CFA. .

MR. CHAIRMAN.- All revenue and money coming in is kept in that account?

MR. P. SINGH.- Yes.

MR. CHAIRMAN.- And pay out from there?

MR. P. SINGH.- Yes.

MR. CHAIRMAN.- What is CFA?

MR. P. SINGH.- Consolidated Fund Account.

HON. M.M.A. DEAN.- Mr. Chair, with your permission of course I just want to know some examples of what comes under Payroll deductions "Others"?

MR. P. SINGH.- Ministries have agreement to do third party payments like for insurance we do direct deductions and we keep in the operating trust, and end of the month we pay to the rightful vendors.

MR. CHAIRMAN.- Union subs comes from there?

MR. P. SINGH.- Yes, union sub is from there, we need to clear it the next month.

HON. A.M. RADRODRO.- Hire purchase?

MR. P. SINGH.- If it is an approved vendor.

MR. CHAIRMAN.- Hire purchase you mean the ministry pays on behalf of the employee.

MR. P. SINGH.- Yes, if it is an approved vendor.

MR. CHAIRMAN.- Oh, even that is done. I thought that was the individual's responsibility. Ministry pays hire purchase on behalf of employee.

MR. P. SINGH.- Not now, but if that was approved before it is still binding. If PS had signed it then it is binding upon us to carry on with it.

MR. CHAIRMAN.- It is no longer done?

MR. P. SINGH.- As far as direct deductions is concerned we are not accepting any new vendors.

HON. M.M.A. DEAN.- The hire purchase deductions from payroll it stopped way back in 2014?

MR. P. SINGH.- Mr. Chair, I want to highlight is this, if the vendors were already there prior 2014 then it is there. We are not accepting any new vendors.

MR. CHAIRMAN.- Yes, please go ahead.

MR. P. SINGH.- Question 7, An issue for the Ministry of Economy appearing in all the backdated audit reports to 2007 has been the low rate of student loan recovery. Can the Ministry provide an update on how it is progressing on this issue and how it is improving the current low success rate?

In a nutshell and to respond to this question, as far as the PSC Loan Recovery account is concerned, it was transferred to Ministry of Economy in 2016, what we have done is of todate, we have taken all the files and started inputting it. As far as inputting of the students records is concerned PSC had a very poor record. I will also invite the Public Accounts Committee to come and see what we have done, it is at level two. We have all the files, Sir, it is in a carton and we have inputted it. We are in the process of transferring it to Fiji Revenue and Customs Service because as approved in the 2017-2018 Budget, the collection arm will be FRCS.

MR. P. SINGH. - These monies is the PSC Scholarship amount?

MR. P. SINGH. - Yes, Sir. All the scholarships were given in three forms; one was Cost-sharing, one was full scholarship and the other one was, sorry, a full scholarship if the student does not fulfil its bond then the trigger point is there and they have to pay.

MR. CHAIRMAN. - What about the current one, TELS and others?

MR. P. SINGH. - TELS is separate.

MR. CHAIRMAN.- I understand PSC Scholarships were discontinued in 2012, so all these accounts were unrecovered from before 2012.

MR. P. SINGH. - Yes.

MR. CHAIRMAN. - PSC was not managing its ....

MR. P. SINGH. – The important thing to note is this if the student takes a loan he or she will not pay it off at once, once they get employment then they start.

MR. CHAIRMAN. - How many students are here, how many married and gone offshore?

MR. P. SINGH. - So far we have inputted, for your information, Sir, 5,087 individuals.

MR. CHAIRMAN. - Fiji Revenue Customs Service will trace them now?

MR. P. SINGH. - Yes.

HON. M.M. DEAN.-- If we ask the measures they will be taking upon the individuals who have escaped these payments, the best answer will be provided by FRCS?

MR. P. SINGH. - Yes. Most of the students who have gone abroad, their name is with immigration, they are on the watch list.

MR. M. M. DEAN. – They are on stop departure order just to get them here.

MR. P. SINGH. - The collections have been good, Mr. Chair. In 2016, for seven months we have collected \$851,042, and we are continually looking at ways of how we can revamp it. We will be discussing with FRCS in terms of giving them all the information.

MR. CHAIRMAN. – When PSC comes here this is one of the questions we can ask them, basically they have put their work on you.

HON. A.M. RADRODRO. - Just a question regarding the other types of loan that was offered. FAB had also initiated previously that they are trying to collect the FAB Scholarship, is it also part of this?

MR. P. SINGH. - FAB has been hived off to TELS. TELS has become the collection arm now and slowly as far as the collections are concerned it will all be hived off to FRCS.

Sir, Question 8, from the audited financial statements the portfolio of the Fiji Police Force and that of the Fiji Military Forces has not been overspent – refer to Appendix 9.

MR. CHAIRMAN. - OAG has noted over-expenditure.

MR. P. SINGH. – No, Sir, this is from the OAG report, it is in Appendix 9, 2014/2015.

MR. CHAIRMAN. - Any further questions before we go to the next one?

MR. P. SINGH.- Question 9, in terms of the broad trend as far as the audit opinion is concerned, 2014 it was qualified, 2015 it was qualified with the emphasis of matter and same for 2016. We are making some improvements here, and as we have discussed earlier, we will keep the momentum and we will try to improve further.

Question 10, in terms of the key qualification issues, the first was PSC, this relates to the Loan Recovery Account. We have dealt with 80 percent and we want to resolve this issue within the next 15 to 18 days and transfer the file to FRCS.

As far as the Ministry of Works is concerned, that issue has also been dealt with, you can refer to Appendix 10. Malaya Pension is concerned with RFMF, this is a reimbursement that the RFMF is complying for the reimbursement from the British Government. What I would like to suggest is in terms of Malaya Pension it is good that RFMF answers this question.

MR. CHAIRMAN. – These three accounts here, Public Service Commission, Ministry for Works and RFMF, these were some of the reasons for the qualification. These monies are not collected or is it.....?

MR. P. SINGH. - As far as Public Service Commission is concerned, there was an issue of accounting entries from I think late 1990's to 2000. What we have done for the PSC is we have taken all the files and have inputted again, as I have said 5,087 files were inputted. The other two issues, we have discussed with the agencies and they have been resolved to a greater degree.

MR. CHAIRMAN. - This is again an issue of money held at bank, cash at bank. There is money in the account but there is no reconciliation?

MR. P. SINGH. Yes. But only with PSC it is not proper recording, and this is a legacy issue. The other one is AR (Accounts Receivable).

MR. CHAIRMAN. – Ministry of Works, some people owe money to the Ministry?

MR. P. SINGH. – Yes, debtors.

HON. M.M. DEAN. – Chief Accountant, you mentioned legacy issue with PSC, meaning it has been an ongoing trend for them not being able to keep the proper records?

MR. P. SINGH. - Not it is, Sir, it was. It has been resolved, once account entered, it will be transferred to FRCS, we will give you the Account Receivable update and when we transfer to FRCS we will sign a Memorandum of Understanding and send a copy to the Public Accounts Committee.

MR. CHAIRMAN. - There could be some chance of write-off again if you are not able to reconcile properly?

MR. P. SINGH. - As far as we are concerned, we have brought all the files, we have inputted it. Now the only issue will be if we request the funds from the students and if they start disputing it then they will have to provide the evidences if they had paid it.

HON. M.M. DEAN. - Mr. Chairman, just one final question on the recovery. What if there are issues like let us say the person responsible has not been able to pay because he or she might have got sick or passed away, does that responsibility end there or is it shifted?

MR. P. SINGH. - We will then talk to the guarantors.

MR. CHAIRMAN.- In TELS it does not apply.

HON. M.M. DEAN. – The guarantor to the loan still applies in that scenario? If the guarantors pass away then it is written off.

MR. P. SINGH. -. Question 11 on State Owned Enterprises (SOE), Mr. Chair, if I can just give in terms of the financial performance of SOE's on page 13 of 33. In terms of the performance, the Return on Equity has been improving, 8.63 percent but that is still not enough. We had

discussions with Ministry of Public Enterprises, there are a number of reform programs that is underway and that is intended to further revamp the performance of Ministry of Public Enterprises.

In fact the Ministry of Public Enterprises has a substantive plan and what they have told us if PAC wants a substantive response on this, they can provide it. As far as we are concerned because from a fiscal arm of Government the Return and Equity is there, 8.63 percent but we want it to go above 10 percent, so if these can be improved both in terms of operation and efficiency and also in terms of technical efficiency. When I say technical efficiency, whether we can get private sector players to be part of it but this needs to be done in a very prudent and a robust manner. So we get the right private sector players who can further revamp the performance of these companies.

HON. A.M. RADRODRO.- A question on this table how many State Owned Enterprises (SOEs) are involved in this Return of Equity (ROE) of 8.6 percent?

MR. P. SINGH.- Six(6) Honourable Member, some are not performing.

Mr. Chairman if may move on? *Audit of 2015 Accounts*, same question on reconciliation Mr. Chairman, and same response.

MR. CHAIRMAN. - But just explain, 2014 it was found, same issue, 2015 same issue, so that means the implementing of this discussion with the PS had not initiated at the time?

MR. P. SINGH.- Yes. Mr Chairman we made some improvements, it is on the table on Page 15 of 33.

MR. CHAIRMAN.- Just take us through this table.

MR. P. SINGH.- The major issue that we have been facing is with our overseas bank account, this is with the Ministry of Foreign Affairs. This is the reconciliation issues that we have been facing.

MR. CHAIRMAN.- The only overseas bank accounts that you manage is those of the Embassies.

MR. P. SINGH.- Yes, the missions.

MR. CHAIRMAN.- So what is the main issue there, they are not reconciling as well?

MR. P. SINGH.- I think the key issue there was in terms of effects of foreign exchange, they were not correctly reflecting that. Because these overseas bank accounts is not in Fijian Dollars, this is in overseas dollars. There were some incompetent staff, sorry to say that, who were not taking into account the effects of foreign exchange, because at the end of the financial year you need to see what is your bank balance in this overseas country, then you see what your rate is here, then that is entered here and the difference is the effects of foreign exchange that needs to be inputted.

MR. CHAIRMAN.- When there is a situation like that at a particular embassy, who is responsible the Ambassador or the Permanent Secretary Foreign Affairs?

MR. P. SINGH.- It is the Permanent Secretary and also the Ambassador, because the ambassador is a conduit of the of the embassy.

MR. CHAIRMAN.- Because they have accounting officers there in the embassies as well.

MR. P.SINGH.- Yes.

MR. CHAIRMAN.-. Is that under control now?

MR. P. SINGH.- Sir, 10 out of 17 account balances have been reconciled, but Sir, let me be very clear there are still some issues there with our overseas bank accounts, I want to be very clear about that.

MR. CHAIRMAN.- You have already advised staff there that they are not doing their part right in terms of currency exchange and all.

MR. P. SINGH.- Yes, because these are substantial sum of money, so what we have been emphasising is they need to do very thorough reconciliations.

MR. CHAIRMAN.- Because currency fluctuate every day.

MR. P. SINGH.- Yes currency fluctuates every day but as far as the bank balances at the end of the year is concerned, you take the end of the year rate as the Accounting standard requires, yes.

HON. A.M. RADRODRO.- Just a supplementary question to this, I think this has been an ongoing issue three years ago when the Ministry of Foreign Affairs came here regarding the reconciliation of overseas bank accounts. One of the major drawbacks that they have is that they do not have the qualified people, they expect the Ambassador or the First Secretary to do the reconciliation on their behalf or payments, so at the end of the day they were saying that they were going to have a separate financial instruction for Ministry of Foreign Affairs to address this issue. Has that been addressed or actioned to date?

MS. R. KUMAR.- Thank you Honourable Member. The Ministry of Foreign Affairs has put up a revised finance manual and they have included this on how the accounting entries should be, and this has been sent out to the embassies as well.

MR. CHAIRMAN.- On table two, row two, “General Ledger of Ministry of iTaukei Affairs scholarship recovery bank account has not been adjusted due to its transfer to TELS. Status Addressed” and now it says “General Ledger (GL) Account has been adjusted to the Ministry of Economy.” What sort of adjustment has been made here, have you recovered the money or you have written it off?

MR. P. SINGH.- Posting it to the right GL Account, we have done that, yes.



MR. CHAIRMAN.- So these monies are also pending recovery?

MR. P. SINGH.- Yes, it is Government's revenue or Governments receipts.

MR. CHAIRMAN.- Appendix 11, about \$167,292 is owed to the Government?

MR. P. SINGH.- No, it is the cash at bank.

MR. CHAIRMAN.- Government has that money. Some people paid back?

MR. P. SINGH.- Yes, people are paying back, we have got very stringent measure in place, it may seem a little bit implied because we have got the watch list and all these in place, so people are paying it.

MR. CHAIRMAN.- Row Three "Variance, TMA, Bank Reconciliations, Partially addressed, issues remained, Inter-Fund Recording of Transactions, Variances identified but not journalised."

MR. P. SINGH.- These are issues, Honourable Chairman, for the TMA's because what we have said some of the Accounting heads operating TMA's they need to take into account issues like Bank Fees, it is expenditure. It is very simple transactions, they need to take account of it and that is why it creates these reconciliation issues. In terms of Inter-fund it is Fund 4, which is our TMA account, some were using from Fund 1, so we have strictly stopped that. Fund 4 is distinct and separate from Fund 1.

MR. CHAIRMAN.- Why do the agencies need TMA, what sort of activities do they carry out?

MR. P. SINGH.- Some of these agencies have semi-commercial operations like Public Works Department (PWD) they had engineering work they were doing before.

MR. CHAIRMAN.- They actually spend money and receive some money as well so that is why they need TMA?

MR. P. SINGH.- Yes, it is semi-commercial in nature, before Government used to give them seed capital and they commence, we give them a ceiling. If Government gives them \$100,000 and if at the end of the financial year their bank balance is \$200,000, they need to pay the \$100,000 residual back to Government.

MR. CHAIRMAN.- You also mentioned they probably want to do away with the TMA system.

MR. P. SINGH.- Yes Sir, we want to actually ascertain what is the efficacy of this TMA's, whether they are fit for purpose and whether they feed the modern day commercial environment.

MR. CHAIRMAN.- Number Four Variance Trust Fund, is this the one, Variance Trust Bank reconciliation and General Ledger are partially addressed, issue remained?"

MR. P. SINGH.- As far as Trust Fund is concerned it is separate, because we say it is restrictive, trust fund is restrictive. What we have noted is that some of the agencies were tapping into this trust fund. We have instructed them that they need to reconcile it. We have partially addressed it but there are still some issues, and these are the issues regarding direct deposits and bank fees. Direct deposits will increase the bank balance, the bank balance has gone up but the GL balance has not gone up because they have not posted the direct deposits. Bank fees will form part of the expenditure.

MR. CHAIRMAN.- The fifth one was “Trust Fund Account not recorded in FMIS - RFMF Project Engineers”.

MR. P. SINGH.- That has been done, we have just addressed that, Chair.

MR. CHAIRMAN.- Let’s move to the next item

MR. P. SINGH.- Mr. Chairman No 2 of the *Audit of 2015 Accounts*, “In the audit report the Ministry of Economy indicates it has already twice undertaken write-off of certain bank account balances because it was felt that the “root cause” for recurring errors was the actual process itself.” The Ministry met with the Ministry of Foreign Affairs and discussed the issue. Following this the Ministry of Foreign Affairs had reviewed its process and have corrected the issue of recording foreign exchange losses/gains as a result of movement in exchange rates for holding bank accounts in overseas. The process in error refers to the accounting entries that the Ministry of Foreign Affairs was recording for the transfer of funds to its missions overseas for its daily operations. The current Finance Manual has been revised on the accounting entries to be made to record the transactions that became effective from 1st August 2016.

Next one, the 2014 audit was conducted in year 2015 and tabled in September 2015 highlighting the issue. The 2015 accounts continued to be processed under the old accounting entries. The process was reviewed and the new process became effective 1st August 2016.

MR. CHAIRMAN.- Sorry, which page are you on?

MR. P. SINGH.- This is for the Ministry of Foreign Affairs. The issue which the Ministry of Foreign were facing from 1st August, 2016 they have this new process in place which will address the recurring issues.

MR. CHAIRMAN.- The issue of write-offs, that will be under control now?

MR. P. SINGH.- Sir, actually it is not write off, it is adjusting entries, I think at that time the term they used was not the right term. They needed to go and find out the root cause and if it was like effects of foreign exchange, they need to just say “What was the effect of foreign exchange?” That was adjusting entry, but they used the term write off. Of course you have to see if your foreign bank account is understated, you need to overstate this so your equity will go up if it is for a different accounting period. If it is for the same accounting period, then you have to see the entries, because there is the stock and flow.

MR. CHAIRMAN.- What they are saying is that it is not actually a loss of money, it is because the balance that was showing in the account say US\$100 would be something else if you look at the exchange rate but you term this as “write-off”, so what is the explanation on that?

AUDIT REP.- It is a write-off if the account balance in the General Ledger is removed - written off, cancelled off, to the equity account.

MR. P. SINGH.- You do not write-off, if you can justify it as to what the issue is then you just adjust it.

AUDIT REP.- If there is a justification, then it is an adjustment. If it is just posting without any justification then it is a write-off.

MR. CHAIRMAN.- When you cannot justify then it is written off?

MR. P. SINGH.- Yes. Mr. Chair, in terms of the valuation of the Fiji Broadcasting Corporation Limited, we have been able to get the certificate. Mr. Chair, you can refer to Appendix 13.

MR. CHAIRMAN.- There was a question about a \$2 company?

MR. P. SINGH.- Yes, so if you refer to Appendix 13, that issue has been addressed, Sir.

MR. CHAIRMAN.- What is the value of this company now?

MR. P. SINGH.- Two hundred thousand.

MR. CHAIRMAN.- Two hundred thousand \$1 shares, Authorised Capital of 10 million shares of \$1 each?

MR. P. SINGH.- The Authorised Capital issued is \$200,000.

MR. CHAIRMAN.- That has been done in 2017?

MR. P. SINGH.- Yes, that has been addressed, Mr. Chair.

MR. CHAIRMAN.- In 2014, it was raised that it is a \$2 company, 2015 it was raised.

MR. P. SINGH.- Mr. Chair, Question 5: Update on the write-offs is there for the Year 2015, these reversals of balances relate to payroll deductions held in trust on behalf of employees.

HON. A.M. RADRODRO.- Just a question on this FBCL from \$2 to \$200,000, why \$200,000 and not \$200,000,000?

MR N. DAWAI.- Mr. Chair and Honourable Member, when the auditors did the third party confirmation FBCL had recognised the \$200,000 in a grant that we had provided earlier for a preliminary feasibility study as equity contribution yet they did not provide us with the share certificate. We had been following up with the share certificate and they have finally provided us the share certificate for the 2016-2017 financial years.

HON. A.M. RADRODRO.- The other Government contribution of \$20 million through guarantee?

MR. P. SINGH.- For guarantee, we do not take as equity.

HON. A.M. RADRODRO.- There was a loan taken secured by Government.

MR. P. SINGH.- If it was secured by Government it is a disclosure but if we give annual grants then it forms part of the grant income. This is a separate grant altogether.

MR. CHAIRMAN.- There has been a guarantee of loan for FBCL, so where is this showing?

MR N. DAWAI.- Mr. Chair, we can provide it at a later date, this was provided for the initial preliminary feasibility study for the setting up of the television studios for FBCL.

MR. P. SINGH.- Mr. Chair, Question 6, the 2015 Audit Report recommends stringent measures should be enforced on ministries and departments to ensure that accurate revenue amounts are reflected at Whole of Government level, can you provide an update on whether this has been addressed?

The issue was raised in relation to RFMF Engineers Project Fund Account that was not recorded in the FMIS general ledger. The following has been done in respect of the account:

- The FMIS General Ledger in trust - cash at bank and liability account (SLG 89) has been opened;
- Separate bank account with the bank exists;
- Authority to operate a trust account has been provided on 19<sup>th</sup> May, 2017;
- The account charter and guidelines have been developed;
- Managed in accordance with the Financial Management Act 2004 and the Finance Instructions 2010;
- The account is maintained for RFMF Engineers to undertake construction work for community, centered projects funded by the Government ministries and departments, non-government organisations and community self-help projects.
- The 31<sup>st</sup> July financial statements of the Republic of Fiji Military Forces will include a statement of receipts and payments as part of the annual financial statements and monthly account reconciliations are performed as any other trust account, Appendix 6 refers.

Mr. Chair, the next question relates to the Government Arrears of Revenue, as far as Arrears of Revenue is concerned a Taskforce is spearheaded by the Ministry of Economy which monitors the arrears of revenue by way of ensuring quarterly reports are submitted on time and agencies implement recovery mechanisms that are workable and effective. In addition, MOE meets with agencies to verify the status of arrears, recovery tools and reconciliation of accounts undertaken on quarterly basis.

Ministries and departments usually send the middle managers to be part of this Taskforce; most of the issues and challenges they encounter are discussed and a solution is proposed for each agency to consider. The responsibility is for the respective Permanent Secretary to ensure the reduction of arrears on an annual basis. A strategy to reduce arrears is to write-off irrecoverable debt aging more than five years. The agency submits request to MOE and is submitted to the

Minister and Cabinet for their approval to write-off. This option is exercised when all avenues for recovery have been exhausted.

Other strategies to be considered include:

- sharing information and resources amongst Government agencies to identify and locate customers;
- implementation of an amnesty;
- Increasing resources to assist in recovery.

These agencies that have significant arrears and revenue include FRCS, WAF, Ministry of Lands and Mineral Resources, Judiciary and TAF as outlined on the next page.

MR. CHAIRMAN.- If this revenue is recovered, it goes to the General Fund?

MR. P. SINGH.- Yes, it is part of CFA.

MR. CHAIRMAN.- A lot of departments have arrears in revenue, where is the breakdown for that?

MR. P. SINGH.- It is on the next page, Mr. Chair, page 21.

MR. CHAIRMAN.- The amount of \$114,998 for FRCS, is that the arrears in revenue?

MR. P. SINGH.- Yes, arrears, Mr. Chair, not collected yet but as far as FRCS is concerned we have discussed with them, FRCS has a robust recovery plan in place. As far as their arrears against their revenue, that has gone down in terms of percentage.

MR. CHAIRMAN.- If someone taxes ....

MR. P. SINGH.- Yes, taxes, but why that figure has been going up is because of the compliance, so once they do investigation they raise it in their books.

MR. CHAIRMAN.- That means they assess tax for someone?

MR. P. SINGH.- They assess taxes than they have to raise it because if you cannot raise it then you cannot issue orders for collection of revenue.

MR. CHAIRMAN.- Water Authority, \$33 million what is that, Water Rates?

MR. P. SINGH.- Yes.

MR. CHAIRMAN.- So much Water Rates owing, we should ask them when they are here. Lands Department, \$21 million, is that for land rent and premiums, et cetera?

MR. P. SINGH.- Yes.

MR. CHAIRMAN.- Judiciary again, the same thing?

MR. P. SINGH.- Yes, Sir.

MR. CHAIRMAN.- Maintenance and court fines.

HON. RATU N.T. LALABALAVU.- Mr. Chair, I have a question on Lands. Noted here, “Age Arrears - 3 months, 6 months, 9 months, 1 year”, the issue I have has to do with the arrears because the leases that the Lands Department or the Ministry give out allows payments twice a year (for the first six months and the second six months).

MR. P. SINGH.- Yes.

HON. RATU N.T. LALABALAVU.- For the first year that is still rent owing not rent arrears but rental owing according to the contract?

MR. P. SINGH.- It is rental owing but in your books it becomes a receivables so receivables is your current assets.

HON. RATU N.T. LALABALAVU.- The contract says “you are allowed to pay twice a year”.

MR. P. SINGH.- Yes, you are right Honourable Ratu Lalabalavu but in terms of your books if you want to assess your financial position if someone is owing you then that becomes your current asset. If that is payable within the next 12 months that is your current asset. If it is more than 12 months that become your long-term asset under the contract, yes. In terms of your finances it is your current assets so receivables.

HON. RATU N.T. LALABALAVU.- Mr. Chair, the problem that I have here is we are talking about arrears. The system allows him to have this rental owing within that one year that in fact is not arrears, the system allows it.

MR. P. SINGH.- The system allows it but if you do not have arrears then how are you going to collect it, you have to first of all have the arrears.

HON. RATU N.T. LALABALAVU.- When it becomes arrears, when you go to court reasonable time is always observed by the court such as three months, six months that again is another addition to the problem we have with arrears. Take away the 10, the three months to the one year, Honourable Chair I believe about \$10 million is the figure that used to be there before, now you have included the rental owing.

MR. P. SINGH.- In terms of accounting, yes, but from a legal perspective if you are given the next six months to pay from your side you may not recognise that you have got a due and it is not due it is overdue because you have given that timeline to pay and from that perspective you are right. From the legal perspective you are right it is not an overdue but it is due. It is due then it is your current asset, it is overdue so it is due and overdue here.

MR. CHAIRMAN.- Just like land rents are usually paid at the end of June and end of December, so the end of June statement will give you about two or three months to pay. If you do

not pay by the end of those three months then it becomes what? At the end of June in your books it will show as arrears if someone pays on 30<sup>th</sup> June it will not show as arrears. If it goes beyond December following year then what does it become?

HON. RATU N.T. LALABALAVU.- What I am trying to say here Honourable Chair is that it is a problem here. How you define this through the accounting definition or the contractual one?

MR P. SINGH.- Mr. Chair, I think it is very good point you have raised. This is a matter of disclosure because it is your general ledger financial report, it is a disclosure that this is due, this is not overdue this is a contractual payment and that particular tenant is paying on time but he has got time to pay so it is not an overdue and it is not a risk for you at this stage.

MR. CHAIRMAN.- The ones who are five years that is the risk?

MR. P. SINGH.- That is the risk.

HON. RATU N.T. LALABALAVU.- I am worried about the quantum here \$21 million, it is like a different picture altogether. Rental is per annum, your mode of payment is twice that is not arrears.

MR. P. SINGH.- It is how it is accounted for in the account but in terms of disclosure we can discuss this with Department of Lands in terms of how best we can disclose it and explain it for the users of the accounts.

MR. CHAIRMAN.- Yes, but in practical terms when someone sees \$21.8 million owing it is a big alarm but then you see that most of that will be paid by the year end about \$12 million will be recovered by the year end so it will come down to \$10 million.

MR. P. SINGH.- Yes, Sir, we will discuss this issue with Department of Lands and see how best we can disclose it or we can have this one as below the line something.

MR. P. SINGH.- Instead of tabling it we can have it as a disclosures.

MR. CHAIRMAN.- I think the Honourable Member is right that the Department of Lands does not look bad that they are not collecting their rent, but it is not that amount, it is more than five years and something else.

MR. P. SINGH.- Mr. Chair, Question 8, in terms of doubtful debts it is important to note that provision of doubtful debts and bad debts is not required under cash basis of accounting. We can provide for disclosure as in notes to the financial statement where debts are doubtful. Ministry of Economy nonetheless have developed a policy in relation to doubtful and bad debts to provide for this disclosure consistently of debts owed across Government. Appendix 19. That is the policy we have developed Honourable Chair and Honourable Members.

MR. CHAIRMAN.- You saying you have developed a policy for doubtful debts?

MR. P. SINGH.- Yes. Question 9, Mr. Chair, on how capital projects are delivered in Fiji. Sir, in terms of the uncontrollable amount it is in-built as in the form of contingency. Uncontrollable can be any format, price, fluctuation or weather which is not quantifiable when the contract is formulated.

MR. CHAIRMAN.- You saying that now you take into account this weather patterns, et cetera, as terms of the contracts?

MR. P. SINGH.- It is always been there, Sir, because normally contract as you see it is the best practice contingency in-built in contracts.

MR. CHAIRMAN.- I think the question was raised by us because in some projects we have seen costs overruns because of unfavourable weather. Actually there was a Rotuma project I think people could not bring the machines back because of bad weather, so those things were taken care of.

MR. P. SINGH.- Mr. Chair, there have been some isolated cases but mostly for capital projects we have this contingency in place. Some of the isolated projects whether the contingency was not correctly quantified those projects we had issues with, because if you see proximity of the project if it is done in the isolated location you need to in-built the right amount of contingency. You need to be very particular about it and at the initial stage you need to do your proper scoping as far as contingency are concerned.

Mr. Chair, Question 10, does the Ministry support the audit findings that capacity development for capital project management should be supported across ministries and departments? If so what has been done about it in the past two years? Since 2016 the Ministry has introduced a Central Coordinating Unit to deal with its capital projects apart from Fiji Roads Authority and Water Authority of Fiji.

MR. CHAIRMAN.- Why not this two?

MR. P. SINGH.- Fiji Roads Authority in terms of their mandate they are responsible for roads, ports, bridges and jetties. The capital projects which does not fall under the ambit of FRA and WAF, it is coordinated by the Central Coordinating Unit.

Next question, does the Ministry agree that engagement of appropriate capital project expertise should be considered? We agree that the engagement of appropriate capital project expertise should be considered and has been implemented since the inception of the Construction Implementation Unit based at the Ministry of Economy beginning in the fiscal year 2016.

Mr Chair, Question 12, Does the Ministry agree that the operating budgets across ministries and departments should be reviewed for any over-budgeting? If so what has been done in the past two years? The review expenditures are done yearly before the preparation of a new budget. All ministries and departments are issued a baseline budget which contains the minimum expenditure based on utilisation rates by ministries and departments. The ministries then review proposals and may make submissions for increase or decrease in request based on their projections. Expenditure estimates which goes to the various consultation processes before the proposal is approved.



HON. A.M. RADRODRO.- Question 10, the capacity development for capital project management. The answer shows the Ministry taken two years to set up this Central Coordinating Agency. Can you give us a brief on how this has improved or in terms of capital development for project management?

MR. P. SINGH.- In terms of the Central Coordinating Unit they work with the set of engineers who have the right skills set. They worked with the set of engineers who actually monitor the projects on the ground and they approve the Interim Payment Certificates (IPC).

HON. A.M. RADRODRO.- That is basically the process, how is it improved on this capital development?

MR. I. SHAH.- In terms of the importance of improvement in 2016 was the inception of CIU. It is very difficult to ascertain the improvement right now because as soon as the unit was formed the Tropical Cyclone came in and we are still struggling rebuilding schools and public buildings, which is a massive exercise. In terms of infrastructure development if there are some roads then Water Authority is on board as well. The budget and planning are ensuring that whatever money that is allocated in that particular budget for the project is not overspend. Tomorrow if the road is completed on the third day you will see Water Authority coming and digging it up again. These are some of the lessons learnt and how best we can coordinate with our infrastructure partners.

Looking at capital projects we have seen some major improvements for example, on the quantity surveying aspect of it, Ministry of Infrastructure and Transport having only one Quantity Surveyor (QS). Having one QS and then you are satisfying 100 payments so basically what happens is this, the payment certificate or the commitment and actualisation of funds of actual projects is very slow in implementing. The question is whether the financial progress is 50 percent or the physical progress is 90 percent. So which one is right? Our main target is to keep the two balanced and having said so we have now outsourced it to appropriate consultants. These are lead consultants, engineers and architects who have come on board and they are contractually binded by the Government by the Ministry of Economy or appropriate agencies to ensure that these are done and we have seen projects are actually being monitored and carried out much better and much faster.

HON. A.M. RADRODRO.- Mr. Chair just a question. Before the setting up of this Central Coordinating Agency, what used to be there in Government that performs this exercise?

MS. M. KONROTE.- Thank you, Honourable Member. Prior to the CIU coming into effect the different ministries managed their own capital projects and mostly in liaison or in consultation with the Ministry of Infrastructure and Transport.

HON. A.M. RADRODRO.- Is this Central Coordinating Agencies still liaising with the infrastructure ministry in terms of capital projects that are undertaken? How does this coordinating agency ensure there is a completion in accuracy in the capital projects that are being undertaken as you mentioned outsourcing? Why outsource when there is a related line ministry?

MR. I. SHAH.- Thank you, Mr. Chair. The reason for outsourcing is to bring about efficiency and effectiveness in handling government projects. With due respect with Ministry of

Infrastructure and Transport what basically happens is we at the Central Coordinating Unit consider Ministry of Infrastructure and Transport as a consultant so they report to us.

Ministry of Economy would call on budget appraisal and for the budget preparation exercises they have to get the Quarterly Progress Report (QPPR) and Capital Budgets et cetera. The agencies are pointing fingers whether MOIT is doing it or not. These are some of the measures that Ministry of Economy has come up with to ensure that the capital projects are really moving forward, it is not undermining MOIT. From CCU we see MOIT as any other consultant. So the same question raised to consultant X, Y and Z why is this project delayed, the same question to MOIT why the project is delayed. It is not a matter of repetition at all. Take for instance if a hospital is to be built in Rotuma or roads are getting upgraded in Rotuma we conduct our appraisal to see where the value engineering is, whether to outsource or give it to a consultant to do it. There will be more risks and definitely those charges will be very high. It is only best to utilise our in-house competent team with RFMF and MOIT combining and get some cost saving. Given that Fiji islands is scattered we have other smaller islands that we want to develop and come up to the same infrastructure development.

HON. A.M. RADRODRO.- Thank you, Mr. Chair. The other question is considering the budget allocation Fiji Roads Authority and Water Authority used to receive a huge amount of chunk of the budget allocation and they are excluded from CCU, why so?

MS. M. KONROTE.- Mr. Chair, if I may, FRA and Water Authority they have their own procurement systems. They do not follow the government procurement system or the regulations. For the rest of all the Government agencies they need to comply with the procurement regulations and any capital constructions that is coordinated by the CIU team.

HON. A.M. RADRODRO.- That is one area to get the work done but the question is based on capacity development getting the people to know better in terms of monitoring, performing the evaluation of the capital projects or doing the actual projects, has an assessment been made to ensure that these particular aspects in terms of capacity development has been made?

MS. M. KONROTE.- Yes, Mr. Chair, with the outsourcing of the project management and the engineering aspects of government construction projects a lot of knowledge transfer is happening at the agency level and also within the CIU so much so that we getting our people pouched by the private sector engineering companies.

MR. CHAIRMAN.- Thank you, the next Item.

MR P. SINGH.- Question 13, Training of the Fiji Procurement Office. The training conducted by the Fiji Procurement Office focuses primarily on the procurement processes particularly the adherence to the legislative requirement governing the procurement process. This includes calling for tenders when value of procurement exceeds the \$50,000 threshold, the procedures for tender from advertisement to awarding, the need of contract vetting and duly execution of contract before the commencement of projects and others. The training emphasizes on the importance of planning given that allocations for procurement of goods and services are known once budget is announced but we note that the trend of agencies rushing in with requests for tender or requests for tender board approval towards the end of the financial year continues. We are of the view that no amount of training will be able to rectify the rush to utilize unspent

budget allocation towards the end of the year and agencies themselves need to improve on this area.

Question 14, Does the Ministry agree with the Audit Office 2015 finding that proper approval should be obtained for redeployment? Every redeployment exercise needs the approval of Cabinet before we execute the transfer of funding from one Head of Appropriation to another Head of Appropriation. After assessment of the expenditure risks, a Cabinet paper is always prepared requesting Cabinet approval to consider the redeployment request given the urgency to implement major unbudgeted commitments which are prioritized by Government. Without the Cabinet approval, no Redeployment of Funds will take place in line with the FMA Act.

The over expenditure in SEG.1 for the Ministry of Education was due to the payment of allowances such as the location allowance. As per the General Orders, it is ministry's commitment to pay the location allowance and the budget given for location allowance for 2015 was not sufficient to cater for all the allowances as per the actual number of teachers posted to remote and very remote schools. This was rectified through the 2016 budgetary process.

The Over expenditure in SEG 2 related to hiring of casuals that were not budgeted for to cater for printing of text books and assisting in Examination expenses as this were ministries initiative that were not budgeted for. The over-expenditure could have been regularized from the savings from other expenditure allocations, although, the Ministry of Education did not request for such.

Question 15, has the ministry followed the Audit Office recommendation to put stringent measures in place to restrict unauthorised utilisation of funds throughout the system, if so please provide details and if not then why not? The FMIS System for non-payroll expenditure are already under Fund Accounting. The payment of salaries is done in the payroll system and not in the FMIS. FMIS is updated only with actuals after the payment is done at the end of each pay period. Currently our payroll system is not under fund accounting. This will be a feature in the software that will be looked into as we are currently reviewing our payroll system with an intent to have a new payroll system. It is an added modern feature.

Mr Chair, Question 16, have all Ministries and Departments, especially those with operating TMAs team has now developed policies for bad debts and built doubtful debt policies for control of amounts applied for write offs? If so, could you provide details of how this has progressed across Ministries and Departments over the past two years? Mr. Chairman, the accounting treatment for bad debts and write offs is included in the policy on Financial Assets and Fund Accounting which was finalised in June, 2017. Circulation and awareness of the new policy will be undertaken by the Financial Policy Advisory Unit in the 2017-2018 financial year. The policy has been developed by the Ministry of Economy for all Ministries and Departments to ensure the accounting treatment for bad debts and doubtful debts is consistent across whole of Government. The policy is appended as part of Appendix 19.

Mr. Chairman, Question 17, the Ministry of Economy would like to highlight the following:

- The accounting heads in the respective Ministries and Departments do not report to Ministry of Economy;

- The accounting heads report to the respective Permanent Secretaries who are responsible authority of their Ministries;
- Ministry of Economy has and will continue to assist respective Ministries and Departments in addressing accounting anomalies;
- Further the status of accounts of respective Ministries and Departments and common accounting or audit anomalies are discussed at the Accounting Heads Meeting which is held on a monthly basis;
- The reversal of long outstanding balances has been facilitated by the Ministry for Economy in 2015 with various follow ups. The onus is on the respective Ministers and Departments to revert assistance of the Ministry of Economy.

Mr. Chairman, if I can move to Question 18, the Audit Office recommended that Ministry of Economy should expedite clear accounting policies, valuation methods and write off policies that can provide accurate information on the value of inventory at any given time.

Sir, in response,

- the inventories are held mainly in respect of the Trading and Manufacturing Activities operated by the respective Ministries and Departments;
- the TMA financial statements of respective Ministries and Departments are prepared, as far as possible on accrual accounting and that required under the Finance Instructions, 2010 under Section 71 (1)(2);
- Inventory valuation is provided for under Section 39 (1) of the Finance Instructions, 2010 based on lower of cost or net reliable value. This fact is adequately disclosed in the management certificate on the annual basis that the financial statements have been prepared in accordance with the Finance Instruction, 2010 for every class of balances reflected.
- The audit report has erred in quoting International Public Sector Accounting Standard (IPSAS) 12 which is an accrual International Public Sector Accounting Standard (IPSAS).

The current accounts for whole of Government financial statements are:

- Prepared in accordance with cash based IPSAS;
- The respective Ministries and Department accounts are prepared in accordance with the Financial Management Act, 2004 and Finance Instructions, 2010;
- The non-financial assets policy has been just endorsed by the Permanent Secretary of Economy and the policy includes the definition of inventory, point of recognition of inventory, basis of management of inventory and the reporting of inventory at reporting date in accordance with FI, 2010. This policy is Appendix 20;
- Additionally there may be need to have an awareness at whole of Government level on the types and methods of inventory valuation which needs to be disclosed. This has never happened in the past and it will be a new initiative of Government considering that we will need to train and build capacity of accounts staff on how to value it and report inventory.

Mr. Chairman, Question 19, has the inventory management system been adopted and if so, can you please provide details of its implementation over the past two years? The Ministry of Economy with the assistance of development partners is in the process of assessing whether the existing FMIS System needs to be upgraded or replaced. The inventory management system is one of the key modules that will be considered either with a systems upgrade or replacement. In addition, the purpose for the operation of TMAs is now under review to see if this is needed or has

“outlived” its intended purpose before we make the decision to get the inventory module. It is part of Appendix 15.

Mr. Chairman, Question 20, has the Ministry of Economy liaised with Fiji Institute of Accountants on Government’s plan to adopt IPSAS and if so what are the consequences of these discussions? The adoption of cash based IPSAS was endorsed by the Cabinet on 20<sup>th</sup> July, 2010. It is part of Appendix 16. As per the advice of the Office of the Solicitor General, the following refers:

- The Fiji Institute of Accountants Act (FIA), 1971 and the FIA Accountants Rules, 1998, does not have any requirement for FIA to be consulted on the adoption of IPSAS and similarly for the FIA to give any endorsement for the adoption of IPSAS;
- Financial Management Act (FMA), 2004 encourages that financial statements be prepared in accordance with internationally accepted accounting standards and policies. The adoption of IPSAS is thus, in compliance with the FMA, 2010.

HON. A.M. RADRODRO. - The question in terms of IPSAS, we have just looked at the arrears it says IPSAS is a cash based accounting and then the arrears is sort of accrual based, so how do you.....?

MR. P. SINGH.- It is included as part of disclosure. IPSAS allows for voluntary disclosures. It is cash based IPSAS because the intent is to move from cash to accrual, but cash based IPSAS allows for those additional disclosures on accrual system but it will be part of the disclosures.

HON. A.M. RADRODRO. - I think that is where the line of questioning comes through because you have IPSAS in Government as a whole of Government, then you have the FIA with its own standards, then you have all the other municipalities and arms of Government which reports separately, so there is a bit of disconnection in terms of the whole of Government reporting. Do we have the different standards for FIA, Government and then the other different standards for municipalities and provisional counsels for that matter, so that is where the line of questioning comes in, it looks like all are adopting different rules for their own reporting purposes.

MR. P. SINGH. - Thank you, Mr. Chairman, a very important question you have raised. As far as IPSAS is concerned it is for organisations which has not got a profit charter. The conceptual framework for entity which is using IPSAS is different from a profit chartered entity. IPSAS is for entities whose major objective is service delivery. As for municipal councils they should also adopt IPSAS. If you see the international bodies like United Nations, all these bodies adopt IPSAS.

That has also been the recommendation from PIFTAC, what our intent is as I highlighted earlier our immediate plan is to have IPSAS training at agency level; we are starting at the last month of October, PIFTAC is supporting that, and that is part of the central Government. As part of the general Government, as the Honourable Member has raised the very important point, in terms of training the municipal councils that is a medium term focal but it is very important if you want to have the general Government department. As far as the central Government, agencies needs to be trained on that.

Mr. Chairman, Question 21, has the Ministry agreed that FMIS System be closed for any further entries while the Agency Financial Statements are submitted for audit? Is this now common practice, if not, why not? We do not permit accounting entries to be recorded after the submission of Financial Statements to audit. For the last financial year, we had worked with the respective Ministries and Departments to ensure that balance day adjustments are properly carried out. Should anomalies be identified after the draft accounts are submitted to OAG, then adjustments will only be made in consultation with the audit office. It is only the audit adjustments that is accepted after the accounts are closed.

Question 22, yes, we do agree with this. Ministry of Economy has been liaising with the accounting heads to table a complete Annual Report to Parliament. This also forms part of the criteria of performance assessment for respective Permanent Secretaries.

Question 23, are all Ministries and Departments now properly reconciling on a monthly basis with FMIS? Ministries and Departments have improved in reconciliation from what was the status back in for the financial year, 2014. Continuous reminders are sent to accounting heads and also memorandums to the respective Permanent Secretaries of those Ministries that do not submit their reconciliation on time. Over the years we have improved coordination in this area and the Ministry of Economy will continually strive to help the respective Ministries and Departments improve via our oversight role. Mr. Chairman, some Ministries still need to improve.

Question 24, do you agree with audit recommendation to the Ministry of Economy that they should investigate and rectify the total variance of \$297,294 as at 31 December, 2015? Ministry of Economy had already identified the reasons for these variance in December, 2015 drawings reconciliation and these were highlighted to the respective Ministries.

Ministry of Fisheries and Forests [Variance of \$216,033 between the bank reconciliation and general ledger], the Ministry accidentally voided the cheque in the system, returning the allocated funds into the expenditure. However, the cheque was presented in the bank. By the time this was realized funds was not available in the expenditure allocation to post the expenditure. Virements could have been done to regularize this, however, the Ministry of Fisheries and Forests did not approach this course of action to record these in the general ledger. Sir, we have requested a feedback from the Ministry of Fisheries and Forests and they have given us a feedback but again, as a caveat, Chair, this issue needs to be investigated by the Internal Audit Division.

Sir, the next one, Meteorological Services [Variance of \$66,372 between the bank reconciliation and general ledger], the bank incorrectly debited EFT payments to the Meteorological Services drawings account. This was later rectified by the bank in year 2016. Mr. Chairman, for this we have got the evidence, the bank had erred and they reversed. The bank statement is also included as part of the Appendix.

Mr. Chairman, Question 25, do you agree with the Audit recommendation that the Ministry of Economy should closely monitor month end drawings reconciliation, and ensure that agencies appropriately address errors and discrepancies in their monthly reconciliations before the next reconciliations are due? As per the advice of the Office of the Solicitor General, the Permanent Secretaries of respective Ministries and departments are responsible for the efficient, effective and economical management of the Ministry or any department under the Ministry as per section 127

of the Constitution of the Republic of Fiji. However, as per our oversight role, we do follow-up with ministries on the reconciliation of their drawings account but again the onus falls on the ministries who should be raising journal entries as they also know the correct expenditure accounts that should be affected.

MR. CHAIRMAN.- Honourable members, those are the answers to the questions that we raised earlier. What I intend to do is should we have any further questions or general questions regarding these two accounts, we will ask you to come back at a future date. Any further questions that remain, almost time now.

HON. A.M. RADRODRO.- A small question in terms of investments of Government, the listings that were provided in the accounts. Probably Auditor General can also advise us on this, the investment in Fiji Electricity Authority is not even recorded. Is there any reason why the investments of Government in Fiji Electricity Authority is not recorded in the Audit Report?

MR CHAIRMAN.- Is Government investing there or they are just guaranteeing the loans?

MR. P. SINGH.- Mr. Chairman, it is an important point raised by the Honourable Member, as far as FEA is concerned it is a corporate statutory authority. What is reflected in Appendix 9, is Government commercial companies, now we have separated the regulatory authority from the Commercial functions so it is opportune time now to record that investment in the book once it has that commercial function.

As far as statutory authorities are concerned, it is not part of Appendix 9, it is only Government Commercial Companies. But FEA is a bit unique because it had that Commercial Charter. But now it had both commercial and the regulatory charter now that has been separated so it is an opportune time to record, but we need to get the fair value as far as the evaluation of FEA is concerned.

HON. A.M. RADRODRO.- So it is not recorded because of its...

MR. P. SINGH.- It is a Corporate Statutory Authority (CSA).

HON. A.M. RADRODRO.- CSA. So is Post Fiji also a part of this?

MR. P. SINGH.- Post Fiji is a Government Commercial Company.

HON. A.M. RADRODRO.- And Airports Fiji Limited?

MR. P. SINGH.- Yes. Government Commercial Company.

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

OAG REP.- On two points, Number 18, there is a statement there that we erred in quoting IPSAS 12, it is standard. The accounts for Whole of Government says it is on an accrual basis so they report both on cash information and some accrual Information. As long as you move away from cash to accrual information then the relevant standard is the accrual standard, there is no hybrid standard. That is why we are quoting that, and we stand by our decision to quote this.

MR. CHAIRMAN.- So audit report as you say has not erred, you are saying in IPSAS, but because both are in use cash and accrual.

OAG REP.- Because when you practice accrual then there is a standard you have to relate to, the only relevant standard for public sector agencies is IPSAS. I mean International Financial Reporting Standards (IFRS) can apply but more relevant is IPSAS.

Second one is on page 21, on the arrears of revenue just a clarification and maybe to assist, this is the form of reporting done at Ministry level they report on a cash basis so for them it is on cash basis, use the service you pay, that is why they have reported things that have not been paid.

MR. CHAIRMAN.- Like with the land rent it is a cash system, if it is paid on the date it is captured.

OAG. REP.- If you are given six months to pay, after the end of the year, then we can say maybe six months is current, from nine months downwards that could be arrears..

MR. CHAIRMAN.- We take that point. What we will do because it is over time, we will review these reports then we will assemble again should there be any further questions. With that I thank the Ministry of Economy and the Auditor General's Office, also the Audit Unit and all the staff present. Any final comments PS before we close.

MS. M. KONROTE.- None from our side Mr. Chairman, thank you very much.

MR. CHAIRMAN.- Alright. Thank you so much members.

The Committee Interview adjourned at 1.00p.m.