**PUBLIC ACCOUNTS COMMITTEE**

**[Verbatim Report of Meeting]**

**HELD IN THE**

**COMMITTEE ROOM (EAST WING)**

**ON**

**WEDNESDAY, 3RD MAY, 2017**

**VERBATIM NOTES OF THE MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD IN THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS, ON WEDNESDAY, 3RD MAY, 2017 AT 9.35 A.M.**

**Interviewee/Submittee: Ministry of Infrastructure and Transport (MOIT)**

In Attendance:

1. Mr. P. Bayly - Permanent Secretary (PS, MOIT)
2. Mrs. S. Pulini - Director, Water and Sewerage
3. Mr. N. Chandra - Senior Accountant (MOIT)
4. Mr. Sen Jeet - Principal Accounts Officer (MOIT)
5. Mr. Manasa Lesuma - Deputy Secretary(Operations)
6. Mr. Paula Katirewa - Director of Energy

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DEPUTY CHAIRPERSON.- A very warm welcome to everyone. I see that we have a huge team here today for our submission and on behalf of the Public Accounts Committee (PAC), I wish to convey a very sincere and warm welcome to all the representatives who are here, in particular, the PS and his team from the Ministry of Infrastructure and Transport, as well as our team.

My apologies, two of our Government Members of Parliament (MPs), are not in the meeting today; the Honourable Assistant Minister for Health who is out on his ministerial responsibilities and the Honourable Chairman of this Committee, who is busy with his duties as the Parliament Whip. Nonetheless, we have on our left the two Honourable Members from the Opposition and myself as Deputy Chairperson of the Committee.

For the information of the Officials from the Ministry of Infrastructure and Transport, we have on our far right the Officials from the Ministry of Economy (MOE) and on our far left, are Officials from the Office of the Auditor-General (OAG). Should we require any advice or clarifications from your presentation, we will seek their assistance, if need be. At the back, are members from the media, who will be recording and making reports on the submission we are going to have today.

Without further ado, I now give you the opportunity, PS, to introduce your team and I see that you are being represented by quite a number of people so it would be good if we hear their designation and some sort of introduction before we can begin with the submission proper.

MR. P. BAYLY.- Good morning, Deputy Chairperson and Honourable Members of the Committee, it is nice to see you all again. We appreciate the importance of this meeting and obviously, quite a number of questions have been raised that we will deal with today, hence the reason why Officials from the Department of Energy, Water and Sewerage as well as from our Accounts and myself are here today. From left to the right, everyone will just introduce themselves.

(Introduction of Officials from the Ministry of Infrastructure and Transport)

DEPUTY CHAIRPERSON.- I thank you, PS, and your team for the introduction. As per the agenda, we will be having altogether three submissions and I can see that the written responses are here as well. So we have 2014 responses for the Ministry of Works and Transport, Public Utilities and Energy and afterwards, the Ministry of Infrastructure and Transport.

A kind request, if we can be taken through the 2014 Report first and then afterwards we will move on to the 2015 Report.

MR. S. JEET.- Deputy Chairperson and Honourable Members of the Committee, Part A – Financial Statements, 35.1 – Audit Opinion; in regards to the TMA balances which were unsubstantiated and the issues as reported in the second column, we had provided the comments to the OAG. The current status is that, all these balances which were unsubstantiated have been reconciled and approved for write-off, in consultation with the Asset Management Unit (AMU) of the MOE. In fact, these balances were just brought in when the FMIS started and without any documentation or any evidences, we could not have these balances reconciled so we had written for a write-off of this amount.

HON. A.M. RADRODRO.- Thank you, PS and the team, for introducing yourselves. On this particular qualification, you mentioned that reconciliations had been done on these variances, unreconciled item - $1.81 million.

MR. S. JEET.- Yes, Sir.

HON. A.M. RADRODRO.- So why the need for write-off?

MR. S. JEET.- Sir, we had gone back to our system through AMU on all the unsubstantiated TMA balances so there was no record with us. We did the reconciliation for the documents we had. We carried out those reconciliations and those were posted into the system when FMIS started in 2006.

HON. RATU S.V. NANOVO.- Still on that, Deputy Chairperson, the balance of the figures cannot be identified, they were just written off without any evidence, like documents on hand to prove it.

HON. A.M. RADRODRO.- The write-off exercise is the same as with other Ministries and Departments where you recommend to the Ministry because you want to balance the book, that is the basis of the write-off, is that the case in this particular issue?

MR. S. JEET.- Deputy Chairperson, it is not trying to balance the books but doing the reconciliations and getting the accuracy of the figures with the relevant source documents. When we found out that these figures were posted into the system without any reference or even the Ministry did not have any documentation and neither AMU from the MOE did not have the document, we do not know how these figures were posted into our allocation. So it was agreed because there was a matching process going on from the old system to the new FMIS system, so this was the issue of misposting and balances being posted and was an issue with a lot of ministries, not only the Ministry of Works . With the others also, we made a submission and it was approved by the MOE for write-off.

HON. RATU S.V. NANOVO.- There were write-offs because there were no source documents on hand to prove how they went into that book.

HON. A.M. RADRODRO.- On this, specifically the $1.8 million, the Department of Energy Trust Fund Account, what sort of money was transacted through this Department of Energy’s main Trust Fund Account that is still in Item 1?

MR. S. JEET.- You are on 36.1, Sir? We are talking on 35.1.

MR. P. BAYLY.- I think we are talking about different questions at the moment. Let us be clear here, 35.1 is the one that has the response to public accounts. Section 35 is Ministry of Works and

Transport. We have got three folders: the Ministry of Public Utilities and Energy; Ministry of Infrastructure and Transport and what I am looking at is the Ministry of Works and Transport - 35.1.

HON. A.M. RADRODRO.- In particular, 35.1, then the same basis of the question applies, what sort of money was transacted through these different TMA accounts?

MR. S. JEET.- Sir, as I mentioned earlier, this was just posted and we did not have the details or records to substantiate that. During the mapping process, from the old to the new system, it was posted, that is why since there were no details or no source documents, and then it was written-off.

HON. A.M. RADRODRO.- What sort of transactions get posted in this TMA, what sort of money received or payout gets recorded in this TMA, resulting in the surpluses?

MR. S. JEET.- The first item, TMA Accumulated Surplus - $355,000, that is the Accumulated Surplus which is carried over the period from one accounting period to another, added to the current surplus.

HON. RATU S.V. NANOVO.- Where is that money from?

MR. S. JEET.- It is the surplus, like the net profit from the TMA Operations and Trading and Manufacturing Operations we have. We have joinery, plumbing shop, workshop, fuel and oil.

MR. P. BAYLY.- Hire of vehicles, all of that stuff, so this is our normal TMA account that we run through the Department of Works.

HON. MEMBER.- How many TMAs do you have?

MR. S. JEET.- We have 17, Sir. There were few before when the Department of Roads was with us, there were the hire of crane trucks, we have one or two others but currently we have 17, since only the Ministry of Infrastructure and Transport.

HON. RATU S.V. NANOVO.- Is there a reduction?

MR. S. JEET.- There is a reduction, a quarry has gone as well as hire of cane trucks, that was with the Department of Roads.

MR. P. BAYLY.- If you are ready, we will proceed to 35.2.

HON. A.M. RADRODRO.- In this particular instance, you said that the auditors had highlighted there was no appropriate audit evidence given by the Ministry to the Audit and that was the reason why you had requested for write-off.

MR. S. JEET.- Yes, Sir.

MR. P. BAYLY.- Sir, just to be clear, when they moved to the new FMIS system, you are reconciling, it is like moving from one system to another. You have got to go back and see all the source stuff, so this happened in 2006. Before that time, those documents might have been carried forward as accrued balances but when you are going into a new system, you try and reconcile everything so this might be something that might have gone back, 10 years or 15 years. But the point here is, when you are into a new system, you want to prove everything to get a clean slate.

In some cases, the Ministry was not able to get the source documents mainly because there might have been whatever that happened to wherever they were, they could not be located so it is a good thing and somewhere may be into a new system because it gives you a new bedrock, an opportunity rather than just carrying forward balances year after year.

HON. RATU S.V. NANOVO.- Deputy Chairperson, that happened in 2006, normally you should be keeping records of all transactions or whatever dated back seven years. You should be able to get all those, if that was kept in place.

MR. P. BAYLY.- Do not forget, we have 2006 and this is 2014, so it is more than seven years.

MR. S. JEET.- Sir, there was a write-off exercise undertaken by the MOE and since those figures were not balancing and as I mentioned earlier, we did not have any source document, we had source documents till 2006, so the ones we had we could prove but the ones that we did not have after this mapping exercise, as I said, those balances were brought in.

HON. A.M. RADRODRO.- Would the Auditor-General be able to advise this Committee what this TMA Accounts relate to? From one surplus of $355,000 and then another one is about $4.69 million, so are these carried forward balances or there were some transactions throughout and it has come to a balance of this amount that you highlighted?

AUDIT REP.- Deputy Chairperson and Honourable Members, the surpluses as highlighted were carried forward amounts where net losses and net profits for its respective TMAs were transferred during the closing of the accounts. Those were carried forward balances from prior years.

HON. A.M. RADRODRO.- This is the same balance that was carried forward?

HON. RATU S.V. NANOVO.- Where is the real money?

HON. A.M. RADRODRO.- Can you confirm whether it is carried forward, the $4.69 million?

AUDIT REP.- Can we get back to you on that?

DEPUTY CHAIRPERSON.- Yes. Can we move on to the next issue?

You can continue with your presentation, Sir.

MR. S. JEET.- 35.2 - Statements of Receipts and Expenditure; Deputy Chairperson and Honourable Members, this is before the courts. I think, it was in the media on Tuesday that the assessors had made the decision and found guilty some six employees and the case is still continuing. So this amount remains unsubstantiated because the documents are not available with us and even FICAC took some documents but these missing documents have been destroyed by those who were involved. So we could not substantiate those figures and unless and until those cases are finalised by the courts, we cannot put up a write-off to this.

HON. RATU S.V. NANOVO.- With that, Deputy Chairperson, the six who had already been convicted regarding this, the amount of money that was utilised by them is around $365,000 so the balance of $1.34 will also come up, still in court.

MR. S. JEET.- That was only one first set of charges, but there are other cases pending which had other amounts also which would come up to this.

HON. RATU S.V. NANOVO.- Will build up to $1.34 million?

DEPUTY CHAIRPERSON.- We are not in a position to discuss matters that are before the court.

HON. RATU S.V. NANOVO.- We understand that, Deputy Chairperson, that has already been discussed as they said. All we are wanting to know is, out of the $1.34 million, they deducted $365,000 or whatever sum so there is still a balance there to be addressed. Where is that money?

MR. S. JEET.- That has still to be decided by the court and the amount that is proven becomes part of it.

HON. A.M. RADRODRO.- Regarding the document, this amount could not be substantiated as you mentioned?

MR. S. JEET.- Yes, Sir.

HON. RATU A.M. RADRODRO.- What have you given to FICAC, if that cannot be substantiated?

MR. S. JEET.- Deputy Chairperson, FICAC has taken all ….

DEPUTY CHAIRPERSON.- It is alright, you can proceed to the next item. We will not discuss matters that are still before the court.

MR. P. BAYLY.- I agree, Deputy Chairperson, we cannot talk about what is before the courts.

DEPUTY CHAIRPERSON.- The amount, as per the records from the Ministry are here but it has to be determined by the court so discussing the case that is in court is not within the bounds of our Committee so we can move on to the next item.

MR. P. BAYLY.- Given that this is a public matter.

HON. A.M. RADRODRO.- OAG, in this point that you have raised, this $1.34 million and $2.55 million, whose books does it show, is it the Ministry’s or the FMIS?

AUDIT REP.- Deputy Chairperson, the figures shown in our Report is in the books of the Ministry. That is a General Ledger System under the FMIS so the ultimate posting and ultimate responsibility of maintaining the General Ledger is with the Ministry.

MR. S. JEET.- 35.2 - Statement of Receipts and Expenditure; the comment from the OAG, “Revenue Collection decreased by 6%...”, all the details that are there. This is on the charges by payment of service provided to AFL and they are required to make a payment, and we are still discussing with AFL on the rate to be paid.

The initial rate that was decided was $100,000 but AFL spent $50,000 so there is a discussion on that. The other one is where our Ministry’s expenditure increased. The Ministry had been monitoring its vacancies and had been filling up the posts so the expenditure in the past years, a lot of posts remain vacant but as of lately, the posts were filled and that is why the expenditure has increased. We have also been monitoring our capital projects so our expenditure had risen as well, but it is within the budget.

HON. A.M. RADRODRO.- Just on the total expenditure explanation that is mentioned there highlighted by the Audit, it says, “recruitment to fill the vacant positions and pay rise for civil servants in 2014”, can you just inform the Committee who got the pay rise that resulted in this expenditure increase?

MR. S. JEET.- We had the job evaluation exercise for the Department of Meteorology and Government Shipping Services (GSS).

DEPUTY CHAIRPERSON.- I think that information requires specific data as to which particular people got the pay increase, perhaps later you can provide the Committee on the information.

HON. A.M. RADRODRO.- What Department?

MR. S. JEET.- Department of Meteorology and Department of Government Shipping Services (GSS).

DEPUTY CHAIRPERSON.- I am just interested to know, through you, PS, it says here, “Meteorological Services were due to late and reduced payments from Airports Fiji Limited”, this “late” and “reduced payment”, what is this referring to?

MR. P. BAYLY.- Where the fee comes from. The Fiji Meteorological Services provides a service to AFL for any aircraft flying through Fiji’s airspace, it has available to it meteorological information in which aircrafts are regularly/automatically putting down that data. So there is a small fee that AFL charges to those aircrafts that enter Fiji’s airspace. The Fiji Meteorological Services provides a data to AFL to enable them to do that. There was a Cabinet decision in 2008, I think it was, around what that fee should be.

Obviously, we have been spending a lot of money with Fiji Meteorological Services. I think in the last two years we have spent to the region of about $8 million or $9 million, upgrading the airport facilities at Nadi. So it is time to review that fee that we charge to AFL because we should be getting a bit of a capital charge for it as you would expect and those payments are being authorised through Parliament, so we are in that process now. We have got a terms of reference and we are going to appoint an independent person to come between AFL and Fiji Meteorological Services to see what is the reasonable fee to pay, and then we will take that back through Cabinet.

DEPUTY CHAIRPERSON.- The underlying reason behind the increase is the increase in the Capital Expenditure?

MR. P. BAYLY.- That is one of the main reasons, yes, that is correct, Deputy Chairperson.

HON. A.M. RADRODRO.- Sir, just on this pay rise for civil servants in 2014, you mentioned only two - Department of Meteorology and GSS. What about the other Departments within the Ministry?

MR. P. BAYLY.- At that time, from what I understand it, those two Departments are quite critical to Government, particularly the Fiji Meteorological Services. People do not realise just how attractive these people are to other Meteorological Services around the world. We are regularly losing people to other countries, very saleable, very easily picked away with an increased offer of earnings/salaries. So that was the key reason why the Meteorological Service case was made for them to have their salaries reviewed and similarly to Government Shipping Services. We are losing a lot of people, we have got highly trained people in the Government Shipping Services. Again, very attractive to shipping companies here in Fiji to come and recruit an officer, pay the salaries so again, a case was made for that.

As regards the rest of the Ministry, as you are well aware the Civil Service reforms are underway and that processes are underway for the remainder of the ministerial staff. That is the reason why those two Departments were picked on as a special case and you can appreciate why, given the technical skills that they have and it is very important for the Government to retain their skills.

HON. A.M. RADRODRO.- Just on the same increase in the budget allocated for capital purchase and capital grants, on the same reason for the increase in expenditures, can you advise on these capital grants and capital purchase whether they are given to LTA and other agencies?

MR. S. JEET.- Yes, Sir. Under the Ministry, we have the Maritime Safety Authority of Fiji (MSAF) and Land Transport Authority of Fiji (LTA) so we give them Operating and Capital Grants.

MR. P. BAYLY.- Just to be clear because there is a distinction that is not understood by some people, Fiji Roads Authority (FRA) and Water Authority of Fiji (WAF) each have their separate budget, even though it comes under the Ministry and I need to sign off on those quarterly drawdowns.

LTA and MSAF are actually part of the Ministry’s Budget, and so with all the work that has been required at LTA in Capital Expenditure, that is the reason why it sits in these accounts.

MR. S. JEET.- 35.3 - Appropriation Statement; there is a comment from the Auditors on our AFS. There are similar comments about staff turnover, there were some vacant posts and because there are major savings in our Operating Expenditure, the Capital Expenditure and the grants were monitored well. So those are the reasons we have provided for the general comments made against our Appropriation Statement in the AFS.

HON. A.M. RADRODRO.- In Table 35.2 on Established Staff, there is a huge, I would not like to call it savings, but it is under expenditure. Why did the Ministry not fully utilise its budget (SEG 1) throughout the year, resulting in the under-utilisation of about $2.2 million?

MR. S. JEET.- Sir, when a vacancy exists at a higher level and the posts are advertised, the second level tier apply for the posts so they get promoted. Then their posts become vacant, and it goes down the line. There are times when we advertise a post, if we do not get suitable qualifications, they are re-advertised and as PS had mentioned, there is a high turnover due to technical staff being offered lucrative terms and conditions, so these are the reasons.

This $2.2 million is not only for the Ministry. We have the Department of Transport, Department of Government Shipping Services, Department of Meteorology, Department of Works (Government Services), Department of Energy and Department of Water and Sewerage so collectively, that is the savings due to posts not being filled and processed.

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

MR. P. BAYLY.- Not really, we have got, for example, quite a few vacancies in the Fiji Meteorological Services now. From memory, I think we have got about 20 or may be 30 vacancies in Fiji Meteorological Services alone. We would like to fill those positions but because they are so technical, we have to wait and recruit the right people, then we have to train them and, for instance, we have just done another round of young cadets.

If I may go into the Fiji Meteorological Services, it is not that these positions are wanted to be filled but it is because a lot of what we do is very technical, for example, transport planners. As I understand it, half a dozen transport planners who are fully qualified in Fiji and we have got two of them in the Ministry and if we could find more, we would take them so we are constantly on the look for it.

A lot of our staff positions are very technical and they require highly qualified people. It is not like you are recruiting for a manufacturing plant, et cetera, that you can train people on the job. Here, we have to go and select people. Often, we have to send them overseas for training so the intention is to fill the posts as we can but we would do so with the right people.

HON. RATU S.V. NANOVO.- Deputy Chairperson, if this $2.2 million was to be used up, how many staff are you looking at to recruit out of that, roughly any figure?

DEPUTY CHAIRPERSON.- It requires data.

HON. RATU S.V. NANOVO.- At least, they have got the figures with them, they know.

MR. P. BAYLY.- It is probably a couple, 150, something in that order. At the Ministry, we have 1,200 and we will probably employ another 400 or 500 people on contract so it gives you an idea. It is in percentage terms, sort of 5 percent to 10 percent, depending on that order which is not a huge level of vacancies for a large Ministry, but it all adds up very quickly.

HON. A.M. RADRODRO.- Just for the information of the Committee, that Ministry used to have a Director of Finance, do you still have that post now?

MR. P. BAYLY.- Director of Finance, no, but we are going to re-appoint a Director of Finance.

HON. A.M. RADRODRO.- While still looking at this Ministry for Works, there are a lot of activities that involve a lot of Departments within the works. I had taken note of this because in the Plant Pool in Walu Bay, I have seen people working there.

MR. P. BAYLY.- You will be surprised.

HON. A.M. RADRODRO.- Is it still carried out by the Ministry, the work that it used to do?

MR. P. BAYLY.- Very much so, very active, they are doing a lot of work there. You may not see them but that is probably because they are out on projects doing sewer lining or building schools. We were just building a school, just opposite our Samabula Building, for example. Just across the road, there is a primary school there, so they are out on the job. That is a good sign, that you do not sit them there because they probably would say that we have not got enough work for them, but we have got a lot of people, not only we employ them but also on short-term project contracts.

HON. A.M. RADRODRO.- Maybe something we can discuss later regarding the work of the Ministry and the work of the new Department within the MOE, the Construction and Implementation Unit. I am just trying to find out how do these two correlate and ensure they do not repeat the work or someone is losing the work?

MR. P. BAYLY.- No, we have got clear differentiation between what we are doing and there is no overlap on that, I can assure you.

Deputy Chairperson, with your indulgence, we will carry on to 35.4.

MR. S. JEET.- 35.4 - Statement of Losses; there was a comment that there was no losses and the Ministry maintains a record of losses and we did not have any losses. The auditors had commented on that but besides this, there is a case before the court so we cannot put that figure in and as per the requirements from the OAG, once that is disposed of, then we can declare a loss.

HON. RATU S.V. NANOVO.- On that, Deputy Chairperson, just a question to them; was the Board of Survey also carried out this year, 2014?

MR. S. JEET.- Yes, Honourable Member.

HON. RATU S.V. NANOVO.- No losses from there?

MR. S. JEET.- There were losses due to obsolete items which have gone past their useful life but losses in terms of theft due to fraud, we do not have that.

35.5 - Trade and Manufacturing Account (TMA); there was a notice in Tables 35.3 to 35.6, a comparison, and we have put a note there that in the previous year, there was loss of $640,000 but in 2013 and then in 2014, we made a profit of $1.1 million. I would just like to make a note on that due to the analysis that was carried out.

Part B- Audit Findings, 35.6 - Payments for Plant Hire; in relation to further anomalies, the audit also noted instances where payments were processed without debit notice being signed by section heads. We have taken note of that and we have been monitoring all payments where section heads are required to endorse the running sheets for their particular section, the vehicles that they hire, so that they are aware of what the runs are doing and whether those are the actual costs so the HODs are signing those forms. There were instances where HODs had not signed but we have taken that on board and before any payment is processed, HODs are now endorsing for payment.

HON. A.M. RADRODRO.- Just a question probably for the auditors, in this Table 35.7, why are the vehicle numbers not also listed here? Would you be able to advise us on the vehicle numbers?

DEPUTY CHAIRPERSON.- You are referring to the Audited Report, Honourable Radrodro?

HON. A.M. RADRODRO.- Vehicle numbers are not listed in your Table.

AUDIT REP.- Deputy Chairperson and Honourable Members, I think we have got the vehicle numbers in our file. The whole reason why we have decided to remove the vehicle numbers, similarly the names from the Report just to ensure that there is no defamation or there is no case against our Office. So we have got the vehicle numbers in our Office and we will be happy to provide those for the Committee’s information.

HON. RATU S.V. NANOVO.- Would you be able to provide that to us?

MR. S. JEET.- Yes, Sir, we will take a look and we will do that.

HON. A.M. RADRODRO.- Plant Hire, can you advise us what this is and the use of these (plant hire) that have been highlighted here by the OAG, what are they used for?

MR. S. JEET.- Deputy Chairperson and Honourable Members, we have a Plant Pool whereby we maintain vehicles, 4X4 vehicles, trucks, machines, and we hire them out to whichever Ministry or Department needs, just like we have one vehicle hire for our headquarters, we provide services to other agencies also.

MR. P. BAYLY.- Just an example to give you an idea, when LTA puts in a weighbridge for the bypass around the Kasavu Slip, we put a building in there for them and also provided them with a vehicle for the monitor at the weighbridge so that they could come and go, and we just put that on a plant hire term basis with LTA. So it is very much a business transaction and might want a 4X4 vehicle for a day or they might need some truck.

The Ministry of Education might want to hire a truck for a day to take stores or deliver some equipment or whatever for a rebuilt school so it is all just a day-to-day stuff. But the point that PAO was just making is, we are making sure that everyone knows what the cost of those things are because it is very easy to just keep hiring stuff without being aware of the cost, so that is reason why we have put those controls in. It is good business for us actually.

HON. A.M. RADRODRO.- Any good business is a good business. Anyway, the first one is $18,913.41 and the remarks that were given by the Auditor-General says, I quote:

* “Copy of the actual job instruction was not attached to the payment voucher, including the corresponding running sheet.
* Reasons for hiring vehicles and locations the vehicle travelled not stated
* normal and stand by rates were not stated”,

and that was the amount that was given in a debit note. Why were these payments allowed, despite those remarks given?

MR. S. JEET.- These details were provided by our Plant Pool which maintains daily records of the vehicles they issue. They issued daily instructions to the drivers for which particular department or section or the hirer is, so they drive that one, they go back and they give their running sheets. The vehicle running sheets have the details but the debit note is a summarised version which only states the total hire charges for the particular period.

HON. A.M. RADRODRO.- OAG, can you comment on your remarks and what is being mentioned?

AUDIT REP.- Deputy Chairperson, yes, the whole reason why we have highlighted this issue as a concern from the Audit point of view is, how do you substantiate the amount being paid in the sense for those critical documents to prove that that amount is correctly paid and, for instance, the normal and standby rates were not stated? If it is not stated in the debit note, how do we ascertain or how do the payments team ensure that they are paying the correct amount?

One fact that the Audit would appreciate is, subsequently from this year we reported that there has been consistent improvement as far as the Plant Pool is managed. I guess, this is something which the Ministry would agree was a challenge for them in prior years, however, constantly we have been highlighting these issues and we have seen that there has been some improvement in how these particular activities have been managed by the Ministry.

HON. RATU S.V. NANOVO.- If the figures were given, that can also act as a checking avenue for superiors like you people, whether the rate that had been paid is the correct one. Without that, how can you know, like he mentioned, that the amount that they are asking for is the correct one?

MR. S. JEET.- Deputy Chairperson and Honourable Members, the rates are standard and these are calculated on a standby rate, it is in the running sheet where it says “Vehicle to and from” and then the idle time is written there. Then when the vehicle starts again, it starts again from “to and from”. The journeys and the kilometres are totalled, then the idle time is totalled separately and then they have the specific rates to be calculated on per day, then those are added up for a particular period when the debit note is submitted for payment, but these are in the individual running sheets where they have got the calculations.

HON. RATU S.V. NANOVO.- Who does the checking, apart from the one who is driving, then the driver passes it to whoever is the supervisor? Who checks after the supervisor from there before reaching your office?

DEPUTY CHAIRPERSON.- It is mentioned there, “Senior Accounts Officer.”

HON. RATU S.V. NANOVO.- It is not in here.

The Plant Pool has its own staff. They have got a dispatcher there who go through the running sheets and do all those calculations and come up with the figures on the idle time and the totalled kilometres the vehicle has been driven for a particular day, and then those are tallied.

DEPUTY CHAIRPERSON.- Tallied and verified?

MR. S. JEET.- Yes, Sir.

HON. A.M. RADRODRO.- The particular examples that are written here is payment for Plant Hire and drivers’ wages.

MR. S. JEET.- Yes, Sir.

HON. A.M. RADRODRO.- Which particular department in the Ministry does this come under, I thought you had a Plant Pool and then you continued to hire again?

MR. S. JEET.- We have a Plant Pool which is operated just like normal hiring of vehicles and we have a Department within the Ministry. We do not have a full complement of vehicles. We may have vehicles or car to do runs in Suva but we cannot take that car to the rugged terrain in the interior so we have to use a 4X4 vehicle. Likewise, when we undertake any project, we use a truck so we a hired truck to cart materials within the Ministry and outside the Ministry, as PS had earlier mentioned.

We only have a certain number of vehicles for leasing but due to the operation and the size of operations and the locations we go to, we need vehicles to transport people. It is just not the vehicles to drop the workers in the field and come back because they have locations in the remote areas where they need a vehicle to travel across, but this applies to all the departments across the Ministry. We have the Department of Works which undertakes capital projects and other projects, Department of Energy, Department of Water and other Government agencies as well.

HON. A.M. RADRODRO.- … the first one, the second one and the last one, can we be provided with further details on these particular debit notes payments without certification - one is $8,917.62; $6,040.96; and $1,236.80?

MR. S. JEET.- Yes, Sir, we will do that.

35.7- Anomalies in Operating Trust Fund Account; this is under Programme 6 for Department of Roads and it is still appearing in the Ministry. We had written to the MOE for a write-off because this did not belong to us and it had been approved and written-off.

There were significant credit and debit balances. This included figures from previous years or past years and with insufficient records, again it was in the Ministry’s system so we requested for a write-off exercise to be carried out on this and this was approved and written off.

DEPUTY CHAIRPERSON.- If we are being informed “past years”, these are the records of how many span of years we are looking at - five, ten?

MR. S. JEET.- Going back to 2006. Variances between the reconciliation statement, FMIS General Ledger, TMAs, so we have been working closely with the AMU regarding VAT and AMU in the MOE is currently liaising with FRCA to address this.

Operating Trust Fund Account without Details, again, as mentioned earlier, these figures were posted into the system without any source reference and details.

HON. A.M. RADRODRO.- Can you just inform the Committee what this JC Retention Money account in Table 35.8 relate to?

MR. S. JEET.- These are Operating Trusts. The Retention Money are for the Capital Projects or any project undertaken, there is a portion which we are required to release after the completion of defects liability period.

HON. A.M. RADRODRO.- Variances were able to be explained to the Auditor-General. Auditor-General, can you comment on this write-up that even you raised the question with the MOE but still no explanation was given?

AUDIT REP.- Deputy Chairperson, we stand by with what we have written in the Report, that the Ministry explained that these postings were not made by them and the MOE also failed to provide answers to the questions that we raised during the audit.

HON. A.M. RADRODRO.- Can you just give us a brief oversight on how these transactions can occur and is not posted by the Ministry and somehow it appears in the ledger?

MOE REP.- Deputy Chairperson and Honourable Members, the postings of these moneys into the system are mostly done by the Ministry themselves. Before the starting of a project, they have to identify a portion of money that will be paid after. All postings in the system were supposed to have been done by the Ministry themselves but hearing that these postings were done by the MOE, we will have to get back and get details and we will submit accordingly to the secretariat, if there were any postings done by the MOE.

DEPUTY CHAIRPERSON.- That is a very essential issue and we request if we could get back on that. You can continue, Sir.

HON. A.M. RADRODRO.- Do you have your internal audit team at the Ministry?

MS. S. PULINI.- We have an internal audit team based at the Ministry of Works so we conduct our quarterly audits.

HON. MEMBER.- (Inaudible)

MS. S. PULINI.- Not an amount as significant as this.

DEPUTY CHAIRPERSON.- Are you still on 35.7?

MR. P. BAYLY.- We have finished on that particular one.

DEPUTY CHAIRPERSON.- Any more questions on that?

MR. P. BAYLY.- Deputy Chairperson, if you like we can go on to Section 36 which is the handout of the Ministry of Public Utilities and Energy.

DEPUTY CHAIRPERSON.- The copy which I have says, “Ministry of Public Utilities and Energy”, but the submission is for Works and Transport.

HON. A.M. RADRODRO.- Deputy Chairperson, while on that, can we have a commentary on the prior issues that have been highlighted on 35.8? These are the prior issues that have been highlighted by the Auditor-General.

MR. S. JEET.- Deputy Chairperson and Honourable Members, the prior years’ issues are unsubstantiated TMA balance as mentioned earlier. The Ministry in consultation with the AMU of MOE have submitted a proposal on the previous years’ variances in TMA Account which has been verified and approved to be written-off by the MOE.

The other issue was Programme 6, General Ledger Account, the balances had been carried over for Department of National Roads (DNR) and had been verified and written-off after which DNR was transformed into FRA.

Drawings Account - Variance between FMIS GLs; Reconciliation statements had been verified and reconciled.

Poor Maintenance of Accounting Records; Headquarters closely monitors any record-keeping and monthly reconciliations to ensure that the safe custody of records are maintained and records are easily retrievable.

Job Allocation for Operating Account Capital Projects; all three Divisions and HQ have their separate respective cost centres which captures expenditure accordingly. This is a fund control being implemented by the FMIS which allows only respective cost centres to use their funds only, not to budge on the other cost centres.

Anomalies in Expenditure and Records - Building Section; again, Headquarters monitors the record-keeping and monthly reconciliations to ensure that safe custody of records are maintained and which are easily retrievable by the auditors.

HON. A.M. RADRODRO.- So those were corrected during which financial year, after 2014?

MR. S. JEET.- Progressively, from the past years when these reports were done, we had been working hard mostly with the reconciliations and verification and come 2015, we had made a submission for write-off, which had been verified with our respective AMU, FMIS and our Ministry and submitted to the MOE for approval and write-off.

HON. A.M. RADRODRO.- PS, just a question on your Building Section, is it still fully-operational and fully-staffed?

MR. P. BAYLY.- The Department of Building and Government Architects (DBGA)currently has a staff of 43, we are down on our establishment, we had 52 at the beginning of last year. The reason, again, our architects, there are only 32 registered architects in Fiji and we had four of them. We have only got two at the moment, although we have got two who are yet to qualify and the other two, one has reached compulsory retirement and the other one got attracted to FNU with a very high salary. Soagain, I am just illustrating, this is a very very technical team. They are Cost Estimators so we are constantly under threat from people wanting to come and get our architects, cost estimators, and you can imagine with all the construction that is going on in Fiji, we are working hard to try and retain those people.

HON. A.M. RADRODRO.- In terms of the overall Building Section, you have your policy people, the architects, the drafters and then the workers?

MR. P. BAYLY.- That is all part of the Department of Works, the actual people who build the buildings. The Department of Building and Government Architects design the building, they do the cost estimation and they do that for many ministries as well as providing the architectural drawings, they do project management of buildings, building projects, the actual delivery of projects so when we get the building to do them ourselves, that is actually handed over to the Department of Works and the Building Section in there or the Joinery Section would do that work. So there is a distinction made there between the delivery arm and the designing arm, if you like.

HON. A.M. RADRODRO.- Just a matter of interest for your information as well, previously, Government schools are used to be looked after by the Department of Works in your Ministry but whether that work is still being carried out by the Ministry in terms of repairs and maintenance and whether your Ministry tendered for the QVS reconstruction?

MR. P. BAYLY.- It is Government policy to use the private sector. We will do building projects that are difficult or for which there may be only one or two bids that are very expensive. That said, there is a lot of work that we are doing on building maintenance for other ministries that require that work to be done, so the orders were all passed across to the Department of Works to do but today, like the school rebuilding, private sector is doing that very efficiently and we have got enough work. There is a lot of stuff that we are doing, you will be surprised to know what we are doing actually.

HON. RATU S.V. NANOVO.- On that, Deputy Chairperson, who looks after all maintenance and upgrading of the Government quarters?

MR. P. BAYLY.- The budget for the Ministry sits with the Ministry just like the Ministry of Health and Ministry of Education. We have some responsibility and indeed this year’s budget submission, this current year we have moneys in there for doing some upgrades of quarters, and we have made submissions to further upgrade or maintenance of Government quarters around the country. So this is something that we have to put up as part of our budget submission to the MOE.

HON. RATU S.V. NANOVO.- The Government quarters out there in Vunisea in Kadavu are really in dilapidated conditions, are you aware of that?

MR. P. BAYLY.- Yes, we are aware and we have had a very productive conversation with the MOE about some of the buildings and talking about the state of them and what we think are the priorities to be repaired so that, of course, is still in the budget processes which are still underway, so it is too early to say what the final decision will be.

DEPUTY CHAIRPERSON.- Honourable Members and ladies and gentlemen, we will adjourn for morning tea now. I believe the Officials would also need to refresh themselves and perhaps, we can start after 10 minutes.

The Committee adjourned at 10.37 a.m.

The Committee resumed at 10.58 a.m.

DEPUTY CHAIRPERSON.- Honourable Members, looking at the time constraints and the degree of issues that we also have for the Ministry of Transport, we will be holding that submission for a later date. I have already informed the PS about that and he has agreed, so we will just go through the written responses for the Public Utilities and Energy now.

MR. S. JEET.- Ministry of Public Utilities & Energy: Part A: Financial Statement, 36.1 - Audit Opinion; variances were noted. Highly reconciled variances highlighted in the 2014 AFS as reported by OAG for 8.41 Main Trust, amounting to $1.198 million has been reconciled and from the unsubstantiated variances which had resulted for the misallocation of general postings has been written-off after reconciliations, these were submitted for write-off.

HON. A.M. RADRODRO.- Sir, follow on from my earlier questions, the Department of Energy’s main Trust Fund Account, what does this account record in terms of money transactions that are transacted under the Department of Energy?

MR. S. JEET.- These are the moneys received for the rural electrification projects.

HON. A.M. RADRODRO.- Next Item 1 of $2.154 million?

MR. S. JEET.- Deputy Chairperson, may I clarify that balance; it is the closing balance of that Trust Fund of $.2.154 million. The reason why we are mentioning that, given that there was an unreconciled variance of $1.89 million, as a result we were not able to ascertain the correctness of the overall, main Trust Account which had a closing balance of $2.154 million.

HON. A.M. RADRODRO.- In this particular instance when you have unreconciled balance of $1.189 million relating to deposits for rural electrification projects, PS, how will the Ministry keep track of those whom had already paid their deposits and were already receipted by the Ministry?

MR. P. BAYLY.- In fact, that exercise is being completed and those deposits have been refunded to all the people. I think from memory, it is about 1100 cheques we had to issue which we would deliver before Christmas, so these accounts effectively have been wound down which was a ministerial directive to refund the 5 percent deposits to all the communities.

MR. S. JEET.- No. 2 - Department of Water and Sewerage; the security deposits, the Department had consulted with the MOE on maintaining separate bank accounts for the retention funds held and the MOE advised that the funds should be maintained within the Operating Trust because it was not an active monetary account. These funds were retained from payment made to contractors as security which have been paid to contractors upon satisfactory completion of the projects, and the funds are released only when the completion report with all supporting documents are submitted by WAF.

In fact, this money should have been transferred to WAF because the Department of Water had engaged some contractual works but this remained with the Ministry in the Ministry’s books. Now, remarks was made that WAF gives us the details of those contract with the completion certificates and all the recommendations and that 10 percent is released, out of that.

HON. A.M. RADRODRO.- How long will that exercise take in terms of providing the details to the Ministry by WAF for the release of funds?

MR. S. JEET.- Sir, it is based on the completion of a particular project. They are contractual projects which had been rolling over the years so once a certain project is completed, WAF submits the documents and then that 10 percent retention is released.

HON. A.M. RADRODRO.- My basis on the earlier question was, as long as it does not keep appearing in the Ministry’s books because WAF is delaying or is not able to submit the necessary documents for the Ministry to remit the funds over, so have you set a timeline for them to produce all the necessary contractual documents for you to pay the funds over to the WAF?

MR. S. JEET.- Sir, we have the details of this amount that has been held here but the other documentation has been sent to WAF to verify and come back to us on that so these funds could have been transferred in consultation with the MOE but we are still waiting for them to come back to us.

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

MR. S. JEET.- Not really, Sir, but we have been following up with them.

MR. P. BAYLY.- Deputy Chairperson, we are trying to get them to just confirm the amounts that reconcile with ours. That exercise is in hand now so we are hopeful that over the next month or two probably, to reconcile the amounts and then maybe as part of that, we will need to talk to the MOE about transferring the amounts because it does not really make any sense for us to hold retention for projects that WAF are doing. Some of those projects might have a life of three or five years, some of the big projects to upgrade so it would be better if the money was sitting in their accounts.

HON. RATU S.V. NANOVO.- Do they pay you people any service fee for doing that?

MR. P. BAYLY.- No, there is none because it is all in the family and it is really just funds that should have been transferred (in our opinion) that have not been, and that would tidy it all up and then it is for them to manage and reconcile back on a quarterly basis to the Ministry.

MR. S. JEET.- 36.2 Statement of Receipts and Expenditure; it was reported that the Ministry of Public Utilities and Energy collected revenue amounting to $11,239 and carried a total expenditure of $169,353,186 in 2014.

The Ministry’s comment was that, “The Ministry posted different forms of revenue into FMIS, that is, commission, revenues and stale cheques for prior years and even Over Payment Recoveries (OPR), should there be any surcharges. The expenditure was at $169,353,186and we have been monitoring with a limited budget on that.

HON. A.M. RADRODRO.- Just a clarification, PS, on this particular revenue, is the Department authorised to collect revenue?

MR. S. JEET.- Yes, Sir, we are authorised to collect revenue.

HON. A.M. RADRODRO.- This commission, I think, is relating to salary commissions, et cetera, is that right?

MR. S. JEET.- Yes, Sir, from Wages and Salaries but basically this account is for revenue collection. It is for overpayment recovery or someone is sick and have used excessive sick leave, so those are recovered from that.

HON. A.M. RADRODRO.- This was probably for the OAG and the MOE; how do you treat those kinds of collections, are they supposed to be treated as revenue or as corresponding offsets to the respective expenditure accounts? Do the rules and regulations have that, just for assisting in clarification for the Ministry probably?

MR. S. JEET.- Sir, for the current year, we credit our expenditure allocations and for the previous years, we put into Government revenue. For the current year, we can make good our expenditure allocation, we can credit it because recoveries are done for the current financial year but for previous financial years, it goes into Government revenue because the accounts are closed.

MOE REP.- Deputy Chairperson and Honourable Members, there are two situations here; the current year and the previous years. For recoveries done in the current year, we put them back to their expenditures to be available again under budget. For previous years, we put them under revenue.

MR. P. BAYLY.- If I can add to it, just an accounting point, unrecognised receipts, we are uncertain about the collectability of those receipts. It is identified and when that is received. It is recognised as revenue. That is for anything in the prior years but anything in the current year, we can let off and that is the reason why we have two different treatments, that is a technical accounting point.

(Inaudible)

MOE REP.- Yes, Honourable Member. It is a cash basis account under which the Ministries operate so the current year has been offsetted against the expenditure and prior years, we will just put it as a revenue.

MR. S. JEET.- 36.3 - Appropriations Statement; we did not utilise the total budget as planned and had some unforeseen circumstances. So with given timeline, we could not work within that, it would not have been realistic so the projects could not be implemented fully. However, the submissions that we made with the work programme, we really devised timelines so that whatever we put in, it is practical and achievable, not just for getting the budget done.

HON. A.M. RADRODRO.- Going back to 36.2, the reasons for the over-expenditures are there. In the first bulletpoint, Established Staff costs increased by $297,000. This was mainly due to the vacant posts filled and 2014 pay rise for all civil servants as per PSC Circular. Is that effective across all Ministries or just the Ministry of Public Utilities?

DEPUTY CHAIRPERSON.- That is effective throughout all Ministries as per the information. I think that pay rise was implemented in all Ministries.

MR. P. BAYLY.- Yes, that is right.

MR. S. JEET.- 36.4 - Statement of Losses; the Ministry recorded a loss of $6,144.20 through misappropriation of funds in the Department of Energy Trust Fund. Investigation was done and the matter has been reported to the police and the police is still continuing its investigations.

36.5 - Trust Fund Account Statement of Receipts and Payments; the Department of Energy Main Trust Account had “2,154,797 credit balance for the year 2014 as compared to a credit balance of $1,623,366 in 2013. The difference in the credit balance and the trust between 2013 and 2014, resulted from unsubstantiated variances which resulted in the misallocation of general postings. This has again been submitted to the MOE for write-off.

HON. A.M. RADRODRO.- Sir, on 36.4 - Statement of Losses, what measures have been taken by the Ministry to ensure there is no repetition of this misappropriation?

MR. S. JEET.- Sir, we have our revenue collectors who have been appointed in the Department of Energy. They go to remote locations to collect solar home system rentals so we tell them that after every two or three days when they come back, they do the deposit at the nearest bank because when they travel, they have to cover quite huge areas and they cannot come to the main towns and cities, just like in the Northern Division. If they are right in Udu Point, they do not even have any facilities to do the banking so we ask them to make a two-day or three-day trip, and then they would come back, deposit and then go back again. When they come back, the results are checked.

HON. RATU S.V. NANOVO.- On 36.5, Deputy Chairperson, a supplementary question; once the journals are completed, who checks that to ensure that a particular journal is filled correctly before payment is done?

MR. S. JEET.- Deputy Chairperson and Honourable Members, the journals are prepared by the accounting officers, then a senior officer checks the journal, verifies and have it signed off before it is posted into the system.

HON. RATU S.V. NANOVO.- Then why are there so many problems coming up in that area, like in 36.5?

MR. S. JEET.- Sir, in this instance, the Department of Provincial Development was also collecting revenue on behalf of the Ministry and they were depositing into the Trust Account and the journals are also posted by them. Unfortunately, there were some records which they maintained, they could not provide us with the details because they are revenue receipts and there was flooding at their Knolly Street Complex and the documents were damaged, so that was the difference.

HON. A.M. RADRODRO.- In your Board of Survey, the Auditor-General stated that this is yet to be finalised and approved. Has that exercise been completed?

MR. S. JEET.- Yes, Sir, that was completed. We can provide the details to verify.

AUDIT REP.- I guess in that particular financial year (2014), it was yet to be approved by the MOE by subsequent years. I think we have verified that it was approved and appropriate actions were taken to write off those items.

MR. S. JEET.- Part B: Audit Findings, - Department of Water & Sewerage, 36.6 - Separate Trust Account Fund for Security and Retention Deposits; again, the Operating Trust Fund Account was overstated by $1.16 million. These were the Retention Security Deposits which existed with the Department of Water & Sewerage prior to the formation/establishment of the WAF. It was still in existence before the transition period and the Retention Security Deposit is a non-cash deposit received from the contractors. I think we have covered this earlier.

36.7 - National Water and Sanitation Database; it is reported that the Department paid $12,600 in 2014 to ITC services to develop the National Water and Sanitation database and it was to have been implemented in July 2014. The Audit noted that ITC Services completed the development of the database in June 2015. The project was delayed by 11 months.

In regards to that, the Ministry had noted that the delays were the internet connection for the Department and ITC in finalising the works for the provision of internet TO our Department staff.

Arrangements are currently in place for the relocation of the Department to Level 3 of Nasilivata House. The Department of Water and Sewerage was previously based at Richard Street, then they moved to Gaunavou House and then later on, they were relocated to Nasilivata House due to the availability of space. So we saved on paying rental at Gaunavou House and there was a bit of delay in the connectivity but it has been connected and up and running now.

HON. MEMBER.- Where is Gaunavou House?

MR. S. JEET.- That is beside Nasilivata House, Sir. It used to be the old Neelam Theatre.

The database had been established, the system is working and it is an ongoing exercise of updating the data. We have Water and Sewerage data.

MS. S. PULINI.- The database was developed by ITC in consultation with the Department of Water & Sewerage. The database has many years to store data and information that were gathered from rural villages in terms of their water and sanitation schemes. Those data is also used to lend future projects by the Department in terms of Rural Water and Sanitation.

HON. A.M. RADRODRO.- Deputy Chairperson, that work was delayed by 11 months. Was any penalty worked out for the people who were installing this database?

MR. S. JEET.- There was no penalty because ITC was assisting with the Ministry and they were drawing up a database programme which would have been suitable for them and there were trials so it took time, and then relocation came in.

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

MS. S. PULINI.- Only for rural water systems.

MR. P. BAYLY.- Just to give you an idea of how this database is used, for example, the Department of Water & Sewerage called a meeting for all the NGOs on Friday to actually talk about all the water schemes that the NGOs are doing in Fiji, plus what we are doing. What we are noticing is that, NGOs tend to do up the main roads where they put a nice sign and not where they really need it which is usually in the interior. So what we are doing is just getting them all in to talk about where they are planning to do water schemes and there are nice water schemes in the villages, so you do not have the same half a dozen NGOs doing it in three or four villages, we can spread it all out. So this database is going to be a very valuable tool for us going forward and we are going to be quite interactive with NGOs on where they are operating because they are all falling over each other.

The other issue is the solar energy that Paula looks after. We have got NGOs doing that but, of course, what happens with their system is that they put them in and then they disappear. So we get a call from the village a year later saying, “Can you come and look after them, we do not even know they are here and often we turn up the solar panels and the poor quality of the water system, they put in has not worked but this database is very important for us but yes, the delay was not at all good for helping you get on with the process.

HON. A.M. RADRODRO.- The primary source of data for the database, who collates this data, is it the Department or is it the NGOs?

MS. S. PULINI.- The Department.

MR. S. JEET.- 36.8 - Main Trust Fund Account Balance - Department of Energy; the Department of Energy’s Main Trust Account had a balance of $3,344,442.96 in FMIS General Ledger while the Statement of Receipts and Payments had a balance of $2,154,797.33. This had been reconciled, the variances have been posted which had been collected by the Ministry of Provincial Development and the balance had been written off which could not be identified.

HON. A.M. RADRODRO.- Just a supplementary question; I note there are a lot of similar incidences so when there were two balances of two different records, one is the Statement of Receipts of the Ministry and the one is the FMIS, which balance are you taking as correct before you do the write-off?

MR. S. JEET.- We carried out a reconciliation and to substantiate with the source documents, the item that could be tidied up and provided.

HON. A.M. RADRODRO.- Which one is that?

MR. S. JEET.- The figure that we arrived at after the reconciliation, we took it as correct. We matched it with the FMIS figure.

36.9 - Supply, Installation and Rehabilitation Works of Solar Home System; the Audit noted that the contract was for the installation of Solar Home Lighting System for 76 households in the Yasawas, 45 households in Bua and 22 households in Macuata. According to the contractual agreement, the contractor was paid $14,931.60 or 60 percent of the contract amount after completing the wiring of houses in Yasawa and Bua. However, the Department paid 60 percent of the contract amount, totalling $14,931.60 to the contractor on 2nd September, 2014 despite the inspection report dated 25th April, 2014 which stated that 11 houses in the Yasawas and two houses in Bua were not wired due to poor structure of the houses.

The Government Tender Board approved the tender for the supply and installation of the Solar Home Lighting System to Powerlite Fiji Ltd at the cost of $166,676 for rehabilitation works at Yasawa, Bua and Macuata. The total cost for supply amounting to $141,790 has been made by the Department to Powerlite.

For the installation works, the Department has the retention component of $1,244.30 and Performance Bond of $3,732.90 retained with the Department, totalling $4,977.20.

The sum of $1,278.07 will be deducted from the contractor’s remaining balance of retention and Performance Bond after the expiry of the Defects Liability period in 2015. That sum has been recovered from the final payment of the retention sum to the contractor in 2015. No disciplinary action has been taken, a warning letter has been given, Sir.

HON. RATU S.V. NANOVO.- Still on that, Deputy Chairperson, is there is a levy that each family has to pay in rural areas in regards to solar?

MR. S. JEET.- (Inaudible)

HON. RATU S.V. NANOVO.- No, that is the deposit. I am talking about after installing and they are required to pay a levy of around $18 per month, what is that levy for?

MR. S. JEET.- Deputy Chairperson, can I request our Director Energy to explain in detail?

DEPUTY CHAIRPERSON.- That is not an audit issue but the discretion is on you if you want to provide an answer or you can just treat it as an operating issue but nonetheless an audit issue, but you are most welcome to respond.

MR. P. KATIREWA.- It is an operational issue. The important thing to notice is, that the systems are still the property of Government, with this Ministry and the $18 monthly rental is levied so that it will assist with the maintenance and servicing of the system. That is what essentially the $18 per month is for. In that regard, the Ministry is also still looking after the systems. Now, it is close to $7,000 as we speak, the number of Solar Home Systems Units that are being installed across the country, especially in our maritime rural areas.

HON. A.M. RADRODRO.- How often do you do these repairs and maintenance exercise?

MR. P. KATIREWA.- Bi-monthly, essentially that is for servicing but if there is any case of replacement of components, it is done but if there are no components at the end, we follow the procurement services of Government, we get those few replacement parts and that could be done in the next bi-monthly visit.

HON. RATU S.V. NANOVO.- … (inaudible) you do all the works in the maritime provinces?

MR. P. KATIREWA.- Yes, we do all the systems via our contractors.

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

MR. P. KATIREWA.- Every two months, Honourable Member.

MR. P. BAYLY.- Every two months, it is a big commitment but you quickly get to know if they are not working because it will be a letter or an e-mail or something, so we need to give on top of it and it is part of doing our business. You can talk about the $18 per month but it is probably quite reasonable, it is more of a nominal charge, I think. We have probably answered that one, I think, Deputy Chairperson.

MR. S. JEET.- 36.10 - No Agreement with FEA; the Audit noted that the Department did not have a written contract agreement between the Fiji Electricity Authority (FEA) and the Department to carry out grid extension for the Lewarua/Nasivikoso Project. In addition, as at the date of audit, FEA had not commenced with the Grid Extension Project.

Our Ministry has noted the comments. The Grid Extension for the Lewarua/Nasivikoso Project is being co-funded between the Department of Energy and FEA on 50 percent basis, FEA, being the sole supplier in this instance which reports to the Permanent Secretary for Ministry of Infrastructure & Transport. The contract has been vetted by the OAG on 17th March, 2015 and will be signed in due course.

The current status at all the Grid Extension Projects; now, we have a contract agreement between the Ministry and FEA and this is being vetted by OAG’s Office and FEA also does not accept any payment until a signed contract is in place, so we have improved in that area also.

HON. A.M. RADRODRO.- So the findings of the Auditor-General that the Government interests are not fully protected can now be protected.

MR. S. JEET.- They are now protected.

HON. A.M. RADRODRO.- The question on the amount that is levied by FEA to the Department of Energy as contribution for this particular amount is it $600,000 for that particular project?

MR. S. JEET.- It depends on the project and the location and the poles and materials and the technicalities of it which determine the cost of the installation.

HON. A.M. RADRODRO.- Yes, my question is relating to the costs that are usually being levied by FEA. Does the Ministry have any means of verifying whether it is not costing too much to the Department, that it is actually not being overcharged, the way that FEA would be making its costing based on its operational nature as a business entity? How does the Ministry verify that costing process?

MR. P. KATIREWA.- Deputy Chairperson and Honourable Members, the process is such that we also receive the request for grid extensions from particular villages and our technicians usually go out and do their own survey. There is a standard cost for grid extension per kilometre and that is what we base our estimates on.

HON. A.M. RADRODRO.- Previous experience show that it is always cheaper to go with the Department of Energy’s projects than FEA’s because they are cheaper and affordable in cost, but how does that scenario allow that? Now that everything is being transferred to FEA as grid extension rather than just stand-alone system, how do you verify to ensure that you are not being overcharged by FEA?

MR. P. KATIREWA.- Thank you, Honourable Member. I think one very important issue to note is that, at the moment, for FEA, when we get our approval, it is on a sole supply basis so FEA is the only entity that is capable of doing such works.

In as far as sub-contracting out, that is their prerogative and that is why we also do our verification when we do our surveys because our surveys also serve to confirm a number of communities that we need to house-wire and that is how we verify that they are being transparent.

MR. P. BAYLY.- If I can add to that, it is a very good question. FEA has 21 contractors now in operation and the way that we do it, for instance, on the house-wiring projects, we will get together monthly with FEA, together with the Department of Energy, we will go through the projects, we will agree with the costings and similarly grid extensions. We know what the costs are, they are using lowest cost of contractor and I know that, I sit on the board of FEA, I see it is being done and how it is being done. We have reasonable confidence that the FEA are not in the business of trying to extract as much money from us.

The MOE is also involved in each discussion so there is quite a lot of transparency around it, but it is a good question. It is something that obviously we need to monitor overtime but we have got a lot of expenses. So in terms of the grid that we manage within the Department of Energy, I think I have previously advised that the Department of Energy which is managing about 100 kilometres of grid that does not sit inside the FEA, it is in small parts. So we have a pretty good idea of what the costs are for what we are trying to do, mainly grid extension around Government stations and the like, and the surrounding villages so we have got a pretty good feel for it and we monitor that. Some of the grids are quite bigger, I just paid one n 30th April for $1.9 million, that was a large contract that we signed for the grid extension but that has been well-worked through. Thank you for the question.

HON. A.M. RADRODRO.- In addition to that, post-electrification projects, when the electricity is extended to the settlements but the post-maintenance and work especially, what we usually call the “black wire” from the main to the house, in most instances where there are cyclones (we have just passed through *Cyclone Winston*), most of these “black wires” usually snap from the either side of the connection. The poor household member always refer to the contractor to pay for the reconnection of this. Has the Ministry looked at stepping in, ensuring that it assisted in these scenario or will the current trend/status continue as is where the poor villager, poor farmer has to pay for the contractor to reconnect?

MR. P. BAYLY.- It is probably a little bit out of the question that we are trying to answer but just very quickly, we do have a budget allocation within the Ministry to deal with repairs for *TC Winston*. That includes not only house-wiring but also repairs of generators. The Ministry maintains about 500 and 52 of them were under water during *TC Winston*, so we are repairing the ones we can and the others we are bringing them back to Walu Bay primarily and servicing them. If we can them back and restore them or replacing those generators but that is a one- policy and it is quite strict about how we can utilise these funds. It is not a general policy so the householder would be expected to pay for the cost of repairs.

HON. A.M. RADRODRO.- Rural Electrification Projects, who decides now on the extension of the grid, is it FEA or is it still with the Ministry?

MR. P. BAYLY.- It is all set out in the budget, the list of the projects that will be funded so it is quite specific about the budget allocations. Where there are changes to priorities, that is done in conjunction with the MOE, first with ourselves and now in conjunction with FEA. So there is quite a process to go and reset priorities because if you add one in, you know you have got to take one off for that year. You need to be fair to people so what I can justify is this, it is a robust process with the MOE.

MR. S. JEET.- 36.11 - Accounting for Retention Sum; the Department carried out several capital projects during the year 2014. The progress payment was made to the contractors after subtracting the retention sum. However, the amount deducted as retention sum was not deposited into a Trust Fund account but remained in the Department’s budget.

We have noted the comments from the auditors and we have taken that on board. What we are doing now, the total sum of the project, whatever amount is payable upon the completion of the project, they are paid. The retention sum is now deposited into the Fiji Procurement Office Trust Account since they were operating this Trust Account on behalf of the whole of Government.

HON. A.M. RADRODRO.- … (inaudible) referred to in the Table, all refunded?

MR. S. JEET.- Yes, Sir, upon completion and after the Defects Liability Period, they have been refunded but it used to be paid from the budget previously. It had been utilised, chewing up for other projects but now what we are doing is, it is in the Trust Account set aside so when it falls due, it is paid out from there.

Sir, that concludes our submission this morning.

DEPUTY CHAIRPERSON.- Thank you, Honourable Members, and in particular a sincere acknowledgement to the team from the Ministry of Transport and Infrastructure.

I believe PS has a prior commitment. He has a very important meeting at 12 o’clock so without further ado, just some final words from you before we can just conclude the session.

MR. P. BAYLY.- Thank you, Deputy Chairperson and Honourable Members of the Committee, I think you can see that in the responses we have given, we have acknowledged the important work that the Committee does and the importance that we have placed on it by giving what we think are very forward and the disclosure about how we are addressing it.

As we were just saying before at tea time, you get audit issues every year. There is always someone doing something they should not do because they forget to do it or for some other reason but I think I am very happy to say that within the Ministry, we are very aware of these audit issues and the need to continually work to reduce the number. I would like to say that one day we might have no audit issues or substantive audit issues to deal with but there is a lot of work going on. You can probably hear that today in terms of some of the explanations, so we look forward to coming back and presenting the third one, the Ministry of Infrastructure and Transport Annual Report 2015, at your convenience.

DEPUTY CHAIRPERSON.- We will get our Secretariat Staff to liaise with your contact personnel and we will inform you likewise. Thank you, PS, and your team and have a blessed day.

The Committee adjourned at 11.40 a.m.