**VERBATIM NOTES OF THE PUBLIC ACCOUNTS COMMITTEE MEETING HELD AT THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS, ON THURSDAY , 13TH APRIL, 2017, AT 9.30 A.M.**

**Interviewee/Submittee: Parliament of Fiji**

In Attendance:

1. Ms. Viniana Namosimalua - Secretary General to Parliament
2. Ms. Jeannette Emberson - Deputy Secretary General
3. Ms. Atelaite Rokosuka - Director Corporate
4. Ms. Miriama Vereivalu - Manager Finance
5. Mr. Sarwesh Narayan - Senior Accounts Officer

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DEPUTY CHAIRPERSON.- Whilst we wait for the copies of written submission, I would like to just take this opportunity to thank and convey our appreciation to the Officials representing Parliament Office this morning; a very good morning to you all. It is an honour to see that one of the highest authorities and institutions in Fiji is led by a woman so this is a very good empowerment message to any nation, not only Fiji. On that note, I would like to once again thank and welcome the gentleman and the ladies who are representing Parliament before us this morning.

Of course, the Officials from Parliament are aware of us, Honourable Members, so there is no need for us to give our introduction, and you are also familiar with your secretariat staff. For your information, let me just introduce the other Officials who are present here. On my far right are the Officials from the Ministry of Economy (MOE) and on my far left are Officials from the Office of the Auditor-General (OAG), who are always here to give us assistance, guidance and advice in regards to certain issues we come up with during the submission. So, without further ado, with this short introduction, I would like to give the opportunity to Madam Secretary-General to introduce her team and then she can move on with her submission.

MS. V. NAMOSIMALUA.- Thank you very much, Deputy Chairperson, for those very nice words about women in leadership.

We are appearing before you for the second time and accompanied here by Senior Executives who will assist in providing clarification on some of the questions that are going to be asked by the Committee Members.

I wish to begin by saying that in 2015, the budget and the operation of Parliament Office was administered by the Office of the Secretary-General.

Part A: Financial Statement. 12.1 - Audit Opinion; the 2015 accounts of the Parliament Office resulted in the issue of a qualified audit report and you would have seen the basis of that. If I were to repeat, that was the fact that expenses totalling $7,612,055 incurred by the Office in 2015 was not classified into the respective expenditure groups from SEGS 1to 13. Therefore, the full financial information as expressed by the auditors was not disclosed to the users in the Statement of Receipts and Expenditures.

12.2 - Statement of Receipts and Expenditures; the total expenditure in 2015 was $2,503,785 or 49 percent in 2015 compared to that of 2014. The increase was attributed to the increase in staff establishment from 47 in 2014 to 96 in 2015, and an increase arising from claims for subsistence allowance and overseas travel expenses for Members of Parliament and the secretariat. In addition to

that, there were also increases in the procurement of office equipment, furniture, office supplies and minor building maintenance works.

12.3 - Appropriation Statement; the Parliament Office incurred an expenditure total of $7,612,055 and 2015 again, a revised budget of $8,888,000 to $134 million, resulting in a savings of $1,276,179 or 14 percent of the budget.

Part B: Audit Findings. 12.4 - Budget Appropriation Classification; the Parliament Office noted the audit issue and the supportive recommendation from the Office of the Auditor-General. Our response; we affirm that we support and acknowledge the purpose of SEG 3 as stated in paragraph 3 of the Audit issue, however we believe that this was an issue to be addressed by the Ministry of Economy’s Budget Division and FMIS. Since we were given a one-line budget and the advice given to us was how we spend was up to the Office of the Secretary-General in terms of the distribution and how money was going to be spent.

Given the one-line budget, for the first time in 2015, payments were reflected under one allocation, that is, under Operating Grant in the FMIS system. For ease of recording, reconciliation and control of expenditures in the budget entrusted to us, the Department however, maintained a manual expenditure ledger in 2015, distributed into SEGS 1 to 13. Although this was done, it did not capture every detailed spending as expected. The Department ensured that this recording system was improved in 2016 which we had done, with all details disclosed as required.

We also wish to point out that the budgetary provision for each expenditure item is not a fixed amount but subject to the quarterly review, depending on the Department’s current and forecasted spending, given that this amount is given under RIE. The Office of the Secretary-General to Parliament acknowledges the assistance of the OAG to officially inform the MOE of the error and adjust accordingly. So, we note the audit recommendations and we have assured that we will ensure proper processes and improvements are made and mechanisms to curb issues from recurring in future audit reports. Thank you very much, Deputy Chairperson.

DEPUTY CHAIRPERSON.- Thank you, Madam Secretary-General.

Honourable Members, are there any questions? I know that there was only one issue and not a very pertinent one, just something minor that the OAG has identified, but should you have any question in relation to the issue, you are most welcome to ask.

HON. A.M. RADRODRO.- Deputy Chairperson, I thank the Secretary-General for the very brief and well prepared responses to the Audit findings. I have a question in relation to statement of receipts and expenditures. In 2015, as noted, an increase to $7 million but that was in line with the budget that was given in 2014. But what is specifically noted is the continuous savings from the Secretary-General’s Office from 2014 and 2015. Why is it that the Parliament Office is not fully utilising this allocated budget and why is it that has been driven by savings?

MS. M. VEREIVALU.- Thank you, Honourable Member. The savings in 2015 was the first year that Parliament was in full operation so the savings was mostly in SEG 3 where there was less spending in terms of the travel by Members of Parliament and also secretariat both, local and overseas travel. The most savings was in SEG 3 which was about $276,000, also in SEG 2 because we had only 19 unestablished staff which resulted in a savings of $64,000 and in SEG 7, there were not much Committee sittings so there was a savings of about $311,000.

HON. A.M. RADRODRO.- A supplementary question to that, Secretary-General, these savings would that impact on how the future operations of Parliamentary travel and meetings affect the exercise or the work done by the Parliamentary Committees when there are savings done in this particular year?

MS. V. NAMOSIMALUA.- Honourable Member, thank you very much for the question. That was for 2015. In terms of savings in the future, there are more activities now in 2016 and 2017 and I am sure those would been utilised for those purposes.

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

MS. V. NAMOSIMALUA.- We cannot say that but it could be. There could be savings but probably a lesser amount or more.

DEPUTY CHAIRPERSON.- I am sorry, you still continue?

HON. RATU S.V. NANOVO.- Thank you, Deputy Chairperson. I just want to redirect our attention to 12.2 - Statement of Receipts and Expenditure. Why are we different from all other Government Departments, in that, our budget are not really been divided into the required SEGs it should be put into and just concentrated only in one SEG as stated in this report? Why are we different from them?

MS. V. NAMOSIMALUA.- Thank you very much, Honourable Member for the question. I think that is the decision that was made, we do not decide whether we are one-line or whether we are going to have divisions or distributions of our budget. It is something that is given to us. It just like any other agency, such as the Supervisor of Elections Office, they also have a one-line budget.

Of course, we account for what we spend because it is under ‘R’ which is RIE. We have to account for what we spend and for our forecast, we have to inform them of how we are going to spend this money and that is done quarterly. Thank you.

HON. RATU S.V. NANOVO.- It has been given to you initially but why can you not? When you reported this expenditure, why can you not put them into the relevant/required SEGs after working out what have you used during the 2015 budget?

MS. M. VEREIVALU.- Thank you, Honourable Member. In 2015, given the one-line budget when we submitted the Agency Financial Statement, we reflected the expenditure only in SEG 6, according to the FMIS. However, we did maintain a manual ledger which we later revised and distributed spending between SEG 1 to SEG 13 and submitted to the Auditor.

OAG REP.- Deputy Chairperson, through you, we are just in the process of finalising the 2016 Audit for Parliament and in the 2016 account, Parliament has reported into different expenditure groups. If I could also comment on that earlier statement on this because the 2015 account was qualified.

What we had discussed with Parliament then was to reflect the expenditure in how it was spent because the uses of the financial statement, the public, would just think that $7.6 million was operating grant. So, we really cannot say from the statement, how the funds that was allocated to Parliament was used so that is why it was qualified.

However, in the 2016 financial statement this has changed, Parliament has distributed the expenditures into various transactions on how it was used whether it was for salaries and wages, travel and communications, so that is how it has been reflected in the 2016 financials.

HON. A.M. RADRODRO.- How did the MOE deal with such a grant exercise?

MOE REP.- Thank you, Deputy Chairperson. As with other independent bodies, the Office of the Secretary-General to Parliament is an independent body, likewise as mentioned Elections Office. Therefore, a one-line item is given where we just give the funds and then they will administer it.

HON. MEMBER.- (Inaudible)

MOE REP.- I believe it started in 2015.

HON. A.M. RADRODRO.- When you give out this budget, do you provide explanations on how they should be treated rather than being picked up by the auditors?

MOE REP.- Yes, during the budget consultation the year prior to that, they would have come up with their submission on how they would want to spend this money so in totalling all up, that is what was given to them. To be spend in those areas of this and that they would spend it in.

MR. V. NAMOSIMALUA.- Deputy Chairperson, if I could just make a comment, either way we have to be accountable for the expenditures that have made because under RIE, we have to account for what we are spending. So, it always goes back to the MOE and to check how we have spent that particular allocation. Even though it is decided by the Secretary-General, we are accountable always quarterly because it is under ‘R’ and we have to look at our forecast and our planning in terms of how we are spending taxpayers’ money.

DEPUTY CHAIRPERSON.- Any more questions? As I said, anomalies are not identified a lot, it is just the way in which the accounts are to be prepared and submitted. That is the only suggestion.

Just the last comment as per the written submission of Parliament, if I could get a comment from the OAG? It says, I quote; “The Office of the Secretary-General to Parliament acknowledges the assistance of OAG to officially inform Ministry of Finance of the error and adjust accordingly.” Can I just get some feedback on that?

MOE REP.- Deputy Chairperson, I think it is not because THE MOE when the budget is given to Parliament, it came in a one-line item so it is not an error for the MOE to resolve. It is how Parliament should report the financial statement, how the expense should be reported instead of putting it as a one-line item. You have done that for 2016, so that has been resolved.

Deputy Chairperson, through you, it is something new because we are facing the same thing with Election Office. If I could make a comment, probably, when these things are done, the MOE could provide Ministries and Departments with how they should report this because they will just report their financials according to how the agency financial statements are reported. This is something new and I think the financial report will improve in future because the utilisation of the funds that is given to Parliament is on the discussion of the Secretary-General.

The Secretary-General can decide how you report on the nature of expenses that you report whether it is according to the SEGs that Government uses or it is something that even the OAG is trying to find that out from entities with one-line budget, how they should be reporting their financial statement. For Parliament, it is an improvement for 2016 because they have gone back to reporting under different SEGs. I believe it is from the manual records that they have maintained because if you go to FMIS, you will just find the one-line item. So, they have drawn their financial statement from the manual records they have maintained, and we hope that financial reporting for these entities will improve in the future.

HON. RATU S.V. NANOVO.- Still on that Deputy Chairperson, I just want to know whether Parliament will be just given a one-line budget that is done in 2015 in the future years or how will you…..

DEPUTY CHAIRPERSON.- I think on that question, as Madam Secretary-General has alluded to earlier, when they proposed the budget for Parliament to the MOE, they provided all the details of income and expenditure. I mean, this is not a question or a statement out of conflict of interest but this is what I have noticed with other departments as well. They give all the minor details when they ask for a particular allocation or budget. All the expenses and expenditures are very well laid out, given to the MOE subject to their approval. So, I think that is basically what you are asking and I think that has been addressed, anyway.

HON. RATU S.V. NANOVO.- Still on that, Deputy Chairperson, what I am saying is, when they did request this amount from MOE, they did set that out in all those SEGs, out of which they came up with the lump sum. Why can they not put it that way?

MOE REP.- Thank you, Deputy Chairperson. As I had said earlier, the Office of the Secretary-General to Parliament is an independent body under the Constitution. For those independent bodies under the Constitution, we gave them one-line item similar to Elections Office. Other Government Commercial Companies, we just give them a grant, like FRCA general constitution that is an independent body. So, we just give them a one-line.

HON. A.M. RADRODRO.- Probably a question to MOE and OAG, this is a new initiative and the audit issue talks about your reporting requirements in terms of budget appropriation. If you say that it is one line coming from MOE and reporting back is one line, the audit issues that you raise here is basically not necessary.

OAG REP.- Deputy Chairperson, through you, from the Auditor-General’s point of view, it is how Ministries and Departments report to the public because the public will look at the statement of receipts and expenditures. It was not used for operating grants and transfers. On a certain point, the Parliament did not give out $7.6 million as an operating grant so that is where the Auditor-General is coming from and that is why the Agency Financial Statement for Parliament in 2015 was qualified.

DEPUTY CHAIRPERSON.- To cut it short, do we get confirmation that the reporting system has changed now for 2016 as per your recommendation?

OAG REP.- For 2016, Parliament has reported according to the different SEGs.

HON. MEMBER.- (Inaudible)

OAG REP.- They are reporting in the Agency Financial Statement that was submitted to the Auditor-General for audit.

DEPUTY CHAIRPERSON.- I think this issue has been resolved. Any further question, Honourable Members?

We will conclude the session for now so we would love to hear any final comments from Madam Secretary-General. On behalf of Public Accounts Committee, I wish you and your team a very happy Easter.

MS. V. NAMOSIMALUA.- Thank you very much, Deputy Chairperson. Thank you for the opportunity to sit before you again for the second time. What we want to say from the Secretary-General’s Office and the Department of Legislature is that, we are accountable to the taxpayers’ money and we will account and will be transparent before you as a Public Accounts Committee. So, there is nothing that we will want to hide in terms how we spend taxpayers’ money. We have come to you with that in mind. Thank you very much. We wish you all the best for Easter, *Vinaka.*

The Committee adjourned at 9.55 a.m.

The Committee resumed at 10.55 a.m.

**Submittee: Ministry of i-Taukei Affairs**

In Attendance:

1. Mr. Naipote Katonitabua - Permanent Secretary
2. Mr. Tomasi Volau - Director, Corporate Services
3. Ms. Ilisapeci Tamanisau - A/Director, Development Services Division
4. Ms. Sogovava Tuisawana - Principal Admin. Officer (Monitoring)
5. Ms. Loraini Lagi - Senior Accounts Officer
6. Ms. S. Matakibau - Principal Accountant

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DEPUTY CHAIRPERSON.- Honourable Members, members of the secretariat, Officials from the Office of the Auditor-General (OAG) who are seated on my far left and Officials from the Ministry of Economy (MOE), and in particular we acknowledge the presence of Officials from the Ministry of iTaukei Affairs.

On behalf of the Public Accounts Committee, myself as Deputy Chairperson, and other Honourable Members, I welcome you all to our submission for this session. Let me just very briefly introduce the Honourable Members of the Committee and then I will give the opportunity and honours to the Permanent Secretary (who himself is representing the Ministry), to brief us with the introduction of their Officials who are present here with us, as well as an update (introductory information) about the Ministry itself.

(Introduction of Members of the Committee)

Sir, I welcome you once again and I was just very briefly going through your written submission. What I can infer is that, there are less anomalies and issues which have been addressed, so I would like to just convey my appreciation for the hard work your Ministry has been doing in rectifying your accounts. I would like to give the floor to you now, to introduce to us your team and take us through your written submission.

MR. N. KATONITABUA.- Mr. Deputy Chairperson of the Standing Committee on Public Accounts Committee, I thank you for the warm welcome and the warm greetings this morning.

(Introduction of members of the Team)

We are delighted this morning to come and provide comments with regards to the questions being raised in our 2015 Budget and the Audit statement.

Deputy Chairperson, as in the Parliamentary Paper, there are two parts of the questions: Part A - Financial Statement and Part B - Audit Findings. Let me start off with Part A - Financial Statement.

5.1 – Audit Opinion; the Ministry of *iTaukei* Affairs’ financial performance is in full compliance with the Financial Management Act of 2004 and the requirements of the OAG. This also refers to the procurement payments receipts and the balance receipts of the Ministry, that is addressed here.

On Part 5.2 - Statement of Receipts and Expenditure; the Ministry has highlighted the revenue collected for the 2015 financial year which include the bond recovery and agency revenue. Those are fees and charges that are being received from the DVD sale, the VKB printing, and other payments - FEA payments, and the refund of accountable advances.

Deputy Chairperson, this statement also reflects the total expenses incurred from Operating and Capital Expenditure for 2015, which is also attached in Appendix A of this submission.

5.3 – Appropriation Statement; Deputy Chairperson and Honourable Members of the Committee, this reflects the summary of all items from the three activities of the Ministry in the SEG level. This refers to the total Budget Estimates for the 2015 financial year and its total expenditure.

There were no redeployment of the Ministry’s funds during the year, hence the appropriation movement between the Budget Estimate and the Revised Budget Estimate in SEG 1. We also have attached in this submission, the statement that was provided during the Parliamentary submission that was made.

Part B: Audit Findings. Deputy Chairperson and Honourable Members of the Committee, we have two issues.

5.4 - Scholarship Bond Recovery and Balances; again, this continues to be our biggest challenge within the Ministry because we cannot provide the balance owed to each absconder. You may know that the Scholarship Unit was transferred to the Tertiary Scholarships and Loans Board (TSLB) Office in 2014.

Even though these files were transferred to the TSLB, the accounts still remain within the Ministry of iTaukei Affairs. However, these accounts on the bond recovery full account is being controlled by the MOE. We have been liaising closely with the Permanent Secretary for Economy and the Chief Accountant for the transfer of these accounts to the MOE. It is not within our books and it is not being part of the audit query in the future submission.

In the 2014 transfer of the Scholarship Unit to the TSLB Office, we have been receiving payments, according to the Bank Statements, from only three absconders and they are Leone Vadei who is in New Zealand; Ratu Ilaitia Delasau, also based in New Zealand; and Vasemaca Aditukana, who is currently employed in Government Shipping.

In the accounts itself, Deputy Chairperson and Honourable Members, by 31st December, 2015, there was a balance of $600,330.73 in the account. As I had said, this account is fully controlled by the MOE. We have noted in the statement that on 12th May, 2016, there was a withdrawal done by the MOE of $500,000 and the current balance is $100,330.

There were some additional payments made from May 2016 until todate which leaves a balance of $134,075.80. They also have identified for future reference provided the bank details which at the moment, we are currently liaising closely with the MOE to be shifted into their accounts.

For your information, Deputy Chairperson and Honourable Members, when we transferred those files to the TSLB, we had a list that is here with us and also in your Appendix, the names of our scholarship holders at that time. I am sure by now, there should be a reduction in balances and that can be obtained from the TSLB.

5.5 – Grants Provided to I-Taukei Affairs Board; Deputy Chairperson and Honourable Members of the Committee, we normally have a grant agreement between the Ministry of iTaukei Affairs and the iTaukei Affairs Board. The approved grant for 2015 was $5.5 million and in the Appendix is the Agreement that was signed before the grant was disbursed to the iTaukei Affairs Board.

We have noted there was an increase in the grant in 2015 from 2014. This was mainly due to the increase in the allowances for the *Turaga ni Koro* and the *Mata ni Tikina* allowances, and also the allocation for personal emoluments of 250 staff within the iTaukeiAffairs Board.

Provided in the Appendix are the increases that were made before 2014 where the *Turaga ni Koros* were receiving $50 but from 2015 till now, they are now receiving $75 monthly allowances and again on the *Mata ni Tikina* allowances. For the *Mata ni Tikina* in the rural areas, they were receiving $40 before but in 2015, it increased to $65 and those in the urban areas (in villages that are located nearby) receive $58 from the $33 on a monthly basis. So that is why there was an increase in the grant to the iTaukei Affairs Board in 2015.

I think this has been a recurring issue with this Committee on the unaudited accounts. May I request Sereana from the iTaukei Affairs Board to inform you where we were in our last presentation to the Committee, I think, four or five weeks ago.

MS. S. MATAKIBAU.- Deputy Chairperson, on the update of the annual accounts, I believe in the March update of our response, we had provided an update that the Ministry was able to submit 82 annual accounts against the targeted submission of 89, nine accounts were pending. However, in the current status to-date, we have managed to submit the 89 accounts as targeted and as presented in the March meeting which is tabulated there in the table below.

In the submission target for 2017, the Ministry targetted to submit 93 annual accounts for this year and the target dates for submission are also stipulated therein. For the 14 Provincial Councils from 2008 to 2010, we targeted to submit all of those by 31st July, 2017. From 2011 to 2013, the target submission date is 31st December, 2017, a total of 42 accounts and also for the iTaukeiAffairs Board, 2008 to 2012 by 31st July, 2017 and 2013 to 2016 by 31st December 2017, Sir.

DEPUTY CHAIRPERSON.- Thank you, Madam and PS, for a rather detailed and comprehensive submission. Is that the end of your submission?

MS. S. MATAKIBAU.- Yes, Sir.

DEPUTY CHAIRPERSON.- It also constitutes a breakdown of the information that was highlighted as per the Auditor-General’s Report.

Honourable Members, the floor is now open for questions so if you have any, you can take this opportunity to address your questions.

Whilst the Honourable Members are thinking of their questions, on this note, I would just like to say our appreciation for the fact that you have been able to achieve your targeted outcome of 89 accounts. I know that in the first meeting we had last year, you did make us a promise that you will be submitting all these accounts. I think the last time this year when the Ministry came, there were 82 that were already submitted and now, we can see that in a short span of time, all 89 accounts have been prepared so that is a very good indication of the efficient work your Ministry is doing in regards to getting all these accounts submitted to the OAG.

Honourable Members, any questions?

HON. RATU S.V. NANOVO.- Deputy Chairperson, first, I would like to thank the team from the iTaukei Affairs Board for the presentation done so far. My question this morning is directed to the MOE and I want to refer them to Table 5.3 - Scholarships Bond Recovery Account Balances which is on Page 5. I think from the Ministry’s comments, they have been requesting the MOE to speed up the process of trying to take over all the loans accounts with them but why has it taken so long for you to adhere to this request?

DEPUTY CHAIRPERSON.- Are you referring to the audited report?

iTAUKEI AFFAIRS REP.- Deputy Chairperson, these moneys are bond recoveries for scholarships and this was initially set up as a Government Consolidated Fund Account which means all the revenues, all the recoveries that were made would have come into this particular account. Since it is a Consolidated Fund Account, the Ministry of Economy has direct control of it in as far as withdrawals. While the recipients may deposit moneys in there, it is the MOE who has the authority to withdraw, therefore, this money is still with us and it will continue to be with us.

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

MINISTRY OF iTAUKEI AFFAIRS REP.- For the transfer of the posting accounts, that will be done by the MOE, to transfer it out of the iTaukei Affairs to reflect the MOE, but in far as the bank balances, the bank account itself, it is with the MOE. It is just the posting of the Accounts ledgers, that should be regularised within this year.

HON. A.M. RADRODRO.- I just like to thank the Ministry for the submission and also the commitment made in addressing the outstanding annual accounts. From the table that has been submitted, trying to submit the other outstanding accounts up to 2008, 2009 and 2010 and while in the process of addressing this, are there any other ways that the Ministry will venture into, to ensure that they comply within the timeline of reporting going forward the audited accounts? I note that you continue to give the grants, despite the delayed submission of audited reports so are there any other measures apart from you trying to clean up the outstanding issues?

MR. N. KATONITABUA.- Through you, Deputy Chairperson, thank you, Honourable Radrodro, for the questions. I think in our last PAC submission, we also highlighted the new system that we had recently acquired. Right now, our team has been working closely with the committee that was established to make it on a programme with the 14 Provincial Council Offices. That has been progressing very well and through that new system and again, our team in the office, we are confident that we can deliver what is in our plan for 2017.

DEPUTY CHAIRPERSON.- I believe there are no more questions and when there are few questions, that means the Committee is very well-satisfied with the submission and, of course, within the submission, how the issues have been addressed and rectified and resolved. So

I thank you once again, Ministry Officials, for your hard work and the efforts you have done, particularly in regards to the submission of the Provincial Office accounts which was an issue of concern. Nonetheless, it has been resolved. Definitely, the PAC Committee will await these Reports to be tabled in Parliament so that we can call in the provincial councils individually for their submissions, and then we can get the opportunity to hear what they have to say as to what has been highlighted in the audited reports.

On that note, I thank you once again and your team for availing yourselves in such a short notice and we are very thankful and grateful for that. My final comments from the PAC Committee is, continue the good work that you have been doing under your administration. On behalf of the Committee, I wish you and your team blessings of the Easter holidays.

Any final comments, Permanent Secretary?

MR. N. KATONITABUA.- Deputy Chairperson and Honourable Members of the Public Accounts Committee, I, on behalf of the Ministry, would like to also acknowledge and thank the Committee for today’s deliberation. We are looking forward to our next invitation to come and provide any clarification that the Committee needs from the Ministry and from the Board.

We also would like to convey our best wishes to the Committee for a blessed Easter weekend. Thank you.

The Committee adjourned at 11.18 a.m.

The Committee resumed at 12.06 p.m.

**Submittee: Ministry of Industry, Trade and Tourism**

In Attendance:

1. Mr. Shaheen Ali - Permanent Secretary
2. Ms. Joy Khan - Principle Accounts Officer
3. Mr. Ravi Chand - CEO, National Centre for Small and Micro Enterprises

Development (NCSMED)

1. Ms. Virisila Tuimanu - Acting CEO, Real Estate Licencing Board (REALB)
2. Ms. Mereani - Acting Senior Economist (MITT)

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DEPUTY CHAIRPERSON.- *Bula vinaka* and a very good afternoon to you all, in particular the Permanent Secretary for Industry, Trade and Tourism. I welcome you, Sir, PS, and your team to the meeting of the Public Accounts Committee (PAC).

For 2014, there were no issues, which is a very good reflection on your Ministry that everything is up-to-date and even for 2015, as we were going over the audited reports, there are very few issues as well, so that indicates the overall performance of the Ministry with the audit requirements and, of course, very efficient when it comes to the finances of the Ministry.

Without further ado, Sir, I would like to give this opportunity to you to make your submission. I believe you have informed the Committee that the written response to your submission will come to the Committee later which we accept, you might have your reasons but nonetheless as long as it comes as soon as possible, we would be happy to look into that.

I will give you the opportunity now to introduce yourself and your good team and afterwards, perhaps you can take us through your issues and after you have finished with your submission, if possible, if we have some questions with us, we will be directing the questions as and when the need requires. Thank you.

MR. S. ALI.- Thank you, Deputy Chairperson for the warm welcome, good afternoon to you and the Honourable Members of this Committee, a very warm greetings from the Ministry of Industry, Trade and Tourism as the PS for the Ministry. We thought, Deputy Chairperson, it would be good also to get the CEOs to tell you directly what is happening because whilst I may say something, it is better if it comes directly.

I believe you wanted us to comment in Part A: Financial Statements; 34.1 – Audit Opinion and in Part B: Audit Findings; 34.4 – Failure to Submit Accounts, but you have already noted that in the Audit Opinion, the audit of 2015 accounts of the Ministry of Industry, Trade and Tourism was unqualified audit report but I think the section that is of concern is the failure to submit accounts. That is the concern here and I think it was noted there that the two statutory organisations come under the Ministry of Industry, Trade and Tourism.

We have eight statutory organisations that come under us. Apart from NCSMED and REALB, we have Tourism Fiji, Investment Fiji, Film Fiji, Fijian Commerce Commission and Consumer Council of Fiji. So those organisations are all good, not exactly in the naughty chair but somewhat will bring them in line.

What the report has noted is that according to the Grant Agreement, Section 7.3 requires an audit report on financial activities for previous years shall be submitted to the Ministry as the audit report is received from the Auditor-General. And given that reporting obligation is there on the part of the statutory organisations, the Ministry was (sort of) not right in releasing the grant to both those organisations when it entered into the Grant Agreement, in releasing the funds through the Ministry.

The operative clause in the Grant Agreement that refers to the disbursement of grants on a quarterly basis is 5.3 of the Grant Agreement, so we will give you copies of this, Deputy Chairperson. It says; “The Ministry may disburse funds in a manner stipulated in Clause 5.4.” Clause 5.4 is just the breakdown of the grant in four quarters, so it divides the grant into four quarters. It may not necessarily be in equal distribution, it is based on the expenditure plan of the organisation. “The Ministry may disburse funds in the manner stipulated in Clause 5.4, provided the recipients provide…” So these are the things that we need to get from the organisation, all acquittals, detailed monthly statements of expenditure relating to source documents, monthly bank reconciliation statements to the satisfactory viewing of the Ministry, et cetera.

The Ministry may adjust disbursement of funds based on financial status of REALB or of NCSMED, so this is what we look for because we are the main source of revenue for that organisation, we need to see what they have done previously as far as what is their cashflow, what is their financial status and have they spent for the purpose that the grant was given in the previous quarter?

This obligation for submitting audited accounts in Clause 7.3 was not part of this Grant Agreement, it was added in 2014 by my insistence because we needed to know the long term financial health of the organisations and it also needed independent verification. It was not initially part of the Ministry’s verification, so this was added.

There was also another clause added in, Clause 7.5 which required the organisations to declare all external sources of funding. For example, NCSMED was receiving funds from the Government of Australia from DFAT on certain projects. The Ministry and the Government needed to know about it so that there is no duplication or they were not carrying out activities that is contrary to what the Government is trying to achieve. So those things were added but they were not subject to the Ministry not providing the grant to them.

As I said, the operative paragraph in terms of providing grant and I am sorry I am getting legal, probably you will appreciate, was Clause 5.3 whereas Clause 7.3 required those organisations to give those documents to us but it was not subject to us because if we stop releasing funds, then all the programmes that NCSMED does in terms of the Northern Development Programme (NDP) and the assistance to micro small businesses would also stop. We are the primary source of their statutory organisation, and so is REALB.

Deputy Chairperson, let me go on to the arrears, of course, the two organisations are behind in terms of their audit but their audit is being done, this is being addressed. With NCSMED, Aliz Pacific Limited is almost completed with the audit from 2010 to 2015 and this will be submitted to the Office of the Auditor-General in a few weeks’ time. Similarly with REALB, their audit is currently being done by Ernest & Young and this has also been completed. So we expect both, NCSMED and REALB to be up-to-date with their audit reports. So we are taking these steps and Ravi, would you like to say something from NCSMED’s perspective?

MR. R. CHAND.- Thank you, Deputy Chairperson. We realise that we need this urgently done and we have taken steps to rectify the situation. In fact, for the last one month, the audit team has been engaged, so the audit for the years 2010 to 2015 should be made available to the OAG within a few weeks. Realistically, I am looking at another three to four weeks maximum and the reports will be available. Thank you very much.

MR. S. ALI.- Mr. Ravi, you could highlight the problems because NCSMED outsourced their accounting function to a firm which really led them down in terms of trial balance and source documents. When the auditors went to audit, these records were not well kept and then there was a ground zero approach to starting the audit, am I right Ravi?

MR. R. CHAND.- That is correct. The problem basically lay in the preparation of the actual accounts for the six years from 2010 to 2015. Whilst NCSMED had all the records intact and I can vouch there is no problems with the accounts itself, the problem lay to some extent with inhouse capacity for someone to put the accounts properly which could be sent to the auditors.

In the absence of that, we had outsourced another firm to come in and prepare the accounts for audit purposes but because the previous firm did not do the right thing in terms of preparing the accounts to the accounting standards that is required (IFRAS), so that is where the problem lay. But that has all been rectified, the accounts have been prepared and we should have all the accounts ready in a few weeks.

DEPUTY CHAIRPERSON.- We take note of this comment by the Ministry and by you, Sir. This accounting firm that you are referring to, is this another firm or is this the current one you had outsourced to?

MR. R. CHAND.- No, this was another firm.

DEPUTY CHAIRPERSON.- Alright, thank you.

MR. S. ALI.- Thank you, Deputy Chairperson. If we can ask the Acting CEO for REALB to also give an update to the Committee, please.

MS. V. TUIMANU.- Thank you, Deputy Chairperson and thank you, PS. We have a similar situation at the REALAB from 2012 until 2015. There were no audit of the accounts from the former management, so when the new Board was established around 2015, they appointed Ernst & Young to commence audit from 2012 until 2016. What happened was that, we submitted to the our audit reports from 2012 until 2014 to the OAG, 2015 is currently with the Board and Ernst & Young is currently being hired once again to do our 2016 report. Thank you.

HON. A.D. O'CONNOR.- Deputy Chairperson, do I read it that within the two agencies, you do not have an accounting team within?

MR. R. CHAND.- Yes, we have a person looking after the accounts department, he has the experience, basically I would call the person previously as having more book-keeping knowledge rather than making proper accounts per se. So we do have an accounting section but that has fortunately been addressed.

MR. S. ALI.- Deputy Chairperson, we have instructed, through the Ministry, there are posts in the organisation that looks at accounts so that is very important, both organisations need a strong financial unit.

With regards to NCSMED, we have instructed them and also we will provide them with resources to have a proper team. With REALB, they have just recently recruited staff and that staff was a former staff of the Ministry to head their accounting division also. So they both have internal capacity now and nonetheless, they would require an auditing firm to do the audit and then submit that through the Board. After the Board approves, then submit that to the OAG.

DEPUTY CHAIRPERSON.- I think that takes us back to the comment made by NCSMED that before, the entity did not have the internal capacity to do so but rightfully as explained by the PS, measures are now in place to rectify this problem, and we do hope that in three or four weeks to come which was alluded to by you, the whole problem of submission of accounts should be solved.

MS. J. KHAN.- Whatever the PS said regarding 5.3, that was the clause we were following in order to disburse funds but clause 7.4 really speaks about submitting and reviewing of the reports that the entities are supposed to submit.

DEPUTY CHAIRPERSON.- Honourable Members, any questions?

HON. RATU S.V. NANOVO.- Thank you, Deputy Chairperson. I do thank the team for the presentation made so far. I have just got a few questions to ask. Firstly, the two entities, do they have full Board Members who manage?

MR. S. ALI.- REALB has a full Board with a Chair, but NCSMED does not have a Board.

HON. RATU S.V. NANOVO.- Should they be having a Board?

MR. S. ALI.- Yes, Deputy Chairperson, we have proposed to the appointing authority which is the Minister for Industry, Trade and Tourism, names for consideration and I believe that is being considered.

HON. RATU S.V. NANOVO.- This is one of the weaknesses that I can detect, that without proper Board in place this is what happens because we cannot rely on the CEO only. There should be a Board above him to see the actual management of the entity as they go along, no wonder the accounts are like this.

My second question is, was the tender called for the company to do the audit?

MR. R. CHAND.- Yes, our tenders were called for the audit.

HON. RATU S.V. NANOVO.- Who all did access the tenders without the Board, especially for NCSMED?

MR. R. CHAND.- The assessment was done by myself and this message was then relayed to the Ministry.

HON. RATU S.V. NANOVO.- That is where another weakness comes in, Deputy Chairperson. If there were three or four heads together, surely they would be able to detect the weakness that we have witnessed so far.

My third question is; why did the Ministry kept on giving them the grant when the requirements to fulfil before giving this grant had yet to be fulfilled? Why did you continue to give grants?

MR. S. ALI.- Deputy Chairperson, I will respond to the first question with regards to the Board. We consider having a Board on an organisation part of good governance and a vital criteria and we do not recommend that an entity should be without a Board. However, there needs to be right people in the Board, which is why we have now gone out to the general public in the expression of interest. The Ministry has asked members of the public that are suitably qualified person to be part of the statutory organisations.

Our Ministry has done that together with the Ministry of Public Enterprises and those names are now with us and the appointing authority, the Ministers, are going through those names and we hope that appointments would be made soon.

With regards to why we gave grants, Deputy Chairperson, I have explained the legal operative clauses of the Grant Agreement. The requirement for an audited account was put into the Grant Agreement on my insistence as a Permanent Secretary. The original template did not have that requirement but that is a reporting and reviewing obligation that the Ministry collates from the organisation to see the good health of the organisation itself.

In terms of disbursement, we have to look at several criteria and that is contained in clause 5.3 of the Agreement. I will repeat, that the Ministry may disburse funds, provided the organisation provides all acquittals, detailed monthly statements of expenditure relating to source documents, monthly bank reconciliation statements to the satisfactory viewing of the Ministry.

However, there is a reporting obligation. Just like with the Ministry of Public Enterprises where they have the Public Enterprises Act which requires from the State-Owned enterprises several documents, including annual reports and audited accounts. Some of the State-Owned Enterprises are also behind. That does not mean that you stop the grant and kill the organisation. You know what I am driving at, Deputy Chairperson, which is why to ensure the continuation of certain vital programmes that the two organisations are carrying forward continues, but that does not mean that we are not concerned about the non-audited accounts and certain disciplinary policy guidelines have been put in place to ensure that both the organisations are up-to-date with their audited accounts.

DEPUTY CHAIRPERSON.- I think that is adequately addressed, the internal measures were there in terms of operations and how the entity will be using the funds, providing all the acquittals, monthly reconciliations and, of course, in your position as the Permanent Secretary of the Ministry, you must have looked at all those updates. And if you find that it is acceptable and satisfactory in order, then you might have gone ahead with the decision to continue to give the grant. I think that is well addressed.

MR. S. ALI.- Deputy Chairperson, the Honourable Member raised an important point. I think when there is an absence of the Board, then in terms of the tender and decision to appoint an auditing organisation, then the Ministry should work with the organisation to find the most suitable auditing firm.

DEPUTY CHAIRPERSON.- We do take note of that and in your position as the CEO to get things going, you had to access the tenders yourself because you were in the authority at that time. Since there was no Board, nonetheless decisions had to be taken but just a question out of interest, do you, Permanent Secretary, as per the policy of the Ministry before, were they required to have a Board or it is when you made the review?

MR. S. ALI.- The Board is provided for in the law. There is a whole institutional history to NCSMED which also includes corruption and disciplining of the Board Members and since then, I think the Government has had issues with regards to filling the NCSMED Board. We are working on it in terms of recommending the suitable candidates to the appointing authority, to ensure that there is a Board to overlook NCSMED.

However, Sir, there are certain other policy considerations that we need to also keep in mind, the policy direction that now in terms of micro small and medium enterprises development, we may move towards a central coordinating agency and the NCSMED law may also be revised. So maybe in light of all these reforms, there could also be this period where there may be an absence of the Board, but those reforms will also take place expediently, Deputy Chairperson, and we will ensure that such situations are quickly addressed.

HON. A.M. RADRODRO.- Thank you, PS, for advising the two Heads of REALB and NSCMED. After hearing all the discussions, I note that you had released the grants based on acquittals and then you put in a requirement as has been highlighted here for audited accounts. Can you just elaborate on these particular instances, why do you need the two, why can you not just go for one?

MR. S. ALI.- With audited accounts, it gives the Ministry additional information and independently verifies the financial statement of the organisation, and I think it goes towards good governance also that the account needs to be audited. Previously, the Auditor-General was doing the audits for statutory organisations, but that is now not the case, we have to appoint external auditors, after which the report goes to the OAG, so it goes towards good governance. Similarly, with other requirements that have been put in the Grant Agreement, like declaration of external funding, it sort of gives the Ministry and the Government extra information on the financial health of the organisation and we can put some policy measures to avert any risk or danger that maybe there with regards to finances.

HON. A.M. RADRODRO.- Because the way things are happening now, it looks like the funds will still be released upon receipt of acquittals and not upon receipt of audited accounts, so probably that is where the loophole is, that you can address that the funds disbursed is based on receipt of acquittals which is not the issue here. The issue here is the audited financial statement, like assurance is noted but if the release of funds is based on the submission of that, then we can be assured that the repeat of this will not be happening going forward.

The other issue here is on the audited financial statement, 34.2 on receipts and payments. PS, can you just comment on the decrease in the total revenue which is due to the decrease in collection made by the Department of National Trade Measurements and Standards? I see that with great concern, especially the Ministry’s role and responsibility in ensuring compliance. Does this mean that in terms of the compliance, the work of the Department of National Trade, Measurement and Standards is compromised or is yet to be rejuvenated because of the reduction in revenue?

MR. S. ALI.- I will answer the first question, I see the point and the linkages between whether we release the grant based on acquittals or the audited accounts and we can clarify that point with the SG's Office, that is our Grant Agreement also. If we release it on audited accounts, it would be a greater test, it would be more onerous on the organisation, so we will have to think about that and based on which years audited accounts. It cannot be the current financial year so it would have to be the previous financial year. It would be an onerous but maybe something that we should consider in the future.

With regards to revenue with Department of National Trade Measurements and Standards, yes, the decrease in figure does not mean a lack of compliance or a lack of capacity to go and collect revenue in certain years and I am trying to recall on 2015 but I am sure Mrs Khan will come. For example, if there is a climactic event, like *Tropical Cyclone Winston*, then there are certain types of waivers for leniency applied to traders to allow them to come out, so the Ministry takes that view also. There are certain other considerations, sometimes certain jurisdictions, like the Nadi Business Council approached the Ministry to ask them to give them some time.

MS. J. KHAN.- In regards to the financial reports that are used to release the grant, basically these are the financial reports that are later audited and become the audited financial statements. So what we use is the income and expenditure statement, cash flow and the bank reconciliation, and the Ministry analyses that.

In 2015, both the organisations fund was under ‘R’ and we used to send financial reports to the Ministry of Finance then and they would look at all our reports and then approve the ‘R’ and release the funds to us. So that is how we were disbursing funds to the organisation.

In terms of revenue, like PS has already highlighted, it depends on the area. Our major sector or the unit that goes out collecting revenue is DMTMS, they go to the villages, so it will depend basically in each year as to which areas they target. Sometimes, they would go to, for example, to Levuka or Kadavu where they might not have that many traders, so our revenue figures might defer. That really depends on which place they go to.

HON. A.M. RADRODRO.- My next set of question is regarding this particular Department, are all the positions filled from the Head of Department to the expert people who are supposed to be doing this work of making sure compliance is adhered to?

MR. S. ALI.- On DMTMS, all the positions are filled but we feel that the Department needs to be restructured and more capacity added basically. There was an ISO report done and also from the Department of Foreign Affairs and Trade Australia. The ISO Report was on the standard side and the Australian report was from the meteorology, weights and measures side.

For the reports, it needs to be combined because the Department of National Trad, Measurements and Standards looks at it and from that report, we need to come up with an ideal structure which we are currently looking at, and ensure that there are more resources given - more inspectors, more technical staff, scientific-based staff, and the wage rate should attract such qualified people because it is a science-based department. It does important work because it looks at trade instruments of all industries but it needs capacity and plus, we want to be the regional hub in the Pacific for meteorology and trade standards also, so we need good labs, we need very, very highly qualified people and for that, I think the department needs to be resourced.

HON. A.M. RADRODRO.- Supplementary question to that, since the desire for Fiji to become a hub is not a new initiative, by what timeline do you intend to achieve that? The importance of this trade measure since Fiji is a signatory to the WTO, we need to ensure compliance. Do you have a time period by when you intend to enforce or implement these reports that you are doing?

MR. S. ALI.- In the last budget period, we requested funds to undertake studies. In this Budget, we will now look for funds for implementation and bringing the laboratory up to international standards, for example, and looking at the restructure of the Department also.

HON. A.M. RADRODRO.- A way forward, are you not compromising the operations of this Department?

MR. S. ALI.- I think the Department has very hardworking officers who go out, they have developed certain experiences and capacity, who go out to far-flung places and do the *sevusevu* and basically do their job, so we really appreciate the good work that they do, but I think we should also help them to come a level up.

HON. A.M. RADRODRO.- The machines, that all come through them that comes into Fiji?

MR. S. ALI.- Machines that are used for commerce, example, scales, cash registers, meters, et cetera, that are used to measure certain value for consumers which the consumers then pay for it. So we ensure that the consumers pay for the right amount of goods and services that a consumer is paying for. For example, in a petrol pump, you go and fill 2 litres of petrol and surely, our officers test that petrol pump to ensure that it dispenses what it reads in the machine.

DEPUTY CHAIRPERSON.- Thank you, Honourable Members. I believe there are no supplementary questions, so I believe we have reached the end of the submission.

Once again, thank you, PS, for availing yourself personally to the Committee, as well as the Officials from the two entities and, of course, from your Ministry as well. We thank you for the submission.

Just a point if you can note that yesterday, we had a submission from the Ministry of Public Enterprises and this was in regards to the 2014/2015 reports. We were trying to contact your Ministry yesterday, I will just inform you since you are here.

MR. S. ALI.- Mr. Deputy Chairperson, on that, we got the email very late yesterday and we were doing the consultations and it was our turn to host dinner. So I may not have read it but I assure you that we will go back and provide a written response.

DEPUTY CHAIRPERSON.- It is not necessary to come before the Committee and make submission on that, I think it would suffice the Committee if you could just provide a written response on the PGA Tournament issue that was highlighted in the audit report of 2014 under Public Enterprises. I believe this activity had to do with the Ministry responsible for tourism and since that is now under your Ministry, the PS has recommended us to seek clarification from you. So if you can just later on provide us with a feedback.

I apologise for the late email, we found it out ourselves yesterday when he came for the submission. We thought that they would be providing response to that but they said for us to direct it to your Ministry, so apologies for that, but nonetheless if a written response can be provided, please.

On that note, I thank you very much for your presence here. On behalf of the Public Accounts Committee, I wish you all the best in the future endeavours of your entity and, of course, a very happy Easter Holidays to everyone.

MR. S. ALI.- And from the Ministry happy Easter to you and all the Honourable Members of the Committee. *Vinaka*.

The Committee adjourned at 12.47 p.m.