**VERBATIM NOTES OF THE MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD IN THE COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON WEDNESDAY, 7TH JUNE 2017 AT 9.30 A.M.**

**Submittee: Ministry for Economy**

In Attendance:

1. Ms. Makereta Konrote - Permanent Secretary
2. Mr. Pankaj Singh - CA(T)
3. Mr. Ashneel Prasad - AM
4. Mr. Atunaisa Naura - SAO
5. Mr. Nemia Dawai - TL
6. Mr. Sakiusa Navunilawa - Government Printer
7. Mr. Atin Chand - MoE (AM) Internal Auditor

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MR. CHAIRMAN.- Good morning, Honourable Members and members of the media and the public.

Honourable Members, we are ready to take today’s presentation. For that purpose, Honourable Members, we have the team from the Ministry for Finance as it was in those days, now it is the Ministry for Economy team here led by their Permanent Secretary, Ms. Makereta Konrote, Mr. Pankaj Singh, Mr. Atunaisa Naura, Mr. Nemia Dawai, Mr. Sakiusa Navunilawa, Mr. Atin Chand and Ashneel Prasad.

For the information of the team, we also have the Auditor-General’s Office on my left, and also the Ministry for Economy on my right which is from your team as well. On my left are the two Opposition Members, Honourable Radrodro, Honourable Nanovo; the Government Members are away today, except myself, I am from the Government side and we are ready to take your presentation on the Accounts of 2014 first and then 2015.

As you would be aware, we are doing this important task on behalf of the Government and the Parliament of scrutinising the finances and the spending of individual ministries and departments and when we see an account, the first thing we check is whether it is a qualified or unqualified audit opinion.

Unfortunately in your case, what rings the bell is, it is a qualified audit opinion and the reasons for qualification are there at paragraphs 4.1 and 4.2. So we would request you to address the issues in your presentation and then we will come to the questions, but if questions arise as we go along, paragraph by paragraph, we will ask you there and then for clarification.

With that, thank you PS once again and you may now start your presentation.

MS. M. KONROTE.- Thank you, Mr. Chairman and Honourable Members of the Committee. Thank you for the opportunity to present to you the recommendations raised by the Auditor-General’s Report in respect of our Audited Financial Statements for 2014 and 2015. The presentation covers both 2014 and 2015 so with your permission, Mr. Chairman, we will run through both years but of course you are free to stop and ask questions along the way or we could do it after the presentation, it is really up to you.

Mr. Chairman and Members of the Committee, from these two Reports, we have taken a holistic look at the areas that we feel need strengthening, where gaps are. So for 2016 and 2017, our focus has been on reviewing the chart of accounts and formulating accounting policies. The intention is to ensure that going forward we have a solid framework or base to work on and so for 2018, we intend to drill down one level further and look at operational areas and where improvements are needed. As I mentioned earlier, the presentation covers both 2014 and 2015.

For 2014, as you have mentioned and alluded, the Office of the Auditor-General issued a qualified audit opinion for 2014 for the Ministry. We have since worked to ensure that some of the issues that have been raised have been addressed, not only in terms of strengthening our internal processes and reporting but also building capacity within our Treasury Division.

Going forward from 2015, we are starting to see positive results in terms of our audit reports. This still does not take away the fact that we still have a lot of work to do to ensure that there is continuous improvement in what we are doing. We are also working collaboratively with the Office of the Auditor-General and where we need, we have sought external expertise in particular from the International Monetary Fund (IMF) and Pacific Financial Technical Assistance Centre (PFTAC).

In relation to the qualification in 2014, this was due to non-substantiation of transfer of funds from Fund 4 which is the TMA Account to Fund 1 - CFA, so out of the total adjustment of $989,404 movement in 2014, there is a remittance of excess cash in the sum of $904,877. So having said that, we are of the view that the overall format of reporting for TMA needs to be appraised, re-looked and reviewed. This will mean the financial position for the TMAs will need to be appraised and line items within correctly identified. Items such as the TMA Surplus is merely a movement of cash from Fund 4 to Fund 1 and we feel that these movements need to be reflected and not recorded as stock figure which has been the practice.

Because of such issues again as I mentioned, we have noted the need for some improvements in the operation of TMAs and so going forward, we are looking at engaging technical assistance from PFTAC to undertake a review of not only our chart of accounts but to also include a review of our TMA Operations, basically to look at the structure, its viability, reporting and governance frameworks.

In adopting the recommendations, we also propose to adopt the changes to equity statement.

MR. CHAIRMAN.- What is Fund 1 and Fund 4 used for?

MS. M. KONROTE.- Fund 1 is the Consolidated Fund Account and Fund 4 is the TMA.

MR. CHAIRMAN.- So because of a misposting that this balance was showing?

MS. M. KONROTE.- Correct.

HON. A.M. RADRODRO.- Mr. Chairman, just a question to PS. Thank you for the brief introduction. In terms of 2014 the qualification that is mentioned there regarding the Trade and Manufacturing Account, taking note of what you had just mentioned, the audit has identified that $6 million, as shown in the balance sheet could not be validated and contrary to the nature of the equity balance. Can you just explain how that figure came about and why is it that it cannot be substantiated, it is quite a huge amount?

MOE REP.- Thank you, Mr. Chairman, through you, there are a number of reasons for that. First, that $6 million is a stock figure, it has been carried out from previous years. The movement as PS has highlighted was just over $900,000 and there a number of reasons why that issue has been recurring.

One of the reasons was, in terms of our line items. The format for TMA was not right, so that is what our focus is because now we do not have changes in equity, because in terms of the balance sheet, we should have stock figures. So now what we intend to do with the assistance of PFTAC, we want to have the changes in equity account plus at the same time, we are reviewing our chart of accounts because there are no retained earnings and no capital so when this TMA was incepted by Government, these were some of the fundamental issues that we needed to address.

HON. A.M. RADRODRO.- What you are saying is that this $6 million is not the right figure?

MOE REP.- Yes, it is a carry forward figure from previous years, what the focus should be – in the movement.

HON. A.M.- RADRODRO.- Auditor-General, can we get clarification on this explanation and what you have stated in your report?

AUDIT REP.- Mr. Chairman, we agree with the Ministry of Economy’s explanation and that is why we had raised it as a qualification because we believe the only increase in equity at the end of the year should be coming from net profit.

HON. A.M. RADRODRO.- As you highlighted here, where is it reflecting if you said that it is wrong?

AUDIT REP.- Mr. Chairman, the $6 million is reflected in equity and as raised in the qualification, it is contrary to the nature of the equity balance because the amount of $6 million is a positive debit in the general ledger.

MR. CHAIRMAN.- How long has it been accumulating - $6 million?

AUDIT REP.- Mr. Chairman, I request that I get back to you on that.

MR. CHAIRMAN.- All right. Ministry of Economy that amount of $6 million, how long has it been accumulating?

MOE REP.- For a number of years.

MR. CHAIRMAN.- So it just has been soughted now, it should not be reappearing in 2017 and 2018?

MOE REP.- No, Sir.

That is very very important so once we review the chart of accounts, then will focus on the format of a TMA. So, when we say format of a TMA, we will not just focus on the format of a TMA, we will focus also on the viability of TMAs and also putting in place financial and governance safeguards which we think is very, very important.

HON. RATU S.V. NANOVO.- It has been accumulating over a number of years. Why was this figure not corrected before it reached this amount? What action have you taken in order to rectify this fault earlier over the years?

MOE REP.- Thank you Chair if I may respond to that. We have developed a Trade and Manufacturing Accounting policy, so there are a number of steps we have taken. We have developed a policy, now our focus is on improving the format of it, next is, we want to focus on the viability of it and also putting in place the governance and financial safeguards. So these are the steps we have been taking.

HON. RATU S.V. NANOVO.- Will all those steps taken into account, these would be able to solve itself as we go forward.

MOE REP.- Yes, Honourable Chair.

HON. A.M. RADRODRO.- Just a supplementary question to this. The concern on the validation of that figure. Whose responsibility is it to validate the supporting documents for that figure, if it is appearing in your system? Is it right, Auditor-General? This is the figure that is appearing on the system and your concern is it cannot be validated?

AUDIT REP.- That is correct. It is in the system and in the Financial Statement.

MOE REP.- Honourable Chair, for the question, I think what Chief Accountant has been alluding to earlier, those are measures going forward. In terms of the substantiation of the $6 million as the Auditor-General has raised in the report, this amount is an accumulation of all the net losses of that particular TMA since its inception. So if it is a debit that could mean that it was operating at a loss.

HON. A.M. RADRODRO.- I understand that. Do you have the supporting documentation?

MOE REP.- Yes.

HON. A.M. RADRODRO.- Can it be provided to us?

MOE REP.- Yes, it can be provided.

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

MS. M. KONROTE.- Thank you Honourable Chair. In relation to issue 4.1 as mentioned there as at 31 December, the Fiji Procurement Office TMA Receivable had a balance of $212,938 in the General Ledger and arrears of revenue of around $113,504. These differences, Honourable Chair between the FMIS GL were due to incorrect postings as mentioned earlier carried over from the Government Supplies Department’s system over the years and the opening balance were not ascertained when we moved into the FMIS system in 2009.

So going forward from there, the Department has since closed its retail operations in Suva, the only outlet that currently operates is the one in Vatuwaqa. All arrears of revenue cases were referred to the relevant agencies, this is the Solicitor-General’s Office and Police for further actions. The Solicitor-General recommended that these amounts be written-off so subsequently these were written off in 2015 and the department has since been transferred to the Ministry of Public Enterprises in 2015 as well.

HON. A.M. RADRODRO.- Just a clarification, this amount that you are talking about, do they correlate with what is reported in the Auditor-General’s Report?

MS. M. KONROTE.- Yes, Honourable Chair.

HON. A.M. RADRODRO.- Specifically the amount there of $241,741 or am I looking at the wrong section?

MOE REP.- Thank you Honourable Members. The breakdown that she is giving is the other issues raised by the Auditor-General which is the TMA Accounts Receivable of $295,000. She is giving the breakdown of FPO and the residual is GPSD figures. These are for two respective TMAs, one is Fiji Procurement Office and one is for Government Printing. As alluded to earlier by the Permanent Secretary, it has since transferred to the Ministry of Public Enterprises.

HON. MEMBER.- (Inaudible)

I think Auditor-General can elaborate further but it is the differences in variance, in the arrears of revenue and GL figures.

MOE REP.- Thank you Honourable Chair. The $295,000 accounts receivable is shown in Table 4.12 which is the balance sheet.

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

MOE REP.- Sir the $295,000 is the issue of attention drawn by Auditor-General. Of this $295,000, Sir, $212,000 is in regards to FPO TMA. We are trying to present to the Committee the differences that were arising. Of this $295,000, Sir, $212,000 is from the FPO TMA. As you can see in the GL posting, there was $212,000 but in the manual records in regards to the arrears of revenue or their debtors, it was only amounting to $113,000 Sir, $295,000 less $212,000 is in regards to GPSD variances between the GL and the arrears of revenue.

HON. MEMBER.- (Inaudible)

MOE.- Yes Sir, that is correct.

MS. M. KONROTE.- Thank you Chair. Moving on as we mentioned earlier, we are working to review the Trade and Manufacturing Accounts operations including strengthening the monitoring of it. So the Asset Management and Monitoring Unit within the Ministry will continue to monitor TMAs and also work with line agencies to ensure that there is compliance with the TMA policy. As the Chief Accountant showed earlier, we have a TMA policy already in place and going forward we will engage technical assistance to review and look at how we can improve the TMA structure, its viability, reporting and governance as well.

HON. A.M. RADRODRO.- Another question regarding this particular second item on the TMA; the obsolete stock of $241,174 and finished goods of $332,000 and overstatement of net profit of $573.000. Can you give us an explanation of why these figures have been identified by the auditors in terms of their reporting conformity?

MS. M. KONROTE.- Thank you Chair. This will be addressed as part of the presentation in the later slides.

Moving on to Issue 4.4 on Statement of Losses. Honourable Chair, the Ministry carried out a Board of Survey in 2014 and accordingly, we have written off assets as per Section 7.1 of the Guide to Disposal of Government Plant/Equipment and Inventories.

On the $7.3 million write-off, this in actual fact is not a loss to Government. We will provide the breakdown as follows:

* $4.3 million (not the $7.3 million) relates to adjustments made to the Drawings Account;
* the residual figure of $2.9 million relates to Government Supplies which was carried forward from 2009; and
* the remainder of $15,154 was for the Government Printing and Stationery Department.

MR. CHAIRMAN.- So, PS that amount of $2.9 million, the residual figure which relates to Government Supplies, what happened to that amount again? It was written-off but you mentioned that it is now actual loss of money, so where was that money transferred?

MOE REP.- Thank you Honourable Chairman. In relation to the $2.9 million, when the Government Supplies closed down, they had unreconciled balances so they transferred it to the Fiji Procurement Office; we have got all the evidence there in terms of the mispostings that took place in 2009 during the closure of Government Supplies, and also for the $4.3 million. So it was just a misposting, and all evidences are there which we can share with the Honourable Members.

HON. A.M. RADRODRO.– In 4.2 of the Audit Report has stated the increase in revenue, is that the FIRCA revenue collection?

MS. M. KONROTE. – Correct.

HON. A.M. RADRODRO.– Total expenditure increase and the reasons stated there is due to established staff requirement.

MS. M. KONROTE. – In 2014 there was a salary increase for civil servants so that reflects the increase in expenditure for SEGs 1.

MR. CHAIRMAN. – If you wish to go through 4.2 and 4.3 before we go to 4.4?

HON. A.M. RADRODRO. – In terms of your staffing, as highlighted in 4.2, was there a reduction in the staffing numbers even though there is a salary review?

MS. M. KONROTE. – Sir, the overall established staff establishment did not change in 2014. In 2014 there were also vacancies so that allowed room to meet the increase in salaries.

MR. CHAIRMAN. – Anything on 4.3 - Appropriation Statement? Let us move onto 4.4?

HON. A.M. RADRODRO. – Do you have any comments on the 4.4 table on Public Debt.

MR. CHAIRMAN.- Head 52?

MOE REP.- The finance charges relates to the interest payments.

HON. A.M. RADRODRO. – Is it increasing?

MOE REP.- It all depends on the issuance of bonds. If the bond matures, then of course your interest will go down.

HON. A.M. RADRODRO. – How many loans or debts that is currently being involved in this interest charges payment?

MOE REP.- When we say interest payment, it is the total $4.5 billion.

HON. A.M. RADRODRO. – Is it the right figure?

MOE REP.- As far as Fund One is concerned, all the figures are thoroughly checked and as far a debt is concerned, we have also sought assistance from the Commonwealth Secretariat and they have done a very robust analysis of it.

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

MOE REP.- Yes. That is why when we went to the International Bond Market we needed to provide all the correct figures with validation, that was why we were able to secure the funding.

MR. CHAIRMAN. – Where are you getting that $4.5 billion from?

MOE REP.- This is the debt figure and the debt is at the end of July.

MR. CHAIRMAN. – Table 4.4 speaks of $466 million on 2014, that is for that year only?

MOE REP.- That includes interest and principal. All these figures are in the National Budget.

MR. CHAIRMAN. – Let us move on to the next one.

Let us go to 4.4 - Statement of Losses.

MS. M. KONROTE.- Thank you Honourable Chairman. On the Statement of Losses, as I mentioned, the Ministry carried out a Board of Survey in 2014 and accordingly assets were written off as per the guide for disposal of Government plants, equipment and inventories. In relation to the $7.3 million, I think I have explained this.

Moving onto the next issue on 4.14 - Anomalies in the Accounting of the Mahogany Trust Funds Account. The fees and mahogany licenses received by the Mahogany Industry Council is remitted to the Ministry and based on the advice of the Council, the funds are then dispersed. Since the Ministry of Public Enterprises did not have a separate bank account then, the funds were transferred to their SLG 84 account. So we understand that the auditors have checked these records and they are with the Ministry of Public Enterprises. In 2015, this account was moved to the Prime Minister’s Office where the Secretariat of the Mahogany Industry Council sits and following the book entry adjustments for postings made by Ministry of Public Enterprise in 2015, the Ministry of Economy paid around $44,163 into the Mahogany Industry Council’s bank account in May 2016.

The acquittals for the account have been provided by the Ministry of Public Enterprises, including the audited accounts and these are also available with the Ministry.

MR. CHAIRMAN. – On that point PS, at Number One, Page 4 - Audit review of the Miscellaneous Trust Fund Account revealed the following. The Mahogany Trust Fund Account balance of $44,163 as at December 31st was shown under SLG 84 was not regularised with evidence of any cheque payment from the Ministry of Public Enterprises to MOF and repaid to the Trust Fund Bank Account. However, the audit noted a journal voucher was only raised by the Ministry of Public Enterprises during December 2014. So there was a cheque payment made of $44,163, was there but there was no evidence of any cheque. The journal entry was raised much later, how is that possible?

MS. M. KONROTE. – Honourable Chairman, we have the evidence with us now, we are willing to circulate.

MR. CHAIRMAN. – It was not given to the OAG when they were doing their report?

OAG REP. – Thank you Honourable Chairman. During the time of the audit, it was found that the transfer only happened in the general ledger, there was no actual money moved to Ministry of Finance from Ministry of Public Enterprises.

MR. CHAIRMAN. – Is that a similar situation in two? In addition the MOF adjusted the Inter Department clearance IDC accounts with the Ministry of Public Enterprises totalling $66,440 by debiting Head 50, instead of Mahogany Trust Fund Account resulting on a negative expenditure amount shown in Head 50 General Ledger. Is it also a case where it was not a misposting? And then in June 2014 the acquittal details of Mahogany Trust Fund expenditures amounting to $553,140 and kept by the Ministry of Public Enterprises paid through SLG 84 and not submitted by Ministry of Public Enterprises as required under SLG 84 reporting guidelines.

What is the course of one, there is entry made in the General Ledger but no cheque was written; the money did not move and then in the debit was made from a different account when it should have been made from the Ministry of Public Enterprises and and then after all that, the reporting was not done as required by SLG 84.

MOE REP.- Thank you Honourable Chairman. I suppose that the reporting guideline as mentioned in point number 3, it is a policy. However if the Ministry of Public Enterprises failed to submit that, it is unfortunate since we cannot take any actions on them. The first one that you mentioned about $44,000, that was an inadvertent error and we have rectified that. We have remitted the money back to the Ministry of Public Enterprises, Sir.

MR. CHAIRMAN.- So money did not go missing, it just went to a wrong account.

MOE REP.- Yes, Sir. Misposting.

MR. CHAIRMAN.- So how does these mispostings occur; is it human error or failure to understand the FMIS system?

HON. RATU S.V. NANOVO.- Normally checks are done to ensure that postings are properly done within your system.

MR. CHAIRMAN.- Who is responsible - Principal Accounts?

MS. M. NAISARA.- It is the Accounting Head’s responsibility to check that. For journal vouchers there are officers that prepare, there are officers that certify and there are officers that authorise.

HON. A.M. RADRODRO.- So who checks when it is not done?

HON. RATU S.V. NANOVO.- If it is done incorrectly what sort of disciplinary action have you taken against them, the officers concerned. Posting amount that is coming up now is not a small amount, it is quite a big amount.

MR. CHAIRMAN.- In fact the recommendations by OAG is right on point, as Honourable Nanovo was pointing out.

*“The Ministry of Finance should properly monitor and supervise the movement and utilisation of miscellaneous trust fund to ensure that funds released has been utilised in the manner it was given for; and*

*The SLG 84 reporting guideline which requires paying Ministry being Ministry of Finance to remind Ministry of Public Enterprises on its submission of acquittals on the use of funds recorded under SLG 84.”*

So the recommendation by OAG is there that this should have been done and we note that it was not done. So now the question is, whose responsibility was it to ensure that the postings were correct and acquittals were provided so that the monies are used for the purpose it was allocated for. Is it the Principal Accounts Officer?

MS. M. KONROTE.- Thank you, Mr. Chair. Yes, as the Director for Internal Audits pointed out, the responsibility rests with the Accounting Heads in the various ministries. The Ministry of Finance, of course, needs to verify and check that too. So since then we have put in place steps to ensure that these issues are addressed going forward.

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

MS. M. KONROTE.- Thank you, Mr. Chair. Most of the officers responsible for these accounts have since left. They have either moved to different ministries or they have left Government.

HON. RATU S.V. NANOVO.- But they still live within the Government; they are still civil servants so we still can take disciplinary action against them.

MR. CHAIRMAN.- That is more of a reason why the open merit base appointment is necessary to see if the person is right for the job, if it is not, move sideways or move out.

HON. A.M. RADRODRO.- When was it started?

MR. CHAIRMAN.- Civil servants reform started in 2016.

MS. M. KONROTE.- 2016 the Open Merit Guidelines became effective from 1st January, 2016.

HON. A.M. RADRODRO.- What was happening before?

MS. M. KONROTE.- I think there were PSC Guidelines.

HON. A.M. RADRODRO.- PSC Guidelines. So the new contract started this year? The contracting of civil servants started when? Is that not part of the reform?

MR. CHAIRMAN.- The reform started in 2016, I believe.

MS. M. KONROTE.- 2016 the Civil Service Reform for open merit started in 2016.

HON. A.M. RADRODRO.- OMRS

MS. M. KONROTE.- Correct. As you mentioned before, it was just PSC Guidelines.

MR. CHAIRMAN.- Yes. So before, once you entered the Civil Service, you were there for life.

HON. MEMBER.- (Inaudible)

MS. M. KONROTE.- 2016.

MR. CHAIRMAN.- The provision in the budget for the Ministry of Civil Service was in 2016.

HON. RATU S.V. NANOVO.- Let me just ask another question. Sorry, if I will take us back again.

Can we refer to Table 4.5 - Appropriation Statement for 2014? Noted in that explanation beneath the table is that a total of $11.9 million was deployed to Fiji Roads Authority from the Ministry. But I understand that Fiji Roads Authority has its own budget, is that correct? Why do you have to deploy this amount again to them when they have their own budget?

MR. CHAIRMAN.- Which table is that, Honourable Member?

HON. RATU S.V. NANOVO.-Table 4.5.

MS. M. KONROTE.- Mr. Chair, the Financial Guidelines permits redeployment of funds within the respective Heads and between Heads. So funds were transferred from Head 50 to FRA in 2014.

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

MS. M. KONROTE.- Correct. If there are shortfalls and there are projects that require implementation within the year, the guidelines allows that transfer.

HON. A.M. RADRODRO.- Are there specific requirements in terms of redeployment of funds, the reporting requirements that FRA needs to submit regarding the redeployment of funds from Head 50.

MS. M. KONROTE.- Yes, they are required to submit all the acquittals and details for which the funds will be used.

MR. CHAIRMAN.- … can we move on because we have come back a few pages.

HON. A.M. RADRODRO.- On this particular handout that was given, it still has not addressed bullet point 1.

MR. CHAIRMAN.- The cheque?

HON. A.M. RADRODRO.- Yes, evidence of cheque payment. This is just an email correspondence.

MOE REP.- Sir, are you referring to issue 4.14?

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

MOE REP.- Sir, it thoroughly answers that question because the issue there is on $44,163 and if you look at the last page of the correspondence, the Ministry of Economy has remitted that money back to Public Enterprise and the Auditor-General’s recommendation that there was no acquittal, but if you look through that email the acquittals had been submitted by the Ministry of Public Enterprises to the Ministry of Economy.

MR. CHAIRMAN.- Usually when the Auditor-General does your accounts, they give you a draft account and then you have 14 days’ time to respond to various areas. Now, if these figures had been provided within those 14 days then probably your Accounts would have been unqualified; these questions would not have arisen. Is there any reason why when the draft accounts are sent to you for approval if these things are not brought up earlier at that stage?

MS. M. KONROTE.- Yes, Mr. Chairman. That was one of the issues then. We have since relooked at our internal processes and we have made improvements.

MR. CHAIRMAN.- So a lot of these issues can be ironed out earlier before it comes to the Public Accounts Committee.

HON. A.M. RADRODRO.- Mr. Chair, that raises another interesting question whether the Internal Audit team conducts the internal audit of the Ministry during this financial year and if you do not why not?

MS. M. NAISARA.- Yes, we conducted the 2014 audit within the Ministry

HON. A.M. RADRODRO.- Within the Ministry of Economy?

MS. M. NAISARA.- Yes.

HON. A.M. RADRODRO.- Did you come across these issues during your audit?

MS. M. NAISARA.- Not with the financial statement. It is just the processes and controls such as misposting, approval and certification.

MR. CHAIRMAN.- Let us move onto the next one.

MS. M. KONROTE.- Thank you, Mr. Chair. Moving onto issue 4.15 on the Ministry’s Sports and Social Club. An internal investigation was carried out and since then in relation to the outstanding amount of $12,711 we have recovered more than 50 percent and recovery continues. In relation to the staff who were involved, we have had a staff retire since, one has migrated and another has moved to a different Ministry. But for those who are still in the system, we continue to recover the outstanding amounts.

MR. CHAIRMAN.- So the amount of $22,248 which was paid in advance for purchase of sports gear for the Ministry of Finance staff, this was for a special tournament or was it for the whole?

MOE REP.- Mr. Chairman, this was for the Wellness Programme for the Ministry of Economy.

MR. CHAIRMAN.- And usually when this type of money is to be paid, who is the person responsible for authorising payment?

MOE REP.- Permanent Secretary.

MR. CHAIRMAN.- If the money is now being recovered from various staff, that means that payment was improper in the first place, why was it allowed to happen? If it was a proper payment, there would not be a need for recovery at this stage but now since has been recovered that means the initial payment should not have been made to the sportswear company?

MOE REP.- Sir, the initial approval was sought from the Permanent Secretary. Any advance payment approval is sought from the Permanent Secretary and at that time our former Permanent Secretary approved it and the normal procedure was that when the recovery is made from the staff, then it will be paid back to the company. Due to the miscommunication, this thing happened, but in the normal process, it should not happen because all advances are properly accounted for.

MR. CHAIRMAN.- I totally understand that it was for a Wellness Programme, you will need to buy equipment for the programme. If it was approved properly, it is not the amount but the procedure, but if there is a need to recover these amounts, that means there was something amiss somewhere. Are you saying that the previous Permanent Secretary allowed this amount to be paid and the procedure was not followed?

MOE REP.- Sir, the procedure was followed but like I said, there was miscommunication between the staff who were actually doing the payments for J.R. White.

MR. CHAIRMAN.- So someone paid the advance without the proper authority?

MOE REP.- The recovery should have gone back to Government, but instead it went back to the company.

MR. CHAIRMAN.- Went back to the sportswear company.

HON. RATU S.V. NANOVO.- Still on that, Mr. Chairman, why did the social club members not pay that themselves? Normally they deduct a portion of their pay every fortnight to go towards the social club and all those kind of funding should come from within, not from the main coffer. The Permanent Secretary too should be penalised or disciplined, why did he escape this as he was the one who gave the approval?

MOE REP.- Mr. Chairman, I think that is a good point that has been made. It was a procedural issue, it was approved by the former Permanent Secretary and there was some oversight on the part of the staff concerned. What happened was an internal investigation was conducted and all the staff concerned were surcharged. From then, what we have done, since the new staff joined the Treasury Division, we now have an advance payment register which is reconciled on a monthly basis and we send the reports to our respective Permanent Secretary, and of course, we do not allow salary advances, we have stopped that.

MR. CHAIRMAN.- What actually happened was, the staff were supposed to pay for the sports gear but the Ministry paid on their behalf in advance and the money was supposed to be recovered from the staff. When the reimbursement happened, the amount went straight to the Social Club instead of the Government and then there was reimbursement. There is an explanation there that a reimbursement was made to the Ministry but there was short payment which has now been recovered.

HON. A.M. RADRODRO.- The only question here is basically on the accountability issue. What does the Finance Instructions say regarding Social Club receipts, moneys?

MOE REP.- I think the Permanent Secretary for Finance at that time used his prerogative to approve the payments so technically it was a salary advance and it should have been reimbursed back to Government. There was an oversight on the part of the Accounting Officer then in 2014, so then, an internal investigation was undertaken and the person involved was surcharged.

HON. A.M. RADRODRO.- The issue I was trying to get at is, whether the Finance Instructions accommodates the need to have social funding within the Government ministries?

We see that the auditors have referred to the Finance Management Act, 2014, does the Finance Instructions or Finance Act have provisions for the existence of social welfare within the Ministry?

MOE REP.- Strictly speaking now, I think that was given within the ambit of the accountable advance which should not have happened. That was why an internal investigation was undertaken and officers were surcharged.

HON. RATU S.V. NANOVO.- Do the members of your social club contribute towards that from their salary on a fortnightly or monthly basis?

MOE REP.- That social club is non-existent now.

HON. RATU S.V. NANOVO.- I mean, at that time?

HON. A.M. RADRODRO.- At that time, we are talking about 2014.

MOE REP.- As far as 2014 is concerned, Mr. Chairman, upon our documentation compilation, we found out the internal audit report on the investigation that was taken and the officers that were involved, ….

HON. RATU S.V. NANOVO.- No, you are not answering the question, regarding that deduction, do they pay contribution towards their social club?

MOE REP.- No.

MR. CHAIRMAN.- If you read the last line above Table 4.1, they were supposed to reimburse. What had happened the Social Club account had no money or very little balance so the advance payment was made to the sports company and the return should have come from the deductions or payment by the staff. That was how it should have been operated but $9,536 was collected and was paid back; $12,711 remained outstanding so that money in the Social Club would come from the staff anyway. Now the club is closed but that money remains outstanding and as the officer explained that there was a miscommunication.

The money should have gone really to the Ministry, it went to the company again. It is noted here in the recommendation, “*An internal investigation should be conducted to identify those responsible for the manipulation of the various accounts and corrective actions to be instigated accordingly*” - that is being done. Secondly, the “Social Club Executives should also be dealt with accordingly for utilising taxpayers funds.”

HON. RATU S.V. NANOVO.- Why was this case not taken to court or FICAC when other cases like this have been taken?

MOE REP.- The matter was referred to the Internal Audit and Good Governance (IAGG). They have carried out the investigation and given their recommendations and we have acted on the recommendations of the IAGG.

MR. CHAIRMAN.- Because what is serious here is that, there is a notation here that there was manipulation of various accounts which reveals there was deliberate attempt to cancel the debt. There was deliberate attempt by the staff to cancel; that is dangerous.

MOE REP.- … because they carried out the internal investigation.

MS. M. NAISARA.- Mr. Chair and Honourable Members, under the Finance Instructions, Part 10(2) for other approved loans, it allows for other loans to be approved in accordance with the Finance Instruction, 2010.

MR. CHAIRMAN.- That part we know. The part that is worrying here is that, there was a payment advancement made by the Ministry on behalf of the staff of the sportswear company, that approval is alright, it is provided for in your Finance Instructions. When the reimbursement part came, that money should have gone rightfully to the Ministry’s account but there was an attempt and there was manipulation of various accounts to cancel the debt which means the money went back to the sports company again – double payment.

After the investigation or after it was followed up, $9,536 was reimbursed to the Ministry, $12,711 remains. That remained at that time, I do not know whether it was being paid or not so the internal audit should have conducted which staff were part of the Social Club, who were the office bearers. It was a very simple exercise, somebody paid on behalf of the staff, $22,000. When the money came back, it should have gone straight back to the Ministry but went somewhere else. There is manipulation of accounts here in deliberate attempt to cancel the debt. That is what we are worried about, procedures we know.

MS. M. NAISARA.- Part 2.4 of our recommendation, we recommended that the Ministry of Finance then a Staff Board should review the officers’ explanation and make a submission to the Solicitor-General for legal opinion, depending on the legal opinion, further referral to the FICAC.

HON. RATU S.V. NANOVO.- From the Ministry of Finance, when you gave that loan out, who was tasked within the Finance Section to monitor that that money was paid back apart from the Social Club team, there must be some person?

MOE REP.- It was the accounting team.

HON. RATU S.V. NANOVO.- Who heads the accounting team?

MOE REP.- The accounting team is no longer part of the Ministry now.

HON. RATU S.V. NANOVO.- Who at that time?

MS. M. NAISARA.- The Chief Accountant then.

HON. RATU S.V. NANOVO.- The Chief Accountant was responsible. He should be the one disciplined.

MOE REP.- (Inaudible)

HON. RATU S.V. NANOVO.- Yes the Chief Accountant then should be disciplined because he should be responsible for monitoring and ensuring that the money comes back.

MOE REP.- Yes.

HON. A.M. RADRODRO.- It does not take away the issue that…..

HON. RATU S.V. NANOVO.- He is still around here, is he?

MOE REP.- (Inaudible)

HON. A.M. RADRODRO.- Honourable Chair, further onto the audit report, there was another payment made in 2015 as highlighted by the Auditor-General of $23,000. “Further enquiry revealed at the Ministry on 27th March 2015 made another payment of $23,959 to the Sportswear Company.”

MOE REP.- Thank you Honourable Member. I suppose that this issue should be validated from the Auditor-General about the payment in 2015, but as far as the recovery is concerned, we are all right on that. We have recovered and I have got the details here. Staff have been disciplined and the former Chief Accountant was forced to resign and is no longer with the Ministry. If you want the recovery details, we have it here with us and the recovery is still on-going.

HON. RATU S.V. NANOVO.- What sort of recovery have you taken, maybe it is so lenient.

MOE REP.- Sir, actually Honourable Member, it is not an excuse but we have recovered and here are the details. We have recovered $6,800 and the balance is still being recovered through the Salary Section.

HON. A.M. RADRODRO.- I heard earlier that this was considered as a loan to the staff?

MOE REP.- The staff had already paid it and the funds should have come back to Government. The issue is that the funds did not come back to Government, it went to the club which should not have been done. The respective officers should have been surcharged and that has been done but I think more serious measures should have been implemented as proposed by OAG. They have got the report there.

HON. A.M. RADRODRO.- Was the payment done in the first place, was that a valid payment, was it supposed to be made out in the first place?

MR. CHAIRMAN.- Yes, yes that is what they have explained, it was a Sports Wellness Programme.

HON. A.M. RADRODRO.- No, no I am talking about the payment made for that particular purpose, what is supposed to be made in the first place.

MOE REP.- It was made in the right manner as it was approved by the then Permanent Secretary for Finance. However, there was an accounting oversight by the then accounting officers.

HON. A.M. RADRODRO.- Payment for Social Club, that is normal in any Ministry, to be done by the Ministry?

MOE REP.- No its not done by the Ministry, in this case it was salary advance, it was deducted from the salary of staff. In that case it was the staff who were contributing, not the Ministry.

MR. CHAIRMAN.- In the whole scheme of things what has happened there was a National Sports Day. There was a policy that all staff should participate in that National Sports Day celebration or competition. For that purpose, they were supposed to have some sportswear, sports equipment which was procured from J.R. White. The Social Club of that Ministry should have paid for the sportswear, but because there was not enough money the Ministry made an advance payment to the company for supply which was normal until that part. When the staff gave back the money back to the Social Club they should have paid back the Ministry, but what had happened was there was some manipulation and the money went aside and probably double payment to the company or somewhere. Because of that reason, they were then surcharged and some money have been recovered. So the problem started half way through.

HON. RATU S.V. NANOVO.- What we are saying, Honourable Chairman, if the person who was tasked within the Ministry from the Finance Section to monitor this payment closely, this would not have happened.

MR. CHAIRMAN.- That is why he was forced to resign, I think. For future reference, if these types of policies are done, there is nothing wrong for staff to be fit, a lot of staff in a lot of other ministries are not so fit, but then it should be monitored properly.

HON. RATU S.V. NANOVO.- The Social Club themselves should pay for their own sports gear and things like that. Why a premier Ministry like yours is using the taxpayer’s money?

MOE REP.- It is not taxpayers’ money, I think we need to set it right. It is not taxpayers’ money, it is their own salary.

MR. CHAIRMAN.- No, the first advance.

HON. RATU S.V. NANOVO.- It is not your money!

MOE REP.- Yes

HON. RATU S.V. NANOVO.- That is not your money!

MOE REP.- Then it was approved by the then Permanent Secretary for Finance.

MR. CHAIRMAN.- At the start it was taxpayers’ money but what comes back that is salary deductions. So maybe there is a point to note that for future social events, sports, the Ministry for Finance staff actually look fit so probably the money is serving the purpose.

MS. M. KONROTE.- Thank you Chairman. As mentioned by the Chief Accountant, going forward for salary advance we have limited it to just official travel so there is no …...

MR. CHAIRMAN.- That is good so that takes care of that problem.

MS. M. KONROTE.- Correct.

MR. CHAIRMAN.- Thank you, that resolves it. Let us move to the next one. But that was really taxpayers’ money at that stage.

MS. M. KONROTE.- Mr. Chairman, Chair will come back to this, we will provide details for this.

Honourable Chair with your permission we will move to 4.16 in relation to Balance of Head 50 Funds transferred to SEG 1.

Honourable Chair and Members of the Committee, we do have a policy in place that requires all Ministries to submit their SLG 84 Reconciliations to the FMIS Unit irrespective of movement of funds within the SLG 84 allocation. We have put in place measures to curb this issue and this will be discussed in greater detail in our 2015 Agency Financial Statement responses. The FMIS team also continues to remind the Accounting Heads during monthly meetings that they need to be well versed with Government’s financial regulations and that Accounting Heads should revert to the Ministry if they need advice or unclear on how to treat certain transactions.

In addition, the FMIS Unit continues to provide regular training to agencies to ensure that they are able to address issues such as misposting and the like.

HON. A.M. RADRODRO.- Just a question on this and I quote:

*“An audit review noted that Fiji Police Force made an unauthorized transfer of funds into SEG 1 without the approval of the Permanent Secretary for Finance totalling $132,256.59 to be incurred for the Force’s remunerations contrary to SLG 84 Reporting guide, Section 9.5. The audit noted that these funds were initially transferred from Head 50 to SLG 84 to meet 2014 election expenses. As at August 2015, SLG 84 reconciliation from Fiji Police Force for the funds released from Head 50 during 2014 were yet to be accounted by the Ministry.”*

Can you just give us an explanation on these audit findings?

MS. M. KONROTE.- Thank you Chair. As I mentioned, this was an issue in 2014, we have since addressed this with a dedicated team within the FMIS to ensure that these issues are addressed immediately with the Accounting Heads.

HON. A.M. RADRODRO.- In this particular year, was the laxity that led to the non-provision of the reconciliation from the Police attended to by the Ministry?

MS. M. NAISARA.- Thank you Honourable Member. In that year the former PS Finance had written to the Commissioner of Police to explain about this issue. I cannot recall the details.

HON. A.M. RADRODRO.- This second part here on the non-provision of reconciliation in this particular release of funding. What is supposed to be the norm?

MOE REP.- The respective agencies should have provided the reconciliation, it was not done which is why the Ministry wrote to Fiji Police Force.

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

MOE REP.- Yes, that was done in 2014 and we got the Journal Vouchers; we went to Fiji Police Force and got the JVs.

HON. A.M. RADRODRO.- Even after reconciliation, is that correct, Auditor-General and whether that reconciliation for this particular funding was provided, even if it was not in 2014 whether it was provided in 2015 or whether it was provided in 2016 or whether it was provided.

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

MR. CHAIRMAN.- The allocation was used during elections: election expenses. Was it used for that purpose, if it was used for that purpose the reconciliation would give that?

MOE REP.- The reconciliation was supposed to be provided by Fiji Police Force, but we will come back with that and submit it to the Committee, but we have got the JVs.

MR. CHAIRMAN.- Okay, we will need that.

HON. A.M. RADRODRO.- …. be sufficient or do you request the necessary reconciliation?

AUDIT REP.- Thank you Honourable Chairman. The JV needs to be supported with the reconciliations.

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

MR. CHAIRMAN.- Let us move to the next one.

MS. M. KONROTE.- Thank you Honourable Chairman. This 4.17 also relates to payments for general elections expenses for the Fiji Police Force. As I have mentioned earlier, this was an issue in 2014 and we have implemented measures to ensure proper acquitting of Head 50 funds by Ministries and Departments. From then details of the acquittals are kept with the Budget Division, again we have revamped monitoring of Head 50 within the FMIS Unit. Officers have been allocated individual accounts to monitor and report on daily for any irregularities or unapproved transactions, so the FMIS Unit since 2016 has carried this out in consultation with the Budget Division.

HON. RATU S.V. NANOVO.- Honourable Chairman, can we be advised as to where are the 11 mobile phones that were purchased during that time? Those were part of the items that was purchased through that money.

MS. M. KONROTE.- Honourable Chairman, as we had mentioned earlier we can come back to the Committee with the details.

HON. A.M. RADRODRO.- And also on the meal claims with respect for subsistence incurred in 2014 totalling $10,584. The table shows there was an overpayment made. Why was this overpayment made? And the audit could not even get any verbal explanation on this particular payment that was made. How are these payments allowed to be made without any proper documentation and supporting feedbacks from the respective recipients?

MS. M. KONROTE.- Honourable Chairman, as stated in the report that this was done by the Accounts Section for the Fiji Police Force so we can go back to the Police Force and obtain these details and then provide an update to the Committee at a later stage.

MR. CHAIRMAN.- It is not really the Ministry of Finance’s problem but the problem is that they have not followed up. The Police Department’s Accounts Section did not do it.

HON. A.M. RADRODRO.- No, the money is released from Head 50, Honourable Chairman. Head 50 is controlled by Ministry of Finance, is it not?

MOE REP.- Yes.

HON. A.M. RADRODRO.- And this is under R, this particular payment? Are they coming under R? If it is under R then stricter monitoring process should be followed.

MR. CHAIRMAN.- Yes that is what I am saying.

The money was released for this purpose of elections for meal claim, mobile phones, etc. They released the money, they were supposed to provide acquittals but they have not even given a verbal answer. Ministry of Finance’s failure is not to obtain the explanation, so they have to give their explanation to us.

HON. RATU S.V. NANOVO.- Just on that, Honourable Chairman, this is one of the areas that they are going address while here. So if I was in your team, I would ensure that all the information required is provided. Not coming here with no supporting document in to answer the question that is going to be asked. That is not good enough.

MR. CHAIRMAN.- Let us provide the opportunity to Ministry of Economy to give us a written explanation and if need be, we will recall them.

HON. A.M. RADRODRO.- Honourable Chairman, just on the Ministry’s comments and I quote:

*“The Ministry has issued a Finance Circular number 12/2015 to reiterate to ministries and departments the need for monitoring and reporting for all funds released from*

*Head 50.”*

How successfully has this comments been in terms of the Ministry’s compliance with your memo?

MOE REP.- There has been a marked improvement. That is why if you see the 2015 accounts, it is an unqualified one. A number of issues that was highlighted in 2014 did not reoccur in 2015 and of course this is done on a progressive basis. So currently we are doing all the accounting policies and as far as reconciliation is concerned, what we have done is for FMIS, we have uploaded the reconciliation template on the FMIS website. . Now the Budget Division in consultation with FMIS are doing monthly reconciliations. So this was the flaw in 2014 and has been rectified.

HON. RATU S.V. NANOVO.- Reconciliation should be a monthly thing.

MOE REP.- Yes, 2015 and 2016 has already been done.

HON. A.M. RADRODRO.- Has the Ministry implemented such measures like releasing funds on a periodic basis to ensure that these things from ministries and departments comply with the necessary Finance Instructions, has that been done?

MOE REP.- Yes, Mr. Chairman. The Ministries have to submit the acquittals then they will get their next transaction.

HON. A.M. RADRODRO.- So has that been done on this particular case? When yet they still have not submitted the necessary requirements?

MOE REP.- This was an issue in 2014.

HON. A.M. RADRODRO.- No, it is an issue in 2014 but whether they have submitted is another issue; that is the issue that has been highlighted.

MOE REP.- We will come back to the Committee for the 2015, we will go back to the Fiji Police Force….

MR. CHAIRMAN.- The Ministry’s comment is: “the Ministry has issued a Finance Circular number 12/2015 to reiterate to ministries and departments the need for monitoring and reporting for all funds released from Head 50.”

So now the procedure seems to be, if the funds are released from Head 50 they must provide acquittals and all these other evidence. For the Police Force one, which has not been done as at that date, they will be followed up.

MOE REP.- Yes.

MR. CHAIRMAN.- Let us move to the next one.

MS. M. KONROTE.- Thank you Honourable Chairman. On the next issue – 4.18 Irrecoverable Surcharge Resulting in Loss of Taxpayers’ Funds. Sir, the Surcharge Unit has taken a number of initiatives to address this, so recovery is now assessed according to the surcharged officer’s contract period. There are regular reviews of surcharge arrears, the Unit has also increased deductions for officers who are nearing retirement or end of their term of contract. Those officers that have been surcharged with significant amounts are also now required to sign a debt agreement and the Unit maintains regular contact with those who are surcharged and located in remote or out stations. Where applicable we take these claims further to the Small Claims Tribunal and in the event that all measures have been exhausted and the debt remains due to death or incapacity of the officer surcharged, the irrecoverable amount is then considered for write-off.

MR. CHAIRMAN.- So Madam PS, usually a surcharge would apply in what sort of cases? I understand for recklessness, like in this sports one, there was deliberate attempt if it was a loss, they will be surcharged. In terms of negligence, when there have been negligent officers, what about in the case of a genuine mistake, if there was an error that was genuine, would they still be surcharged

MOE REP.- It has to be substantiated, it has to be seen on a case by case basis. If it is substantiated, if there is evidence, it was an inadvertent error on the part of the Accounting Officer of course then ....

MR. CHAIRMAN.- It depends on the facts of the case.

MOE REP.- Yes.

MR. CHAIRMAN.- There is an amount of $842,025.84 that remains in arrears from surcharge. Some of them range from two years old to five years old. The surcharge section previously have been making an attempt, I understand, but like if someone has just got three years to run on a contract and they have to pay a certain amount, do you not do a calculation that he should be able to pay it in three years?

MS. M. KONROTE.- That is one of the measures we have implemented.

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

MOE REP.- Just within the bounds of ERP, a person’s net take- home pay should be 50 percent. That is how it is implemented so if we cannot recover the sum within a contractual period then we refer the issue to the Small Claims Tribunal if the matter in question is $5,000 or less. If it is more than that, then we refer to the Solicitor-General’s Office.

HON. A.M. RADRODRO.- You have mentioned if more than the contract period then the person is out of a job, how do you expect to recover from that person?

MOE REP.- That is an extreme circumstance, but it is not just out of job because the person may have also assets. So we will follow the normal legal process. The normal legal process is if the person has assets if that can be liquidated but through the Court process.

MR. CHAIRMAN.-That is understood. Once a Judgment is given, even if a person is unemployed, once you issue a JDS or FIFA they will have to provide assets of that amount, chattels or pay from whatever income they have. But the fact is that the taxpayer’s money should be recorded at the end of the day unless the person dies and the debt is extinguished.

HON. A.M. RADRODRO.- Just a question in terms of the collection of this $842,000. You mentioned that there will be some consideration for write-offs. What have you taken on this particular amount that was outstanding from 2014?

MOE REP.- Due process would be followed. First, we send reminders, we follow-up then if we still cannot recover then of course we refer it to the Small Claims Tribunal. It is a very exhaustive process that needs to be done so that needs to be justified for write-off and of course you have to do an aging of debtor’s analysis.

HON. A.M. RADRODRO.- In terms of collection of these outstanding arrears, how much have you collected from 2014 to the current period?

MS. M. NAISARA.- Thank you, Honourable Member. The current irrecoverable surcharge cases as at April this year has come to $490,000 instead of $800,000. We have recovered some but some with the write-off that was done in 2015….

HON. A.M. RADRODRO.- So how much of that balance has been written off in terms of the arrears of revenue? You are left with $400,000 from $800,000; was there any write-off done during the period from then to now?

MS. M. NAISARA.- No, it was only from 2015.

MR. CHAIRMAN.- They will not be able to answer that, I think it is not in the audit of this year, it will come in the audit of the following year. But anyway for information purposes, from the $842,000 you have said, $450,000 has been recovered? Is that recoverable?

MS. M. NAISARA.- (Inaudible)

MR. CHAIRMAN.- Can we move on to the next one?

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

MS. M. KONROTE.- It should, it should, yes.

HON. RATU S.V. NANOVO.- Honourable Chairman, what was the cause of all these arrears? Were the people who were given the assistance not paying on time or the monitoring aspect from the Ministry was not up-to-date. What was the cause?

MS. M. NAISARA.- The continuous deduction of salaries from officers, we do our own reconciliations fortnightly for Established officers and weekly for Unestablished; that is how we monitor. If we find that deductions have ceased, we go back and verify or check why and if it just an error then we will request for the deduction to be continued.

HON. RATU S.V. NANOVO.- My question boils down again to this one, if the assistance was given and he has got only a number of years to finish off from the Ministry, the repayment should be worked out up to that year alone. If you had done your figures right, you should have recovered your money while he was still being employed.

MR. CHAIRMAN.- The notation there is that the failure by the Ministry to collect the arrears on a timely basis which should have been done promptly has led to irrecoverable surcharge amount totalling $306,470.13. So had action been taken in a timely manner the consolidated fund, which is the public money would not have lost $306,000, there is unjust enrichment. Some staff of the respective ministries have done something wrong, have caused a loss to public, when it came to surcharge which after a lot of scrutiny there must have been marked for surcharge, they either retired or they resigned or they were terminated which caused a direct loss of $306,470.13 which are now considered irrecoverable. But I do take note of the points that the Ministry is now doing, the Surcharge Unit has now come up with a strategy which includes:

* *“The Surcharge Unit are now liaising with Fiji Revenue & Customs Authority to obtain TIN numbers of officers to locate the address of these retired, terminated and resigned officers with outstanding surcharge balances;*
* *The Unit have a surcharge template to activate deduction from the employee following the Ministry decision activate the surcharge action while giving an opportunity to the officer with thirty (30) days to appeal.*
* *The explanation period timeline being reduced from 28 days to 14 days for any justification for the officer to provide as to why the Officer should not be surcharged; and*
* *The Unit have started to calculate the rate of recovery on the termination date of the officer from the payroll who are appointed on contractual basis. Also the officers are required to sign a legal undertaking that in the event that their contracts are not renewed, the officers will pay for the debt owed to the Government.”*

So that answers your question that there is now a new system.

HON. RATU S.V. NANOVO.- On that Honourable Chair, what I am saying is that we are only directing our attention now to those people who are were being assisted through this loan or whatever. The penalty should also be directed to those people who approved all these.

HON. A.M. RADRODRO.- Did not act.

HON. RATU S.V. NANOVO.- Did not act accordingly. I think that is one of the recommendations that we have to put in, they are also fairly responsible for this.

MR. CHAIRMAN.- You mean surcharge the officers who have supervised the officer, the whole line.

HON. RATU S.V. NANOVO.- Who gave the money in the first place and lack of monitoring that is ….

MR. CHAIRMAN.- This is not just regarding the loan , this is regarding some other issues as well, surcharge could be for anything.

MS. M. NAISARA.- Thank you Honourable Chair and Honourable Member. The imposition of surcharge can be indirectly and directly. It is in the Act that any officer or any loss can be either indirectly or directly and that is exactly what the Surcharge Unit is doing. They do not just take any loss report, they further verify with management of Ministries or Departments, for every surcharge case we compile information or details and it is submitted to the Solicitor-General for their legal opinion.

HON. RATU S.V. NANOVO.- With that Honourable Chair, I withdraw my statement.

HON. A.M. RADRODRO.- How often is that….

MS. M. NAISARA.- It is case by case; whenever we receive a case we do that.

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

MS. M. NAISARA.- Can we come back with that that?

MR. CHAIRMAN.- Yes, the statistics to be provided. Please, can we go further?

MS. M. KONROTE.- Thank you, Mr. Chairman. On the next issue 4.19 in relation to Delay in the provision of advice from the SG’s Office, as stated in the Ministry’s comments in the Audit Report, we have issued a circular on the vehicle accident checklist and the Government Fleet Management Unit within the Ministry is working closely with the surcharge team and the Solicitor-General’s Office noting that we need all the cases to be dealt with in a consistent manner. We have noted an improvement in the turnaround time for advice coming from the SG’s Office. Also with the policy of leasing, vehicles also have a comprehensive insurance cover so for cost of damage to vehicles resulting from accidents, officers are only surcharged for the excess amount which is lower and this also helps with recovery or payment of the surcharge.

In any case, the recovery period as mentioned earlier is now three years or over the term of the officers’ employment. If the vehicle is State-owned, then the officers are surcharged the full cost of repairs.

MR. CHAIRMAN.- There seems to be an issue there as well. There is a delay in the provision of advice from the Solicitor-General’s Office on how to go about and then it could be a case where the Limitations Act will apply. If you are out of six years, then you would not be able to recover the debts if there is a delay, so I think you have to pursue with the Solicitor-General’s Office of a timely advice so that you can file the cases in time and not to miss the statute, otherwise as the notation here at the end notes, it says and I quote:

*“The above findings indicate potential loss of Government for the surcharge balance of $651,143.09 from 2006 to 2009 as it would be considered statute barred in accordance with Section 4(1)(d) of the Limitations Act.”*

Unless you proceed with the filing cases immediately that amount of money will be lost forever.

HON. A.M. RADRODRO.- Just a question out of interest. Does this same Limitations Act also apply to arrears of revenue that was addressed previously? Does this Act also apply there?

MR. CHAIRMAN.- The Limitations Act applies that you cannot bring a case in court for a debt owing which is more than six years old so if there is an arrears on revenue, it is different. You do not have to bring a case in court for that, but if it is an arrears of surcharge, that is a case against a particular person, it is for court matters.

MS. M. KONROTE.- Mr. Chairman, Issue No. 4.21 on Misplaced Declaration of Confidentiality and Interest Forms. We take note of the Auditor-General’s recommendations and the Compliance Unit of the Fiji Procurement Office now verifies all the tender details to ensure that regulations are complied with before the tender request is submitted to the Government Tender Board.

HON. A.M. RADRODRO.- Mr. Chairman, just a question to the PS: what principal activity does the Fiji Procurement Office involve; just calling of tenders, reviews and that is it?

MS. M. KONROTE.- Yes, they also analyse the tender submissions that are made from the ministries and make recommendations to the Government Tender Board. So they facilitate the requests for purchase from the various ministries.

HON. RATU S.V. NANOVO.- Mr. Chairman, why are there complaints from the people that there are so many delays within that system before tenders can actually be given out? Is the procurement team part of the Tender Board?

MS. M. KONROTE.- Honourable Member, they are the secretariat to the Tender Board.

MR. CHAIRMAN.- Just a general question, your question is why are there complaints from people when tenders are not approved quickly?

HON. RATU S.V. NANOVO.- Yes, the time taken to arrive at a decision.

MR. CHAIRMAN.- Probably they are scrutinising it well, this issue is about confidentiality.

HON. A.M. RADRODRO.- There are instances where ministries are allowed to conduct their purchasing or projects without going through the necessary tender process, does this Department have to give their necessary approval in that particular instance?

MS. M. KONROTE.- Yes, correct. For projects that are above $50,000, they require a waiver. Any procurement above $50,000 comes to the Fiji Procurement Office. Below, the Permanent Secretaries can approve those procurements.

MR. CHAIRMAN.- Even then with three quotes?

MS. M. KONROTE.- Exactly.

MR. CHAIRMAN.- The issue here is that people who sit on the Tender Board must declare and sign that non-conflict of interest form, those forms were lost, so that is what the issue here is.

We can move on to the next one.

Forms are really necessary, in fact, that is how we can catch people who have monetary interest in the firms that get their tenders.

MS. M. KONROTE.- Mr. Chairman, on Issue No. 4.23 in relation to Internal Control Weaknesses, as I mentioned earlier, in 2015, the Department was transferred to the Ministry of Public Enterprises. Having said that, we note that one of the major contributing factors to the variances is due to breakdown of the machines, so jobs were then diverted to other machines with higher machine rates if they need to meet customer deadlines. These suggestions for improvements, we have also informed the Ministry of Public Enterprises that have now taken over the oversight of the Department.

MOE REP.- Mr. Chair, on the Sale of the Assets, that company is in progress currently.

HON. A.M. RADRODRO.- Still operating?

MOE REP.- Yes, what they do is basically the printing of exam papers and also printing for the Parliament of Fiji.

MR. CHAIRMAN.- They also print Gazettes and Parliamentary Bills.

HON. RATU S.V. NANOVO.- On that, Mr. Chairman, I think one of the intentions of this current Government was to sell off this entity. Is that still in place?

MR. CHAIRMAN.- That is a policy question, I do not think it is an audit issue.

So the issue of Internal Control Weakness, PS has explained is now moved to which Ministry?

MS. M. KONROTE.- Ministry of Public Enterprises.

MOE REP.- (Inaudible)

MR. CHAIRMAN.- To, Government Printer? There is no shareholding in the Department.

There is a difference – authority and Government Commercial Company; it is not a Government Commercial Company, is that right? What is the status of the Printer? It is an authority?

MOE REP.- Department.

MR. CHAIRMAN.- Yes, it is a department.

If they cannot answer on the Internal Control, now that it has been moved, so can we move to the next one - 4.24, is it?

MS. M. KONROTE.- Mr. Chairman, the issue of TMA Expenses Funded From Operating Fund Account. We do take note of this and as we have mentioned earlier, the Department has been transferred to the Ministry of Public Enterprises, but to prevent inter-fund transactions, the TMA FMI users have been allocated specific profiles within the FMIS system and this is to prevent the TMA users from posting into the Consolidated Fund.

Also the Asset Management Monitoring Unit, in co-ordination with the FMIS team, have also conducted trainings for agencies with TMAs that have had a history of such transactions. The training is to instruct them or to update their knowledge on the correct payment and receipting selection processes.

In addition, the Ministry has finalized the TMA policy in June 2015 which emphasizes that inter-fund transactions between Fund 1 and Fund 4 are not permissible.

HON. A.M. RADRODRO.- In 2014 the Government Printing was funded from the Ministry of Finance?0

MS. M. KONROTE.- Correct.

HON. A.M. RADRODRO.- So in terms of these particular audit issues that were raised by the audit for Government Printing, have you taken actions to resolve these issues that were highlighted then?

MOE REP.- We have taken steps to address those issues.

HON. A.M. RADRODRO.- Funding is coming through Public Enterprises?

MOE REP.- Yes Sir.

MR. CHAIRMAN.- Yes, because the issues there were over-costing/under-costing. But at that stage was it resolved before it moved to Public Enterprises, is that the question?

Coming back to the TMA, PS just a question, some of these errors have occurred because of mis-posting etc., and failure to keep documents for reconciliation. Your Ministry is the one responsible to guide and train other Ministries in terms of posting and reconciliation, is it not?

MS. M. KONROTE.- Correct, Chair.

MR. CHAIRMAN.- So if these things are happening in your Ministry then how are your officers are training the other Ministries? Because TMA one has been appearing on a number of occasions. Is there any step taken to first train your staff properly?

MS. M. KONROTE.- Thank you Honourable Chair. As I mentioned earlier, we do have a TMA policy in place and together with the FMIS Unit what we are doing is encouraging other Ministries to develop Standard Operating Procedures or SOPs that is aligned to the TMA accounting policy.

AUDIT REP.- Thank you. Let me just add to that Honourable Chair, I think the issue here is that some of the TMA expenses were being paid from Fund 1. That issue is not only prevalent to GPSD or FMIS or Ministry of Economy, it is a common issue across Government. So as alluded to earlier by my PS, we want to control that those inter-fund postings are not done in the first place. So it is bound to happen because Ministries from their profile they can see both funds, they are able to post to both funds. So what we have done to rectify that issue, we have separated TMA Officers who pass TMA transactions they can only view their accounts from the profile as well as Fund 1 Accounts Officers.

HON. A.M. RADRODRO.- Is what you explained also understood by those ministries and departments that operate TMAs?

MOE REP.- That exercise has already been rolled out to them. Yes.

HON. A.M. RADRODRO.- Are they aware of what they need to do? Because we note that there are some concerns raised for Ministries that operate their own TMAs, they face the same problem so we cannot blame them if the Premier Ministry is also having a problem and not addressing it on time.

MOE REP.- We have done that like I said. It was a control issue then so by profiling, by separating the profiles of the two funds it should resolve the matter.

MR. CHAIRMAN.- We will see that in 2015 whether it is repeated.

HON. A.M. RADRODRO.- The Ministries that are operating bigger transactions utilizing their TMA; Ministry of Forestry, Ministry of Agriculture, Ministry of Works. These are bigger Ministries and they have their own respective officers in their respective divisions so I hope that what you saying is going to address their issues on TMA.

MOE REP.- Yes Honourable Member. As alluded to by the Permanent Secretary, we have finalized the TMA policy which particularly prohibits inter-fund transactions and we have a team with FMIS going around to all the TMAs to conduct these trainings specifically to identify these issues so we can resolve these issues.

HON. A.M. RADRODRO.- The people that you train do train the other people that will operate TMAs?

MOE REP.- Yes Sir, we train the TMA operators but other issues are out of our control such as the rotation of staff and contracts within the Ministries and other issues. We do regular workshops and trainings to all the respective TMAs and we monitor their reconciliations.

MR. CHAIRMAN.- We have got two more headings to go before we take a break so can we move to, Slow Moving and Obsolete Inventory. PS the issue here seems to be that when inventory was purchased it was not done in economical manner and the expected level of usage, lead time for delivery, volume discounts, holding costs, the availability of secure storage and the likelihood of deterioration was not taken care of.

Review of the stock take report revealed that inventories valued at $198,906 and $573,338 are slow moving and obsolete inventories as at 31/12/14 making up 57% of the total closing stock of TMA.

The findings reflect lack of commitment by the Department in monitoring the stock levels and could result in the incurrence of additional costs of storage, security inventory items.

What is the explanation there? There have been some stock purchased, some was done for the Supervisor of Elections in 2006 but those stock have not moved. So what is the solution there, what do you do with those stock?

MOE REP.- Thank you Chair. Most of the slow moving stocks which are made of Fijian readers that were printed way back in 1998 as well as textbooks that are no longer relevant due to changes in syllabus by the Ministry of Education.

For other slow moving stocks, they relate to the stocks in the 2006 General Elections where purchasing was done on the request of the Supervisor of Elections to print jobs like boundary maps, ballot papers. The printing that was done was a bit extra and that is why we still have some leftover in stock. Also some of the reasons in slow moving stock is due to changes in technology. The machines that we now have are quite obsolete and they are no longer working. There are some spare parts that we maintain and consumables that are forming part of these slow moving items.

MR. CHAIRMAN.- Did this not come out of the Supervisor of Elections budget in those days (2006) because the printing of maps is now taken by the Supervisor of Elections budget?

MOE REP.- This is in 2006.

MR. CHAIRMAN.- Yes.

MOE REP.- I think you are referring to the latest one.

MR. CHAIRMAN.- In 2006 it came out of the Ministry of Finance budget?

MOE REP.- Yes.

MR. CHAIRMAN.- Now with the maps and ballot papers that have gone obsolete, it keeps on appearing here so what is the proper procedure of disposing them?

MOE REP.- We will have to make a submission to the Ministry of Economy for a write-off.

MR. CHAIRMAN.- We do not need those 2006 boundaries, it has all changed now; that is one.

Second is, machines that are there with no parts available, what do you do with them? Sorry that is on the other side, right?

MOE REP.- For those machines, we have already made submissions for write-off to the Ministry of Economy.

MR. CHAIRMAN.- It cannot be repaired?

MOE REP.- No.

HON. A.M. RADRODRO.- What is the value of those machines? Have you done any valuation?

MOE REP.- Will come back to you on that.

The valuation was done by an independent valuer.

MR. CHAIRMAN.- Just let us know if the machines instead of being written-off it could be used somewhere else , if not then, as a last resort to be written-off.

MOE REP.- It is no longer in operation.

MR. CHAIRMAN.- No longer in operation.

MOE REP.- The machines are obsolete, basically they are not in running condition, the parts are not available either locally or from the supplier.

MR. CHAIRMAN.- It will probably cost more to repair those than to earn any profit out of it. Maybe scrap metal is the only option.

Let us look at 4.26 – Discrepancy between Physical Stock and Stock Card Balance. Store man has appeared prominently in other Ministries too, Madam PS. A store man is supposed to see what inventories are coming in and what is going out. You will notice that the store man in most Ministries are not doing their job properly in terms of keeping stock cards, et cetera. Can we have some explanation on that?

MOE REP.- Honourable Chairman, like you said, the problem is prevalent across all ministries and departments and we have been trying to advice the store man to be more vigilant and to update the tally cards as soon as the stock is issued.

MR. CHAIRMAN.– Is there any policy statement by your Ministry in terms of things that have been highlighted here?

*“Date of acquisition and order number reference, number of items received and cost price, supplier details, date of issue of inventory and nature of issue, issue reference and quantity issued.*

*The stock take report as at December 2014 for the Department revealed the stock quantity of most of the items did not match with the balances in the tally cards. The variances were due to tally cards not being updated.”*

That is the update that is missing.

*“A total of $65,231 as at 2014 showed deficit balances indicating that the stock cards were not recording movement of individual inventory items in/out from the stores while $47,089 worth of inventory items being surplus items not recorded in the tally cards.”*

What we noticed from the other Ministry in particular the Ministry for Maritime Development, their stock cards were not maintained properly and that leaves room for mismanagement. The card shows that there is less items, the stock is more. If you remove some of those items no one will know about it. Can we hear from you on that one? Any policy across the Ministries to take care of this?

MOE REP.- Honourable Chairman, in the TMA policy it strictly states the stock take processes where at the end of the year end an independent person undertakes the stock take. All that the store man has to do is update his tally cards according to that stock take, so that is basically where this issue is but this has been addressed in 2015.

MR. CHAIRMAN. – How many store men do you have in your Department? One Chief and the subordinates?

MOE REP.- We have one at Government Printing.

MR. CHAIRMAN.– So it is that one person’s responsibility to see that all these stock cards and tally cards; everything is being done by him. That is a lot of work for one single person, is it not?

MOE REP.- Well the volume of jobs that we are receiving at Government Printing is no longer there.

MR. CHAIRMAN.– All right, that is good. So it is easier now.

MOE REP.- Yes, Sir.

HON. A.M. RADRODRO. – (Inaudible)

MOE REP.- Well Government Ministries have to ask for three quotes.

MR. CHAIRMAN.- Now if you look at the back of the Bills some of those things are $0.61cents and $0.62cents only. So it is quite cheap. Any questions regarding that? The dollar value and physical stock cards should be recorded.

*“If tally cards are not updated or maintained, the management is not in a position to determine the quantity of stock it has at any in time. The above also increases the risk of unauthorised sale, theft subsequently resulting in loss of government revenue.”*

There should be a policy that every store man in every Ministry updates these tally cards properly. Their recommendation is:

*“The Department should ensure that the tally cards are regularly updated and verified against the physical stock.*

*The store man should be disciplined for not updating the movement of inventory in the tally cards.”*

Any disciplinary action taken against the store man?

MOE REP.- Honourable Chairman, no action has been taken. There has been some improvements, like the establishment of the TMA Section as PS had alluded to. We do annual stock takes and ensure that any variance is highlighted and explained to the auditors.

MR. CHAIRMAN. The Ministry’s comments are:

*“Your comments are duly noted. These stocks are from bookshop which was directed by Ministry of Finance to be moved to Vatuwaqa in December 2012. The stock take team in 2014 have accounted for these stocks. The store’s officer with his team is updating stock to tally cards. All items are non-moving items.”*

At that time, it was being tallied. Let us see the 2015 one if it was being updated. Any questions on those Appendices? 4.1? 4.2? 4.4 - Details of Under-Costing and Over-Costing?

HON. RATU S.V. NANOVO.- Which local organisation provides training to store man? Surely there must be people around; FNTC used to run courses in this area.

MOE REP.- Honourable Chairman, I think the store man knows what is required of him. He knows his job description and what he is supposed to do. So it is just the laxity on his part that the stock cards are not being updated.

HON. RATU S.V. NANOVO. – For Government Printing, $47,000 worth of stock were not recorded, what sort of disciplinary actions have you taken against this store man?

MOE REP.- As mentioned earlier, we have not taken any action.

MR. CHAIRMAN.- So, there was no action taken. If you look at Appendix 4.2 there is Surcharge Arrears of different departments including someone from Parliament who was surcharged $15 arrears not paid.

Variance between Estimated Cost and Actual Cost - Appendix 4.3.

In Appendix 4.4 - Details of Under-Costing and Over-Costing. This I think is a Government Printery one.

Issue 4.5 - Discrepancies in Inventory Balance for 2014. It is quite detailed that means if we can identify, even the envelopes has not been tallied, that means it is easy in the first place to tally this.

So, Honourable Members and officials from Ministry of Economy, let us take a short break for 10 minutes and have tea and then commence at 11.30 a.m. for the 2015 Report. Is that suitable PS? Thank you very much.

**The Committee adjourned at 11:17 a.m.**

**The Committee resumed at 11.38 a.m.**

MR. CHAIRMAN.- Thank you Honourable Members. Staff, media and the team from Ministry of Economy. We are now ready to commence our second session with your audit opinion on 2015 OAG Report.

Just like the previous one, let us start from Part A – 4.1 and then we will take it from there.

MS. M. KONROTE.- Thank you, Honourable Chair and Honourable Members of the Committee. As mentioned earlier we have continued to work to review and strengthen our internal processes and reporting procedures, as well as our internal controls and at the same time build capacity within our Treasury Division. Sir, you will note that for 2015, our accounts were unqualified.

If I may we move onto the next issue. Highlighted in the report – 4.8 on Write Offs.

MR. CHAIRMAN.- Members any questions on 4.2, 4.3, 4.4?

HON. RATU S.V. NANOVO.- Mr. Chairman, on Table 4.1 can we just be further clarified as to what do they mean by “payment by third party in the third column. There are three payments in there.

MOE. REP.- Honourable Member, the payment by third parties are direct payments. Those are external loans where the creditor pays directly to the contractor after we have verified the progress of the respective capital projects.

MR. CHAIRMAN.- On that, the amount says that, “As at 31/12/15, the consolidated revenue for the Ministry totalled $3,762,443,296 …” Is that approximately the GDP as well?

MOE. REP.- (Inaudible)

MR. CHAIRMAN.- Sorry.

MOE. REP.- $9 billion.

MR. CHAIRMAN.- All right. So $3.762 billion is the total revenue, that is, from all the revenue like duties, taxes.

MS. M. KONROTE.- Both tax and non-tax revenue.

HON. A.M. RADRODRO.- Mr. Chairman, just clarification on the State revenue. The investment revenue is the returns from GCC and CSAs? There is a substantial increase in terms of investing revenue from $80 million to $255 million. What does that relate to?

MOE REP.- Yes, Honourable Member. The increase is due to the progress on sale of assets.

HON. A.M. RADRODRO.- Sale of assets?

MOE REP.- In 2015 it was ATH and Fiji Ports Corporation and also the dividends that we received during that period. Borrowing revenue, Sir, is the amount of funds we received from one issuances and our external loan draw downs. For domestic we issue bonds in the market….

HON. A.M. RADRODRO.- It is all covered here?

MOE REP.- Yes, Sir.

HON. A.M. RADRODRO.- A huge increase to $1,020,258,083 billion in 2015 borrowing revenue.

MOE REP.- Yes, Sir. If you may note, during the 2015 period we had re-issued the global bond at US$200 million.

HON. MEMBER.- (Inaudible)

MOE REP.- Yes, Sir.

HON. MEMBER.- (Inaudible)

MOE REP.- It is US$200 million.

HON. A.M. RADRODRO.- I was not here during that session, I was in New Zealand.

MR. CHAIRMAN.- So let us move to the Audit Issues - 4.8.

HON. A.M. RADRODRO.- What sort of board member fees is this?

MR. CHAIRMAN.- Which table is that?

HON. A.M. RADRODRO.- Table 4.1 - Board Member Fee of $97,815.

MOE REP.- It is for the Permanent Secretary who sits in on other boards and that is board fee is deposited into the CFA.

HON. A.M. RADRODRO.- Miscellaneous revenue from $6 million in 2014?

MR. CHAIRMAN.- There is an increase in miscellaneous revenue from $6 million to $10 million.

MOE REP.- Sir, these are regarding fees and charges.

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

MOE REP.- These are other fees and charges that are incurred by the Ministry.

HON. A.M. RADRODRO.- What are these?

HON. RATU S.V. NANOVO.- Give an example.

HON. A.M. RADRODRO.- Auditors, would you be able to assist?

OAG REP.- From bank deposits. Short-term.

HON. A.M. RADRODRO.- Increase in 2015 from $6 million to $10 million that is $4 million of bank interest increase?

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

OAG REP.- Honourable Chair, we request to submit a detailed breakdown of that miscellaneous revenue.

HON. A.M. RADRODRO.- We can have that too because we would also like to get some verification and comments from the Ministry of Finance on this particular increase.

OAG REP.- Thank you, we will look into our file.

MR. CHAIRMAN.- We will receive the details from OAG then write to them.

MS. M. KONROTE.- Mr. Chairman, there is no issue raised on this particular issue which is why we are …

MR. CHAIRMAN.- PS, I understand that it was not raised. It is a question of general interest so we will just write to you on that.

HON. A.M. RADRODRO.- Come down to capital expenditure - capital grants and transfer increased from $1.7 million to $6.5 million. What does that grants and transfer relate to?

MR. CHAIRMAN.- You mean the total expenditure there?

HON. A.M. RADRODRO.- Capital grants and transfers.

HON. RATU S.V. NANOVO.- Capital expenditure.

MS. M. KONROTE.- Mr. Chair, these are the grants to statutory bodies that are allocated in the budget. It includes the grant to FRCA; both they are operating and capital grants and also for the Aftercare Fund.

MR. CHAIRMAN.- Some other GCC also gets grant from the Ministry of Finance like Rewa Rice Limited; that would be part of that as well?

MS. M. KONROTE.- That would be, yes, but in Head 50.

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

MS. M. KONROTE.- Head 4.

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

MS. M. KONROTE.- For Table 4.1, I think it is specific to Head 4.

MR. CHAIRMAN.- Let us move to 4.8 this was the first audit issue.

MS. M. KONROTE.- Thank you, Mr. Chair. So in relation to 4.8 we have a table on the slide to highlight the breakdown. So in relation to the $6.8 million for FRCA’s drawing account, this was in fact an adjustment that was made to correct a wrong posting done through a Journal Voucher in August, 2013. This was supposed to have been adjusted initially with the consolidated fund account. In terms of FRCA’s drawing account for Customs, this also as a result of unreconciled figures from 2010 which FRCA was unable to substantiate. This is also a direct result of misposting and a reversal which was never regularised.

On prepayments and accrued income, this was due to mismanagement of cash by a former employee of the Ministry of Strategic Planning then. The officer was charged and is no longer employed with the Ministry. In 2015 the Ministry of Strategic Planning was merged with the Ministry of Finance and the balance was transferred to the Ministry of Finance and since then we have put in place monitoring system to ensure that all advances made through advance payment is recorded in the register and also in the FMIS.

In relation to the fourth write-off of $12,764 this was again due to misposting from the old terminal system (Vision Core Software) that was then transferred to FMIS. This was done through uploading, the misposting could not be substantiated. Since 2012, the Fiji Procurement Office now directly reports to the Chief Accountant and all the transactions are done on a cash basis.

For the term loan receivables, these were loans to former MPs. In this particular case, the investigation took longer than expected and as the Limitations Act came into effect, so the debt became irrecoverable.

On the last write-off for Elections Office amounting to $49,694, this was for FNPF and advances which were due to misposting to the wrong Trust Account and this was carried forward from 2011.

MR. CHAIRMAN.- On that, Madam PS, you were saying that there were loans given to former MPs?

MS. M. KONROTE.- Yes, former MPs.

MR. CHAIRMAN.- The issue here is, there was a provision to give loans to former MPs and that used to come out from the Ministry of Finance, not from Parliament?

MS. M. KONROTE.- Loans for vehicles.

MR. CHAIRMAN.- And they were never recovered?

MS. M. KONROTE.- Correct.

MR. CHAIRMAN.- If you take a loan from a bank and if you lose your job, you are still not expunged from paying. You still have to find the means to pay.

MS. M. KONROTE.- As part of their privileges at that time, they could take out loans for vehicles.

MR. CHAIRMAN.- Then they could take loans as part of the privilege but they must still pay back, that is a loss. Let us find out whether they have been re-elected and pursue that.

Let us go to the next one, any questions on the write-offs? Can I just ask that first one on top, the amount of $6.862 million, what is that amount?

MS. M. KONROTE.- Mr. Chairman, this was a misposting.

MR. CHAIRMAN.- So it was a drawing – Inland Revenue, what happened to that money? It is not a loss actually.

MOE REP.- It is a book entry.

MR. CHAIRMAN.- That money – $6.862 million, that was a result of a misposting.

HON. RATU S.V. NANOVO.- In that evidence that you have got, it also shows who approved those mispostings; who signed and countersigned. It should also be shown who approved those mispostings, and that should be the officer who should be disciplined. Try and locate him and discipline him.

HON. A.M. RADRODRO.- What could be the necessary steps? A person approving the misposting and supporting documents should also be taken into disciplinary process.

MR. CHAIRMAN.- Let us move to the next one if there are no more questions.

HON. RATU S.V. NANOVO.- Sir, just before we proceed further, can we just go back on 4.4 – Statement of Losses.

*“The Ministry of Finance recorded no loss of cash or revenue in 2015. However, items worth $276,643 were written off following the Ministry’s Board of Survey conducted in 2015. In addition, amounts totalling $564,200 for accounts which are asset in nature were also written off as part of the clearing of previous year’s postings which were not substantiated.”*

Can we be given an explanation of how has this taken place?

MOE REP.- Mr. Chairman, for the write-offs, one was through the Board of Survey, the other one was for the assets. The numbers could not be substantiated. This has been a recurring issue.

HON. RATU S.V. NANOVO.- It has been recurring throughout the years.

MOE REP.- Yes, it has built-up over the years so once we did the aging of it, then we did a very thorough analysis with the internal audit team and Auditor-General was part of the team but as an observer because they are an independent body. This was done in a very robust manner.

HON. RATU S.V. NANOVO.- Can you confirm that, Auditor-General, that it was done in a robust manner?

AUDIT REP.- Mr. Chairman, yes, there was discussions with the management of OAG that the Ministry of Economy to do this clean up on the general ledger of all the outstanding amounts or all the balances that had accumulated over the years.

MR. CHAIRMAN.- Let us move to 4.9.

HON. A.M. RADRODRO.- Just a question on this write-off, this is only for Ministry of Economy - $12 million?

MS. M. KONROTE.- Correct.

HON. A.M. RADRODRO.- Excludes the other write-offs that are recommended by the Ministry of Economy for other ministries and departments under this particular audit.

MS. M. KONROTE.- Yes. Mr. Chair, on Issue No. 4.9 - Over Adjustment in SEG 1. This is the employees’ contribution of FNPF for ministers who were paid from Head 50 from June to December. This was then regularised to the individual ministries – expenditure allocation and in the process, 8 percent was over-credited. We have since addressed this and put in place measures to avoid this being repeated so reconciliations are now required to be submitted in a timely manner, and just to note that this was just a misposting and not a loss to Government.

HON. RATU S.V. NANOVO.- How long was this fault detected? How long did it take you to detect this fault?

MOE REP.- Once the reconciliation check-up was done, then this issue was detected. This was for June to December for 2015 - six months.

HON. RATU S.V. NANOVO.- If that was with FNPF, these recipients would already be gaining interest through FNPF then. By holding on to it within the Ministry, they will not be enjoying the necessary benefits. What can you say to that?

MOE REP.- This was more of a book entry, it is over-crediting of FNPF because employers should be paying 10 percent, employees 8 percent. It was over-credited, so it was regularised. It was due to some reconciliation issues in 2015.

HON. A.M. RADRODRO.- Audit noted that the salary adjustment expenditure in the FMIS Ledger had a credit balance of $60,000 so how was this entry into the ledger allowed to continue resulting in that credit balance?

MOE REP.- Mr. Chairman, 8 percent should not have been deducted from Head 50, in fact, it should have been from the employee’s salary - 8 percent.

HON. A.M. RADRODRO.- How did this happen?

MOE REP.- I think it is our payroll team.

HON. A.M. RADRODRO.- They were not verified, not checked?

MOE REP.- Team Leader Salaries.

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

MOE REP.- Comes under the Chief Accountant.

HON. RATU S.V. NANOVO.- It is you?

MOE REP.- I was not the Chief Accountant at that time.

HON. RATU S.V. NANOVO.- It was him at that time.

MOE REP.- So we have rectified it, we have got Standard Operating Procedures (SOPs) now and we have taken remedial measures.

MR. CHAIRMAN.- Just a notion by the Ministry under that and I quote:

*“This was an inadvertent error which was rectified. In essence, from the period June to December, the employer’s contribution of FNPF for Ministers was paid from this vote. However, when journals were raised to pass charges to the respective Ministries and Departments, the full 18% was charged instead of 8% resulting in this account being over credited.*

*There was no financial loss to the State. It was just a mere misposting between agencies. The screenshot below confirm the same.”*

So what they were doing is that the Ministers’ FNPF should have been paid from different ministries, it was paid by this Ministry and then they should have taken a 10 percent out from the respective ministries but then it was 18 percent.

MOE REP.- Yes.

MR. CHAIRMAN.- Actually it is not a loss but it is an over credit which was refunded to them.

MOE REP.- Yes.

MR. CHAIRMAN.- More money coming in is not a problem, more money coming in is ok.

HON. A.M. RADRODRO.- This payment here from Head 50, this is for?

MOE REP.- Ministers’ FNPF.

HON. A.M. RADRODRO.- You have the ‘s’ at the end, is it all Ministers or just one Minister.

MOE REP.- All the Ministers were paid.

HON. A.M. RADRODRO.- I thought they were supposed to be paid from the respective ministries and departments of their respective Ministers?

MOE REP.- That is the practice that is being adopted now.

HON. A.M. RADRODRO.- From which period?

MOE REP.- 2016.

HON. A.M. RADRODRO.- Up to June to December 2015, all Ministers’ salaries were paid from Head 50, is it?

MOE REP.- It is the FNPF contribution from Head 50.

MR. CHAIRMAN.- It is not the full salary.

MOE REP.- So now it is normal that employees should contribute 8 percent and the employer will contribute 10 percent.

MR. CHAIRMAN.- It is not for the whole year, it is for the period of June to December.

MOE REP.- June to December -6 months.

HON. A.M. RADRODRO.- This is going back to my question that in this period (2015) the Minister’s salary or the Minister’s only FNPF was paid from Head 50, which one is it?

MOE REP.- (Inaudible)

MS. M. KONROTE.- Correct.

MR. CHAIRMAN.- Ok, let us move on to the next one.

MS. M. KONROTE.- Thank you Chair. On the issue of Monitoring of Funds Released from Head 50, we have worked together with the Solicitor-General’s Office to improve and refine some of the reporting clauses in our Grant Agreements for funds that are allocated in Head 50.

So since 2016 the reporting requirements for agencies that receive grants have been expanded to include acquittals and any other information or details that may be required by the Ministry.

As the Honourable Member alluded to earlier, a number of the allocations in Head 50 are placed under R so this is an additional monitoring measure and for allocations that are not placed under R, submission of acquittals is a prerequisite for further releases from Head 50.

HON. A.M. RADRODRO.- Question on the release of such funding. You mentioned that you are putting in place processes and procedures. Most of these recipients do not audit through Auditor-General’s Office. Generally speaking most of the recipients whether part of your processes that you are putting to, specifically for TSLB who is receiving a grant of $57 million. Are you ensuring that they also come under the scrutiny of OAG as part of your condition or are they open to get audit from outside?

MS. M. KONROTE.- Yes, they are open to get external auditors and we receive copies of the audited reports.

HON. A.M. RADRODRO.- When such organisations come through the Auditor-General’s Office, they come through this Committee and you would not like to impose that as a pre-condition to the release of funding, and they also have to go through the scrutiny of regulatory audit through the OAG. We know that private companies do only financial audit (report on figures) and not so much on the processes which have very little attention given to it because of probably their business make-up.

Just for your consideration going forward, because of the amount involved here is quite a big one - $57 million, and we are also hearing a lot of concerns regarding the operations of TSLB on how they issue scholarships and how the processes in terms of repayment.

MOE REP.- - Mr. Chairman, I think you have raised an important point but as far as audit is concerned, it is guided by the TSLB establishment guidelines. So if it is in the Act and the Decree that it can be audited by an external party, so it has to be audited by an external party.

HON. A.M. RADRODRO.- That is a very interesting point. We we as a Committee and also the OAG were trying to identify. We have the Audit Act and we have the documents at the respective ministries so which one is superior? The Audit Act says that they have to audit all Government Departments and Government Companies and you stated that they also have the right to choose. So which one is more superior?

MOE REP.- It is more of a legal issue but of course it is not a Government Department, it is a body corporate. It has got a Board. It is a statutory body, it is more of a legal question but it is clearly stated that it can be audited by external auditors then that is the process they are following. And of course the external parties are also guided by the international auditing standards so they need to follow the due process.

MR. CHAIRMAN.- When the OAG was here he said that they have got their own listed entities they can audit. The ones that have got separate boards, they do not have the power to audit all of them unless they get a special mandate.

MOE REP.- I think it is a good point that you have raised but for TSLB it is a statutory body.

HON. A.M. RADRODRO.- Yes, it is a very good point because I think it is about time that the ministries should also consider taking that into consideration, the auditing of this organization.

Most of the time private companies just conduct financial auditing. I think your Audit Department would be able to elaborate further if you wish to. But in terms of Auditor-General, this process of scrutiny is all part of the auditing by the Auditor-General, whether it is a body or Government Commercial Company or Commercial Statutory Authority or even Government Department, it comes through the report of the Auditor-General and comes through this process.

MR. CHAIRMAN.- This is a question of agreement as well; there is no agreement between TSLB to provide audited accounts, but the Ministry can include that in the agreement for future ones if they wish. But again I think it is just fairly close to the policy issue they want to do it or not.

The next one, the Ministry gave a loan of $9.7 million to South Pacific Fertilizer Limited (SPFL). The audit notes that the agreement covers the period of 25 years. There was no clause for actual utilization of fund.

In addition, there was no provision on the annual submission of audited SPFL financial statements for monitoring purposes.

MS. M. KONROTE.- Mr. Chairman, is this in reference to the South Pacific Fertilizer?

HON. MEMBERS.- Yes.

MS. M. KONROTE.- We have the audited reports with us that have been submitted.

MR. CHAIRMAN.- They have submitted their audited accounts but the issue was that the agreement did not say, that there was no clause on the actual utilization of fund. That was the audit issue but they have given you the audited accounts. And the notation there is and I quote:

*“Failure of the Ministry to capture all essential information in the agreement for the use, monitoring and acquittals of funds and as well as lack of monitoring from Ministry of Finance, increases the risk of abuse and misappropriation.”*

The question here is that the agreement should not include issues of how the funds are to be used, acquittals et cetera?

MOE REP.- We have taken note of that point but just for practice for the existing loans, we are requesting for audited accounts and that they are submitting it. Even if it is not in the agreement, they are submitting it, they are requesting from the companies.

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

MOE REP.- Yes, from South Pacific Fertilisers Limited.

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

MR. P. SINGH.- Yes of course it is in the financial statement.

HON. A.M. RADRODRO.- No, the financial statement is different. I am talking about audit issues like we are addressing now for the Ministry of Finance.

MOE REP.- Yes of course, because with audit issues, it is there. This is audited financial statement. So if there are some audit anomalies, it will be highlighted here.

HON. MEMBER.- (Inaudible)

MOE REP.- Yes, it is unqualified.

HON. RATU S.V. NANOVO.- Still on that Honourable Chairman, how was this funding allowed to proceed if the company itself does not state how they are going to use that fund.

MOE REP.- This was approved through the budget process – Appropriation Act.

HON. A.M. RADRODRO.- On the process of disbursement, who was sleeping on the job and did not address these issues.

MR. CHAIRMAN.- The allocation to TSLB and South Pacific Fertilisers that is not the problem. The allocation is a budget policy thing, how that money was disbursed, that was issue that OAG had picked out.

MOE REP.- It is not the issue of sleeping on the job, we were giving the funds as was requested and they provided the acquittals to the Budget Division.

MR. CHAIRMAN.- Maybe the question should be, who drafted that agreement?

MOE REP.- It is from the Solicitor-General’s Office.

MR. CHAIRMAN.- There must be a terms of reference given by the ministries. It is usually agreements are drafted with both parties agreeing. If the agreement was not to have this reconciliation provided then it will not be in the agreement, the SG will not put that in. It comes back to the Ministry and the Department on what they wanted in the agreement. I think it is highlighted that they should have that in the agreement.

MOE REP.- Yes, Honourable Chairman we have taken that on board.

HON. RATU S.V. NANOVO.- On that Honourable Chairman, if I were you, the PS has directed me to disburse this funds to them, do you not think how will this money be used? Taxpayer’s money, you should enquire into that.

MOE REP.- Yes, Head 50 is handled by our Budget Division and they request for the acquittals.

HON. RATU S.V. NANOVO.- When they come forward for that request they will bring to you how they are going to use that money. When the acquittals comes then you match it up with that.

MOE REP.- Yes, that was followed.

MS. M. KONOROTE.- That is the process. So the agency provides the division with a work plan and then they acquit against the work plan for funds that are released.

MR. CHAIRMAN.- If you look at the Ministry’s comments at the bottom, it says and I quote:

*“The verification of works is closely undertaken by the SG’s Office before payments are done.*

*The 2016-2017 agreement has now included clauses (Section 10 paragraph 10.3) on the provision of audited report to the Ministry of Economy.*

*The monitoring of SPFL is usually undertaken by the line Ministry - Ministry of Sugar and FSC. In addition MoE usually undertakes the verification process before the grants is released.”*

HON. RATU S.V. NANOVO.- We do understand that, Honourable Chairman but my concern is, if you look at number two, there was no clause in the actual utilisation of funds. That is my concern.

MOE REP.- The clause was not there but the trigger point for release of funds by the division is their request for acquittals.

HON. A.M. RADRODRO.- I think the important thing here is whether the value for money of what you release, because there were some issues regarding this company in terms of the price of fertilisers where the release of funds was to subsidise at the required amount. Even though it is budgeted for but the intention of this budget as per utilisation, there was some cost sharing arrangement between the farmer and the company. So whether that was achieved through the intention of this budget, that was the gist of this utilisation.

MR. P. SINGH.- In terms of that, they have provided the acquittals in terms of the quantitative assessment, we are doing that on an ongoing basis and that is a key focus.

MR.. CHAIRMAN.- Point is taken that future agreements to include that.

HON. A.M. RADRODRO.- You still continue the release of funding to SPF?

MOE REP.- Now we are giving them grants.

HON. A.M. RADRODRO.- And what is the current arrangement? Is there a clause to ensure that the price of fertiliser is not more than what it used to be?

MOE REP.- In fact there is a grant agreement between SPFL and ….

MS. M. KONROTE.- The grant agreement specifies what the subsidy component that Government provides and what the farmer will ….

MR. CHAIRMAN.- That was what we heard from FSC when they appeared here; to keep the price at a minimum, the Government subsidises that, that is where the grant comes in.

(Inaudible)

MR. CHAIRMAN.- No, it was selling at a lower cost; $45.00 was supposed to be the cost but they were selling at $29.50, they were getting a loss. The Government was not subsidising the remainder. When FSC appeared here, they said they were supposed to sell it for $45.53 but they were not because the Growers Council at that time, they let it slide because they wanted to get the farmers on their side. That was the issue.

(Inaudible)

MS. M. KONROTE.- Ministry of Sugar, it is captured in the grant agreement as I mentioned earlier, what Government subsidises and what the price that the farmer ends up paying. The Ministry of Sugar also monitors.

MR. CHAIRMAN.- The issue of this Ministry is, how the fund is utilised. The recommendation at that time was and I quote:

*“The Ministry of Finance Budget section as administrator of funds for Head 50 should ensure that proper monitoring is done for the funds released to the Ministries and Departments and other agencies; and*

*The Budget Section shall monitor and scrutinise all acquittals received in relation to Head 50 expenditure to ensure that funds are being used for its intended purpose.”*

4.11 - SLG 84 Reconciliations not submitted to FMIS Division.

MS. M. KONROTE.- Thank you Honourable Chairman. This is in relation to the 15 percent withholding tax. So payments that arise under any contract of service between Government and contractor including progressive payments require that 15 percent is deducted and remitted to FIRCA as withholding tax and this has to be done within 30 days after the end of month in which the deduction was made. So unlike the SLG 84 Account which needs to be regularised to zero at the end of the month, since we need to take into account payments made in the last working day, these payments are then provided to FRCA in the following month. So, FMIS now requires that ministries submit their reconciliations for these accounts on a timely manner.

HON. A.M. RADRODRO.- Table 4.13 - Negative Balances in respective ministries - Social Welfare, Forestry and Fisheries, Industry and Trade and Energy. How have the Ministry corrected these negative balances?

MOE REP.- On the issue that was raised by Auditor-General that there should not be any negative balance, but as PS has mentioned, 84 Account (840600), should be treated separately from the other 84 funds because it accounts for provisional taxes that we withheld from our contractors and they are to be remitted to Inland Revenue next month. But the other 84 accounts should be zero and they have been reduced to zero but not this one. It is not practical for it not to be zero.

HON. A.M. RADRODRO.- OAG, if that is all right, why are your highlighting this?

OAG REP.- Thank you. Our understanding is that the 84 accounts should come to zero if there is no balance there. When deductions are made they are put into these 84 accounts and when you pay out, you pay out only the amount that is there. With the negative, it means that you went below this.

MOE REP.- No, no it should be credit. It should have been a credit balance because Government owes that money, we withhold that money just like operating trust. We owe that money, it is in our coffers so we have to pay to FRCA which will then reduce to zero by month end. So the underpinning theory, it should be credit. So it is not practical to be zero.

OAG REP.- My apologies. I will have to agree with the Ministry of Economy.

MR. CHAIRMAN.- Next one is Regulatory Audit - Head 4.

MS. M. KONROTE.- Thank you, Mr. Chair. The next issue 4.12 is on FNPF reconciliations. We have since completed all the reconciliations and the records on these reconciliations are available with the FMIS team. Initially they were some delays in submissions of reconciliations as the Ministry was involved in the update of TIN numbers and FNPF. There was an issue of reject files for both FRCA and FNPF, but as I mentioned earlier since then we have managed to complete all the reconciliations and update these records accordingly in the FMIS.

MR. CHAIRMAN.- Are there any issues, Honourable Members?

HON. A.M. RADRODRO.- Yes. They need to have regular reconciliation to ensure that there is no overpayment or underpayment due to employees – paid on time. So this is done on a?

MOE REP.- Monthly.

MR. CHAIRMAN.- Any further questions, Honourable Members?

(Inaudible)

MOE REP.- With that if there is no issue, then of course it is taken internally.

(Inaudible)

MOE REP.- We will give the reconciliation to the Committee.

MR. CHAIRMAN.- It states here and I quote, that:

*“All Permanent Secretaries and Head of Departments are required to submit monthly reconciliations to the Ministry of Finance by the 15th of each month. Reconciliations verify the validity of the accounting practices and correctness of financial reports.”*

Is the date there 15th of each month to submit reconciliations? Is it being followed?

MOE REP.- …. this in the Accounting Heads meeting.

MR. CHAIRMAN.- What is the practice? It should be 15th?

MOE REP.- Yes, it should be submitted to FMIS but there have been some issues with some of the ministries. We have highlighted this in our Accounting Heads meeting as this needs to be submitted on time.

MR. CHAIRMAN.- So what is the practice now, are they submitting?

MOE REP.- There has been marked improvement but there are some issues with some ministries.

MR. CHAIRMAN.- So if it is not submitted on 15th ,if it is done anytime within that month is still all right?

MOE REP.- We have given them a deadline so they should adhere to that.

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

MOE REP.- Most of the Ministries are adhering, but there are issues with some of the ministries, so the step that we can take is withhold their payments.

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

MOE REP.- Yes, we give them one warning, second warning because sometimes we have to take into account the urgency of the payment we have to make. But we warn them that if they do not submit on time, then we will hold their payment.

MR. CHAIRMAN.- There is a table Appendix 4.1 - Monthly Reconciliations Submitted after 2 to 4 months. There are some departments that actually go beyond those 15 days; Department of Lands, Fiji Police Force, et cetera. Lands and Police Force are the two departments that are lagging behind. What could be the reason - they do not have the personnel to do that? When you talk to them what do they say and what is their excuse for not submitting on time?

MOE REP.- Thank you, Mr. Chair. From the FMIS side we do everything that we can in our ability to assist the ministries, all our reconciliation templates are online and we conduct trainings. Even with some of these ministries we have to take that further step to stand up from our desks and go and visit them. For example, last week we were with the Ministry of Local Government, Environment and Housing. With them there are only two Clerical Officers managing both Housing and Local Government and Environment accounts whole operation. So, some of these ministries, there are issues with them, like capacity. They are unable to provide reconciliations on time because they do not have a full time Reconciliation Officer.

MR. CHAIRMAN.- All right, the lack of staff.

MOE REP.- So we will try and assist as much as possible but when the delay is from their end then we really cannot do anything.

MR. CHAIRMAN.- Really you cannot stop funds to the Police Force and the Ministry of Lands, you do that, there will be more problems that what we started off with. So, maybe the Ministry of Economy can assist them, like they do not have staff, put someone there to monitor this thing.

MS. M. KONROTE.- There have been occasions where we have had staff from other ministries go and sit with the Ministry until such time they have someone in .…

MR. CHAIRMAN.- They are capable enough to do that.

So that brings us to the end of the audit queries we had for 2014 and 2015 for the Ministry of Economy. Are there any questions?

HON. A.M. RADRODRO.- PS, regarding the accounting cadre. Before the accounting’s of each Ministry and Department came under the responsibility of the Ministry of Finance. So, are your looking at also incorporating and implementing this same process again going forward because of the numerous audit issues that are coming up?

MS. M. KONROTE.- Thank you, Honourable Member. You will note the Constitution gives the powers to the respective line Permanent Secretaries to do their own recruitments. From the Ministry of Economy, what we can do is work more closely at the Accounting Heads level and at the Permanent Secretary level also bring these issues to the attention of the respective ministries which Permanent Secretaries have begun to do. As the team mentioned, we have developed as much as possible templates to provide ministries as much guidance as we can on how they can adhere to the processes and the reporting timelines that we have implemented.

(Inaudible)

MS. M. KONROTE.- Exactly, yes.

HON. A.M. RADRODRO.- Table 4.4 on Statement of Receipts and Expenditure on Page 4. The explanation by the audit is the miscellaneous payment in 2015 increased by $6,516,420 or 622 percent compared to 2014 and Finance charges also increased by 701 percent. Can you just give us some indications on these miscellaneous payments from $1 million to $7 million?

MOE REP.- Sir, in regards to these miscellaneous payments, this is the interest payments we make on Treasury Bills and we also have under this allocation a contingency that we use to cater for other costs relating to the global bond issuance.

HON. A.M. RADRODRO.- Payment of all principal and interest?

MOE REP.- Yes, Sir.

HON. A.M. RADRODRO.- Just the principal?

MOE REP.- Yes.

HON. A.M. RADRODRO.- How much was the principal?

MOE REP.- (Inaudible)

HON. A.M. RADRODRO.- In US dollars?

MOE REP.- Yes.

MR. CHAIRMAN.- Thank you very much. That brings us to the end of the 2014 and 2015 submission. Madam PS, any final comments before we conclude?

MS. M. KONROTE.- Thank you, Mr. Chair.

MR. CHAIRMAN.- With that, thank you very much, team Ministry of Economy headed by the Permanent Secretary, Ms. Makereta Konrote and Pankaj and team, the Audit Team of the Ministry of Economy and also the officers of the Office of the Auditor-General for your attendance today.

Thank you very much for your submissions, both written and oral which we will take into consideration when we are doing our report.

With that, we will now adjourn.

**The Committee adjourned at 12.32 p.m.**