**PUBLIC ACCOUNTS COMMITTEE**

**[Verbatim Report of Meeting]**

**HELD IN THE**

**COMMITTEE ROOM (EAST WING)**

**ON**

**TUESDAY, 30TH MAY, 2017**

**VERBATIM NOTES OF THE MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD IN THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS, ON TUESDAY, 30TH MAY, 2017 AT 9.33 A.M.**

**Submittee: Ministry of Infrastructure and Transport**

In Attendance:

1. Mr. P. Bayly - Permanent Secretary
2. Mr. P. Katirewa - Principal Accounts Officer
3. Mr. S. Jeet - Principal Accounts Officer
4. Mr. J.T. Lawaniyasana - Acting Director DGSS
5. Mr. S. Rahim - Senior Accounts Officer
6. Mr. N. Chandra - Senior Accounts Officer

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MR. CHAIRMAN.- Good morning, Honourable Members, members of the media, the Secretariat and the public, I welcome you all to today’s meeting. A special welcome to the team from the Ministry of Infrastructure and Transport led by the Permanent Secretary, Mr. P. Bayly; Mr. P. Katirewa, Principal Accounts Officer; Mr. S. Jeet, Senior Accounts Officer; Mr. S. Rahim, Senior Accounts Officer; Mr. N. Chandra and Mr. J. Lawaniyasana, Acting DGSS.

I welcome the team to this meeting of the Public Accounts Committee (PAC). I have received your written submission on Section 40 and as you know, we are in the process of scrutinising accounts for each Ministry at the moment and to present our report to Parliament.

What we suggest we will do is, we will take the questions from one end to make it easier for reporting and then you can point out in your submission where the explanations are noted. So, first, I will let the Permanent Secretary make his address or introductory remarks.

MR. P. BAYLY.- Good morning, Honourable Chairman and Members of the Committee, thank you for the opportunity to finish our submission. As you are aware, we did 2014 the last time so clearly, we are keen to get 2015 over and done with. We welcome your scrutiny and the questions that you have.

There are quite a number of issues that will just skip through. I will ask my Principal Accounting Officer, Mr. Jeet, to take us through most of the problems and we have a couple of Department Heads as well to answer any specific questions that you might have. So, Honourable Chairman, when you are ready we can just start from the top.

MR. CHAIRMAN.- Thank you very much, PS. Let us start from Part A. Just an introductory question, the Trading and Manufacturing Account (TMA), we note that there are 17 TMAs ranging all the way from DECE Plumber Shop all the way to Block Shed. What sort of manufacturing do these Departments do for the Ministry? Whatever you manufacture and are they only for Government Offices or are they sold outside as well?

MR. P. BAYLY.- We have 17 TMA accounts. What they are for? For each of the three Departments of Works, they run, in fact, a kind of a mini-business. So we have accounts, for example, the Joinery Section, Plant Hire, Heavy Machinery, Light Machinery, things like plumbing shops is the work we do. It is principally for other Government Departments, although occasionally we get work that comes from the private sector specifically, for example, we have a range of private clients who are buying furniture and the likes from our Joinery Shop, which is quite popular.

The rates that we use are prescribed by the Ministry of Economy (MOE), so we are required to meet and comply with those charges that are laid down by the MOE which are periodically reviewed. So, it is a way of generating a number of cash back to the Government. I understand that there are 12 Ministries and the Auditor-General might be able to confirm that is running these sort of accounts across the whole of Government.

MR. CHAIRMAN.- Thank you. In 40.1 - Audit opinion, the first issue is, and I quote:

“Several Trading and Manufacturing Accounts (TMA) did not have cash at bank account in the TMA Balance Sheet as at 31 December 2015. However, significant amount of receipts and payments were recorded in TMA Profit and Loss Statements for which separate cash account general ledgers were not maintained.”

Can the Principal Accounts Officer address that?

MR. S. JEET.- The setup of these TMAs was established by the MOE and since its inception way back in 1992, four bank accounts were opened and these are bank accounts used for recording the 17 TMAs. For the Central/Eastern, we have two sets of bank accounts; Buildings and Joinery just Building TMA account and the other is for Mechanical. So these two record seven of the TMAs. Likewise, for Divisional Engineer Western we have one bank account which records their seven TMAs and for Northern, we have one bank account which records for five of the TMAs. These are setups by the MOE which we are following.

MR. CHAIRMAN.- So when it is mentioned here that there are several TMA accounts that did not have cash at bank, that means that there are no accounts for those, those monies are deposited in those four accounts?

MR. S. JEET.- Yes.

MR. CHAIRMAN.- MOE, OAG says that there should be separate accounts or there is a desirable to separate accounts, the Ministry is saying that it is your directive to have four separate accounts, is it? What are their views on that? That is one of the reason why they got a qualified audit opinion.

MOE REP.- Thank you, Mr. Chairman. The Auditor-General’s view might be because of the issues that they are having with the Ministry in not being able to correctly reflect the transactions in each of the TMA account that they have whereas from our side, our stand on having four accounts would be for ease of administration process and if the Ministry is able to prepare their reconciliations and correctly follow the administration process that they have, they should be able to correctly have their accounts….

MR. CHAIRMAN.- Even those four accounts would be sufficient if it is reconciled properly, you are saying?

MOE REP.- Yes.

MR. CHAIRMAN.- But then the issue there just underneath that paragraph is that, and I quote:

“In addition, Consolidated TMA Balance Sheet had cash at bank balance of $5,285,919 while consolidated cash at bank reconciliation balance was $4,041,812 as at 31/12/15 resulting in a variance of $1,244,107.”

May I ask the Ministry, what was the cause of that?

MR. S. JEET.- Honourable Chairman, it should be noted that there was a fraudulent activity done by the staff at Divisional Engineer Central/Eastern and that is before the courts at the moment and we cannot verify that. Once the case is disposed of, only then can we regularise this variance.

MR. CHAIRMAN.- What was the issue, why the variance, is it because some staff stole the money or something?

MR. S. JEET.- There was a fraud and misappropriation involved, Mr. Chairman.

MR. CHAIRMAN.- Misappropriation, is the matter before the court?

MR. S. JEET.- Yes.

MR. CHAIRMAN.- Honourable Members, any question and queries on that? I mean, keeping in mind that the matter is before the court but we need background information on it. How long has this case been going on? Have the people already been charged?

MR. S. JEET.- Yes, Mr. Chairman. One set of the case has finished, I think there are another five sets to be taken on board.

MR. CHAIRMAN.- Alright. Is that about those five or six workers at Public Works Department who went recently to prison, is that one of those cases?

MR. S. JEET.- Yes, Mr. Chairman.

MR. CHAIRMAN.- Alright.

MR. P. BAYLY.- This is after it goes back to 2010 so I think we would all like to see all these court cases completed and then we can reconcile the differences, so the accounts sit there until they are resolved.

HON. A.M. RADRODRO.- Mr .Chairman, just a clarification; these variances is right up to 2015 or just limited to those particular years, since you cannot make additional comments? Are those experiences up to 2015 or is it relating to only the specified period that you are alluding to?

MR. S. JEET.- It is only for the specified period, Sir.

(Inaudible)

MR. S. JEET.- No, Sir.

(Inaudible)

MR. S. JEET.- No, Sir.

MR. CHAIRMAN.- OAG?

AUDIT REP.- Can I clarify an issue regarding the bank, for this variance, it is as at 31/12/2015, that is where we would have calculated. If the Ministry can specify which period relates to that, then we can always have a discussion with them as to how they can reconcile it.

MR. CHAIRMAN.- That variance or $1.244 million is of what period?

AUDIT REP.- As at 31/12/15.

MR. CHAIRMAN.- Alright, it could be for various years accumulated.

AUDIT REP.- Yes, it could be.

MR. CHAIRMAN.- Would you have a background on that?

MR. S. JEET.- Mr. Chairman, this had been a static figure and thereafter 2011 and 2012 this figure had deflected as static and it has not changed.

MR. CHAIRMAN.- Alright, that figure remains the same for a period of time?

MR. S. JEET.- Yes.

MR. CHAIRMAN.- Then probably, that is where the fraud was. Would that not be what the OAG was suggesting, if you have 17 separate bank accounts, would it be easier to trace this kind of fraud? Is it related?

MR. S. JEET.- No, Sir. The act was done collectively by the whole Accounting staff, had one or two did it, it could have been detected through our bank reconciliations.

MR. CHAIRMAN.- So the whole Department was involved?

MR. S. JEET.- The entire Accounts team had colluded and did this.

MR. CHAIRMAN.- They went off with about $1.244 million of public funds. Approximately, we do not know whether that is all what there is. Honourable Ratu Nanovo?

HON. RATU S.V. NANOVO.- Thank you, Honourable Chairman. If that was the case, where was the supervising officer at that point in time? What was he doing if the reports of the Department were not the forthcoming to him for a period of time? He should have, at least, felt that something was wrong. So, whoever was the supervising officer at that time then after that officer, who else was on top? Those people who are also at the top should be held responsible for this.

MR. S. JEET.- Unfortunately, those at the helm had missed on this and later on it was detected through some investigations that this act has been committed.

HON. RATU S.V. NANOVO.- Who was the Permanent Secretary at that time? When the information that should be coming to him was not forthcoming, was he doing?

MR. P. BAYLY.- I cannot comment on what he or she might have been doing.

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

MR. P. BAYLY.- Yes, but …..

HON. RATU S.V. NANOVO.- I mean, if I was a boss at that time and things are not coming as it should be, I will be querying, “What was happening here?”

MR. P. BAYLY.- Yes, but I am not sure whether we can comment on what the Permanent Secretary may or may not have been doing at this stage.

MR. CHAIRMAN.- It was his discretion at that time and we cannot..

MR. P. BAYLY.- Anyway, some of the senior people who were involved, I think they will be caught up in this court case anyway, so it is probably not appropriate for us to comment too much on the court case.

MR. CHAIRMAN.- Just an additional question, is that particular supervisor still in employment or he is also part of the team that was charged?

MR. S. JEET.- Mr. Chairman, the supervisor for the Accounts Section was charged in that case.

MR. CHAIRMAN.- He is one of the culprits, if I may call that.

Can we move to number 2 now, it says:

“The subsidiary debtor records showed debt of $414,692 while the FMIS accounts receivable showed nil balance as 31 December 2015. The Ministry did not reconcile the two records.”

What could be the cause of that?

MR. S. JEET.- Mr. Chairman, the TMA recordings are done on a cash basis and we maintain separate manual records for the outstanding debtors. That is why there is no provision in the system where we can have this recorded as accrued expenses. That is kept separately from the accounts.

HON. RATU S.V. NANOVO.- On that, Mr. Chairman, why was that information not shown to the OAG?

MR. S. JEET.- The subsidiary ledger, Honourable Member, was made available to them. The subsidiary ledger captures this amount but in the system this amount is not appearing.

MR. CHAIRMAN.- OAG, your views on that?

AUDIT REP.- It is a variance because the listing is there but it does not reconcile with FMIS, that is why you got nil balance. The two records should reconcile.

MR. CHAIRMAN.- That means some people owed money to the Ministry being the debtors?

AUDIT REP.- It is not taken up in the FMIS General Ledger system.

MR. CHAIRMAN.- It is not?

AUDIT REP.- It is not taken up in the General Ledger FMIS system.

MR. CHAIRMAN.- So where is it taken or recorded?

AUDIT REP.- It should be recorded in the FMIS.

MR. CHAIRMAN.- It should be recorded in the FMIS, but it was not entered in the FMIS?

MR. S. JEET.- It is not recorded in the FMIS, Sir.

MR. CHAIRMAN.- Why is that, should it not be recorded?

MR. S. JEET.- We do not have a provision for that, Sir.

MR. CHAIRMAN.- You do not have the provision for that in FMIS?

MR. S. JEET.- We record only cash transactions so when some money is received, that is recorded.

MOE REP.- Thank you, Mr. Chairman. The receivable, the receipting applications for accounts receivable in the FMIS allows only for credit transaction where you issue an invoice, take the goods and you pay later. For TMA ….

MR. CHAIRMAN.- It is a cash transaction?

MOE REP.- Yes, it is a cash transaction so they are not entitled to enter this in the TMA since it is a cash transaction. Actually this goes in the normal cash analysis where the journals (JVs) are entered into the system. Yes, by right it should not go into and be recorded as accounts receivable in the FMIS system.

MR. CHAIRMAN.- So OAG, that money is there, it is just that it is not recorded in the proper place because there is no enough provision. Is that satisfactory?

It is not recorded in FMIS because there is no such provision for FMIS to record cash transactions but it is recorded in their general ledger. So, the accounting is done, it is not in the FMIS? OAG seems to be alright with that. That means that money is there somewhere, it is already received, it is just that debt does not appear in the FMIS.

AUDIT REP.- Actually outstanding, not yet received.

MR. CHAIRMAN.- Yes, yes, debtors. The asset is there.

HON. A.M. RADRODRO.- Mr. Chairman, just a question; you said TMA deals in the cash transaction basis?

MR. S. JEET.- Yes, Sir.

HON. A.M. RADRODRO.- Why is your record showing debt when you are dealing with cash transactions? It is not accrual basis.

MR. S. JEET.- No, Sir.

HON. A.M. RADRODRO.- So why is it showing as a debt?

MR. CHAIRMAN.- You mean, there is credit sales.

MR. S. JEET.- The credit sales, we record it separately but it does not go in the preparation of the TMA accounts.

(Inaudible)

MR. S. JEET.- It is cash, once money is received then it is receipted in the system and the TMA account captures that transaction but unless it is still outstanding, it is not entered into the system.

(Inaudible)

MR. S. JEET.- No.

MR. CHAIRMAN.- The third one says, I quote:

“The Ministry did not invite the auditors to observe the annual stock take carried out at the end of the year 2015 for any of its three divisions.”

Is it a practice that you invite auditors to observe annual stock-take?

MR. S. JEET.- Mr. Chairman, this was the first instance when we were told by the OAG that they want to be part of the stock-take. We were under pressure from the agencies that we should provide them the Stock Certificate for consolidation of the main accounts by the MOE, and we also had our own management team which wanted us to conduct all the Board of Survey. Nevertheless, when the Auditors requested, we had assured them that we will go through it, so one of the Auditors had agreed and he had done random checks. We had also agreed on their request to take them to the Western Division. We arranged a transport for the OAG to go to the West but at the last moment, they declined.

MR. CHAIRMAN.- OAG, any comments on that?

AUDIT REP.- In fact, it was after the stock-take was done.

MR. CHAIRMAN.- So after stock-take was done?

AUDIT REP.- We should be invited at the beginning, we should be informed which area of the stock-take will be conducted when, so we can arrange and then we can go.

MR. CHAIRMAN.- But they are saying that this is the first time you are requested to be part of the stock-take. It was never a practice before.

AUDIT REP.- Well, if that was not picked by the few other Auditors at the earlier stage, we could say that but from where we pick anything we have to see that we could make improvements.

MR. CHAIRMAN.- That it could be improved?

AUDIT REP.- But, Sir, we appreciate that they invited us for the 2016 stock-take.

MR. CHAIRMAN.- So they did that.

40.2 - Statement of Receipts and Expenditures; are there questions there, Honourable Members? I did not see any Audit issues.

HON. A.M. RADRODRO.- The number of established staff.

MR. P. BAYLY.- The establishment of the Ministry is 12,010 or somewhere in that order.

What are you talking about with reference to 40.2, that is with regard to expenditure but that is in the Fiji Meteorological Services.

MR. CHAIRMAN.- Is it bulletpoint 1 under, “Total expenditure increased by $52,390,137? It says, “Increase in established staff costs of public officers.” Is that the one?

Alright the question that emanates from that is; has there been an increase in employment of staff, causing an increase of $52,390,137?

MR. P. BAYLY.- Are you looking at the same….

MR. CHAIRMAN.- Page 5.

MR. P. BAYLY.- Are you looking at this?

MR. CHAIRMAN.- OAG Report Volume 4.

MR. P. BAYLY.- We do not have that, we have this but we have provided you with submissions.

MR. CHAIRMAN.- Alright, thank you.

MR. P. BAYLY.- Sir, the simple answer to that is, we do not have many staff in the Ministry as we have been funded for and that is why we are getting a surplus there of $2.4 million. So that is actually a saving, together with the Government Wage Earners of $868,000, so that is under expenditure.

MR. CHAIRMAN.- Yes, PS, the question was, if you look at the Report on Page 5, it says and I quote:

“Total expenditure increased by $52,390,137or 100% in 2015 compared to 2014. This was largely due to the following:

* Increase in established staff costs for public officers.”

That is where the Honourable Member is asking, if there an increase in staff employment that increased the cost or is it that the wages went up?

MR. S. JEET.- Mr. Chairman, this increase in the expenditure is for the whole Ministry, including all SEGs from SEG 1 to all the Capital Projects.

MR. CHAIRMAN.- So those would be staff in different areas?

MR. S. JEET.- Yes, Mr. Chairman.

HON. RATU S.V. NANOVO.- If that is the case, Mr. Chairman, can they confirm to us that all the vacancies that were available at that time were being filled, they do not need any more staff?

MR. S. JEET.- Mr. Chairman, filling up all vacancies at one time is impractical. When a vacancy at higher level exists and if that post is filled with a subordinate or junior level officer, it has a rippling effect so at no point in time can it be certain….

MR. CHAIRMAN.- That a full workforce is there because someone is promoted, it leaves a space for the last position.

HON. RATU S.V. NANOVO.- To change that question around; can you also confirm to the Committee that with that increasing, you are now able to carry out all the tasks that are required of you within the Ministry, even though there is still vacancy there at the moment?

MR. P. BAYLY.- I can confirm that that is the case.

MR. CHAIRMAN.- 40.3 - Appropriation Statement; any questions on that?

There was one comment there that the Ministry did not fully utilise the budget provision for 2014 due to the following: staff turnover and not all vacant positions were filled in 2015, resulting in savings. That actually follows on from Honourable Nanovo’s question, you have vacancy instead of positions, despite your savings. Is the purpose of the Ministry met even with those vacancies?

MR. P. BAYLY.- I can confirm that it is.

MR. CHAIRMAN.- 40.4 - Trading and Manufacturing Account (TMA); that is, again, a bit more detailed on TMA accounts. I think you had shed some light on the issues that we had questioned you on.

Part B: Audit Findings - Department of Works.

HON. A.M. RADRODRO.- Probably, a question to the Principal Accountant, what used to happen previously in terms of accounting for the TMA;s are they all consolidated into four different accounts or they have their own separate 17 bank accounts? What used to happen before?

MR. S. JEET.- Mr. Chairman, there has only been four bank accounts, from the initial setup.

MOE REP.- Mr. Chairman to clarify on that, we have already, in fact, in the qualification talked about separate ledger accounts. Perhaps, the Ministry can operate separate ledger accounts for those other TMAs that do not have bank accounts. When we talk about bank account, we refer to the actual bank account in the bank.

MR. CHAIRMAN.- So whilst they might have four bank accounts…

MOE REP.- They can have separate ledger accounts, for those they can put it into one account.

MR. CHAIRMAN.- Even one account will do?

MOE REP.- They can have separate own cash accounts, so as those reconciliation that they have got in those particular accounts.

MR. CHAIRMAN.- As long as there are 17 separate ledger accounts, even one bank account will do so they can verify which payment is from where?

MOE REP.- Yes.

MR. S. JEET.- Mr. Chairman, we have separate ledger accounts for each TMA entity but only the consolidation of bank accounts when the balance sheet is prepared, we have only one bank account.

MR. CHAIRMAN.- So the 17 ledger accounts, they reconcile properly with the cash at bank?

MR. S. JEET.- Yes, Sir.

MR. CHAIRMAN.- OAG?

AUDIT REP.- There is no separate ledger for cash at bank accounts.

(Inaudible)

MR. S. JEET.- We do not have separate ledger account for each because there are only four bank accounts.

(Inaudible)

MR. S. JEET.- Yes.

MR. CHAIRMAN.- So whilst you do not have 17 different ledger accounts with those four, you can still verify which of these 17 generated one?

MR. S. JEET.- Yes, Sir.

MR. P. BAYLY.- I can just tell you that we monitor performance, if you like, Departments or Divisions within their TMA account to see where we need to put more effort in, so some of them make more money than others so you can imagine. I say, more money or more cash so we do monitor that. Some of the areas, like Joinery and Plant Hire make good cash and some of the others struggle at times. That is why we do monitor the performance within the TMAs.

MR. CHAIRMAN.- If there are no further questions we can move to Part B: Audit Findings. That is what we have been discussing but the recommendation there on top, 40.6.1 – TMA with no Cash at Bank Account, says and I quote:

“A separate bank account shall be maintained for each TMA operated by the Ministry. Any balance either credit or debit shall be correctly stated in the balance sheet.”

Is that a practical solution?

As you had explained so far for four separate ledgers but you can still verify those 17 accounts, the recommendation is for you to have separate bank accounts.

MR. P. BAYLY.- We think it is not very practical although I can imagine we are not very keen with continuing qualifications around this because we need to sit down with the OAG and think about how we might come up with something satisfactory and workable because we can imagine managing 17 bank accounts.

MR. CHAIRMAN.- More bank fees and charges too.

MR. P. BAYLY.- Where we will have teams of people looking after these because each one has to be reconciled everyday and we are reconciling them in effect through the ledgers. It might be that before we get into the the audit, we sit down with the OAG and see what we can do practically, both their requirements and also more importantly our practical requirements of the day to day operations.

MR. CHAIRMAN.- If you look at Table 40.7, the first row mentions, “Plumber Shop DECE – Nil cash balance in TMA balance sheet.” There must be a balance sheet for that TMA. Then it goes on for, at least, 12 others. OAG, what document are you reading to say that there is nil cash balance in a TMA balance sheet? They do not have separate ledgers but they do have separate balance sheets there.

AUDIT REP.- No, the balance sheets are there, but they do not have cash in those balance sheet accounts.

MR. CHAIRMAN.- That is for all separate 17 accounts.

AUDIT REP.- No, those listed here, the12.

MR. CHAIRMAN.- Why is there no cash in that TMA balance – Plumber Shop DECE?

MR. S. JEET.- Honourable Chairman, there is no bank account maintained separately for this. There are only four bank accounts.

MR. CHAIRMAN.- But the money generated from that particular account must be kept in some account, one of the four?

MR. S. JEET.- Yes, Sir.

MR. CHAIRMAN.- How do we verify because there is no separate ledger as well. Which document should we look at to verify whether a particular portion of that cash at bank is for this account?

MR. S. JEET.- Honourable Chairman, when recordings are done, they have separate ledger accounts but they do not have separate bank accounts. So if we trace back, we can get which component is for which particular entity.

MR. CHAIRMAN.- So in the narration of those accounts, you mentioned the full name of the particular account or you put a number there?

MR. S. JEET.- There is a job allocation.

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

HON. RATU S.V. NANOVO.- Honourable Chairman, on the separate ledger accounts for those 12 accounts that are listed there, they will have their individual transaction listing - how much cash is coming in and going out. Is that the case?

MR. S. JEET.- We do not have separate ledger accounts for accounting cash into each bank. Since there are four bank accounts, one ledger account is used for those particular TMAs.

MR. CHAIRMAN.- And the ledger entry would show by name or number or by name mostly?

MR. S. JEET.- Yes. If you have separate cash ledgers, then you can always demarcate what is the cash balance at that point in time and then you can consolidate into those bank reconciliations. You can have separate ledger accounts. Maybe FMIS can throw some light on that as to why there is no cash ledger account for separate accounts.

FMIS REP.- Honourable Chairman, take for example Labasa, we have four TMA activities, fuel and oil, plumbing and mechanical. However, these four have their own activity allocation and job numbers but there is only one bank account. One bank account might be reflected in one of those three so that is what OAG is querying. Maybe, the cash account is with Mechanical, all the cash comes, the revenue is reflected in the four activities but the cash was reflected in only Mechanical. So what the OAG is saying here, that is why the OAG is pointing in this report.

In the other three, there is no cash but the cash is reflected under Mechanical. We can trace in the FMIS system where the money is coming to, but the cash is consolidated in only one activity.

MR. CHAIRMAN.- But there must be a ledger where you enter those entries and you can trace them back.

MOE REP.- Yes, you can trace them back, where the cash is going and where the revenue came through.

MR. CHAIRMAN.- This is extra work but you find the result there.

MOE REP.- Yes, it comes to the same thing. What the OAG is advising here is to have the cash bank open for all of those, but it might be just a matter or reporting, however the status quo remains. Maybe when it comes to the balance sheet, we can separate the cash component of all the activities and break it down into balance sheet while we still maintain one bank account.

MR. CHAIRMAN.- The PS is saying that it is not practical to have 17 different bank accounts but it is still traceable. If it is traceable, it is alright with us.

MOE REP.- Yes, Mr. Chairman, it is still traceable.

MR. S. JEET.- Mr. Chairman, once we trace that, then again, that figure will not be able to reconcile with the bank statement. They will need individual bank statements to prove that that much cash is there, so again that will be another issue.

HON. M.M.A. DEAN.- Yes, exactly. What I wanted to ask is; do you not think that having separate bank accounts makes it less complex, MOE?

MR. CHAIRMAN.- More expensive too.

MOE REP.- We can have separate bank accounts but the operational activities are with the Ministry, they are the last two advices on that.

HON. RATU S.V. NANOVO.- Then why can you not have separate ledger accounts for all those four activities rather than just directing all the money into just one, because that will be misleading. You open four separate ledger accounts, put all their separate income into that and that can go directly into the one bank account that the Division will maintain. Why can you not have that, that is the question?

MOE REP.- Sir, we have separate ledger accounts.

(Inaudible)

MR. CHAIRMAN.- If it is traceable, you can actually have one ledger and one bank account, it will take time.

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

MR. CHAIRMAN.- The only issue is reconciliation there, it is only difficult to reconcile because the cash at bank account will not match.

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

MR. CHAIRMAN.- Yes.

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

MR. CHAIRMAN.- Even if it is a one ledger and one bank account, should the reconciliation not balance? Add it all up, if you have 17 bank accounts, 17 ledgers, have four-four or one-one. After reconciliation, it will still be possible so PAO, why is it not possible?

MR. S. JEET.- Mr. Chairman, we will discuss it further with FMIS and we will try and work that out.

MR. CHAIRMAN.- Yes, because reconciliation is an issue not only to this Ministry but there are a number of Ministries where reconciliation actually keeps on pending for a while and what happens after seven years when you cannot find a document, then you ask for a write-off. You add all the write-offs for the past six or seven years, that is a substantial amount of money, you can actually build two new bridges with that.

HON. RATU S.V. NANOVO.- With that, Mr. Chairman, for reconciliation whether you have got one bank account or four bank accounts or four ledgers, it still has to be done on a daily basis.

MR. P. BAYLY.- That is happening on a daily basis.

MR. CHAIRMAN.- But they are submitting monthly reconciliations to the MOE, they are doing that?

That sorts it out, so we can move on.

HON. A.M. RADRODRO.- Mr. Chairman, just a question to PS and his team in terms of TMAs, can the Ministry do away with the TMAs?

MR. P. BAYLY.- I am not sure I should be commenting on that, but they serve a very useful purpose and I think from the Government’s perspective, I can only talk about our Ministry. We handed back a cheque of $740,000 last year to Government so they do serve a very useful purpose and they do generate good cash for the Government.

HON. A.M. RADRODRO.- So in that case, then there is a need to immediately address these TMAs, otherwise you will continue to be highlighted and if it is not properly monitored, then it might lead to big variances in the future.

HON. P. BAYLY.- We share the concerns of the Committee here. We are doing reconciliations on a daily basis. In the Accounting Department, we have to account to the MOE on a monthly basis and they have reviewed what we have from the OAG as, I guess, a statement or a suggestion or whatever you want to say that perhaps, is a better way of doing it and a more detailed way of doing it.

I am not adverse to changing things if we need to do it. I do not want to continue to have these qualifications in our report simply because the OAG has a different view. I am not saying whether the view is right or wrong, I am just saying that they do have a different view and from the way we are doing it at the moment, I think it will be good to reconcile in a way that suits everyone and gives the assurance to the OAG on what they require, we balance it off against our day to day work requirements, so we are trying not to crowd the accounting staff at the moment. I think there is perhaps, a useful way and we might need to sit down just to have a talk again with the MOE and the OAG and see whether we can come up with something that suits everyone.

HON. A.M. RADRODRO.- Just in addition to that, you have your TMAs operated all over Fiji in your respective centres?

MR. P. BAYLY.- Through our three centres here in Suva and Walu Bay, Lautoka and Labasa. We are very diligent about our TMAs. One thing that the PAO and his team has been doing is quite regularly going out to all of the offices, the Department of Works in Labasa and Lautoka as well as here, and spending time with the accounting staff, making sure that we are picking up on the problems, and correcting and reminding people of the policies. We have got accounting policies, making sure they are following the procedures in doing some spot checks as well so certainly this year, we have done several checks too.

We just came back from Labasa last week, in fact, so to give you an idea that we are taking this very seriously.

HON. A.M. RADRODRO.- The Ministry also has an internal audit team?

MR. P. BAYLY.- Yes, we do and if there are requirements or a need or we feel that there is something that would benefit from an independent look here, we will ask the internal auditors and they will look at that.

MR. CHAIRMAN.- 40.6.2 - Variance between Consolidated TMA Bank Account balance and FMIS General Ledger balance; I think that has been explained, and that is the thing we are discussing.

40.6.3 - Variance between Accounts Receivable Schedule and FMIS General Ledger Balances; that is what has been expressed and explained as well. There is no place to record cash transactions in the FMIS.

HON. A.M. RADRODRO.- Mr. Chairman, the amount of $94,000 on Joinery, what is it relating to in Table 40.9?

MR. S. JEET.- This is the same issue which we had discussed earlier, so the records are maintained manually and it is not in the GL system.

(Inaudible)

MR. S. JEET.- These are accounts receivable. We can provide the details on this.

MR. CHAIRMAN.- But just below that table….

HON. A.M. RADRODRO.- Inter agencies or outside?

MR. S. JEET.- Inter agencies and outside and these are cleared progressively.

MR. CHAIRMAN.- Plant is hired out to individuals as well as agencies.

Just underneath that table there is a note there that says, and I quote:

“However, plant hire charges totalling $20,112.07 earned in 2015 by the Divisional Engineer Central Eastern (DECE) was receipted as revenue in the Plant Hire TMA for 2016. Plant hire charges totalling $20,112.07 was not included in the Accounts Receivable schedule and the Plant Hire TMA for the year ending 31/12/15.”

So that amount was not recorded at all, they are saying, albeit in a separate ledger, it was not recorded at all.

Then it says, I quote:

“The findings indicate that finances were not properly managed and work of subordinates in the Accounts Section was not properly supervised. As a result, the audit could not ascertain the correctness of the Accounts Receivable balance of $2,114,181 stated in consolidated TMA balance sheet as at 31/12/15.

MR. P. BAYLY.- Yes, it indicates that this is the same problem which is just coming out in different way.

MR. CHAIRMAN.- So it is the same one.

MR. P. BAYLY.- As per the TMAs all our operations are on a cash basis. What these are is Accounts Receivables which were not recorded in our TMA cash-basis accounting. So what we do is, we pick up the outstanding TMA receivables such as this, in a separate ledger.

MR. CHAIRMAN.- Right.

MR. P. BAYLY.- So they are manually recorded and disclosed.

This is different TMA working in one system and were actually part accrual, but here TMA were only cash so we cannot picked up the receivable. So that is the reason why they appear in the TMA account as a cash item. So that is the same issue, we are trying to work around our systems and that is the problem. So what we do is, we put the cash bit in, then we separately in a separate journal, we record manually the receivables which these are. So these are normal receivables during the course of a business so just as we get receivables, we might have pre-payments or whatever, but they are just the same things but they are not picked up in a cash basis.

MR. CHAIRMAN.- But this is an amount owed to the Ministry but are there any follow ups to see those recovered in time?

MR. S. JEET.- Honourable Chairman, most of these documents are with FICAC at the moment…

MR. CHAIRMAN.- Alright.

MR. S. JEET.- …and we cannot actually substantiate this amount but, yes, the outstandings are being paid.

MR. CHAIRMAN.- Is that relating to the same incident or is it different?.

MR. S. JEET.- It is for the same one, Sir.

MR. CHAIRMAN.- So, a lot of money.

HON. A.M. RADRODRO.- This was in 2015.

MR. CHAIRMAN.- Year ending 2015.

HON. RATU S.V. NANOVO.- Recorded in 2016.

MR. CHAIRMAN.- Yes, end in 2015, that was $20,000.

HON. RATU S.V. NANOVO.- On that Honourable Chairman, can we ask the MOE; is this kind of recording acceptable to your Ministry?

MOE REP.- Honourable Member, yes, this is a serious case. Since the TMA operates on a cash basis, they will only record the cash transactions. As for the credit, however, this should also be shown if they are showing, but TMAs will only process transactions when it is cash. If it is credit, that is what they say there, “keeping it separate from the FMIS system.”

HON. RATU S.V. NANOVO.- How would you know at the end of any one month, this is the amount of money I should be getting, this is a paid in cash and this is yet to be paid? How would you know if that is not shown?

MR. P. BAYLY.- How do we know? Because we write invoices and we know the money that we had received and we also know the money that we had receipted and what we are due to receive. Because we have to account for both in our disclosure to the MOE and I am also as a Permanent Secretary really interested in knowing what my receivables at any one time because ….

HON. RATU S.V. NANOVO.- I am just directing that question to them. You know your system.

MR. P. BAYLY.- Yes.

HON. RATU S.V. NANOVO.- For us from outside, we want to check the book, we will not know.

MR. P. BAYLY.- Yes, I think we are all saying the same thing here. It would be nice to have an FMIS system that we could use here that would take in receivables and use it for TMA as well. That would be a good outcome. Yes, maybe in time.

HON. A.M. RADRODRO.- To the Ministry regarding the OAG’s recommendations, have you taken any recommendations on board regarding this audit issue?

MR. S. JEET.- Sir, we have undertaken these reconciliations in consultation with the OAG and the MOE, so a lot of variances had been sorted out and reconciled.

(Inaudible)

MR. S. JEET.- Honourable Chairman, the officers that were responsible for that and the variance that has been in there are before the courts.

MR. CHAIRMAN.- Actions have been taken.

HON. RATU S.V. NANOVO.- Now this recommendation has been closely followed by your Ministry?

MR. S. JEET.- Yes, Mr. Chairman, these variances have been static for the period and we will only be able to take action once the court cases are completed.

HON. RATU S.V. NANOVO.- No, I am not talking about that, we leave the court cases there, that is another angle. But from that time until now, your staff are fully complying with the recommendations given by OAG?

MR. S. JEET.- Yes, Sir.

MR. CHAIRMAN.- 40.6.4 - Transfer Operating Funds (Fund 1) to the Trading and Manufacturing Account (Fund 4). There was one issue picked up there, it says and I quote:

“The Ministry withheld $448,680 from the Department of Water and Sewerage from the 2015 Budget Allocation to undertake Eco Purification System (EPS) project in 2016. The funds were allocated in the Department of Water and Sewerage 2015 budget but was not utilised.

The audit noted that the ministry transferred a sum of $448,680 from the Department of Water and Sewerage Operating Fund Account (OFA) (i.e. Fund 1) to the DECE Plumber Shop TMA (Fund 4) on 31/12/15 without approval of the Minister.”

How did that happen? It was given for a specific purpose to the Department of Water and Sewerage. That was an unauthorised transfer.

MR. S. JEET.- Honourable Chairman, the Department of Divisional Engineer Central/Eastern under the TMA Plumbing, the experts in doing all the plumbing works and this EPS project for Department of Water and Sewerage was undertaken with that TMA. Like any vendor, the payment was made inhouse from the Operating Fund Account to TMA, just like buying from any vendor for goods and services. It was inhouse so that money was paid out to DECE to carry out this service, through that TMA.

MR. CHAIRMAN.- So it was used for the same purpose, Department of Water and Sewerage.

MR. S. JEET.- Yes, Sir, this was for the construction of their EPS projects.

MR. CHAIRMAN.- Alright, which was approved?

MR. S. JEET.- It was inhouse so there was no approval sought.

HON. RATU S.V. NANOVO.- Just a clarification from OAG; why were you mentioning that the minister’s approval was not shown?

(Inaudible)

MR. S. JEET.- …and on top of that it was for 2015 and utilised in 2016.

(Inaudible)

HON. RATU S.V. NANOVO.- …all was not sought in those particular incidents?

MR. S. JEET.- Yes, Sir.

HON. RATU S.V. NANOVO.- That is it.

MR. CHAIRMAN.- There is a further issue on that. The money was transferred to the DECE Plumber shop, however the cash at bank account had a nil balance. Hence, the Ministry did not account for the sum of $448,680 in the Cash at Bank account.

The Ministry was not able to provide details where the cash transferred was accounted for. The Ministry did not follow a proper procedure to hold back unused funds at the end of the year to be used in the following year, hence the transfer of funds were unauthorised and improper. In addition, the DECE Plumber Shop for Cash at Bank as reflected in the TMA balance sheet has been understated. Is this the same explanation or the money was transferred but it was not recorded properly?

MR. S. JEET.- Yes, Sir, it is the same issue.

HON. RATU S.V. NANOVO.- Any disciplinary action had been taken against the officer who authorised this payment without the Minister’s approval?

MR. S. JEET.- No, Sir.

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

MR. S. JEET.- Maybe, it was the decision of the Management that made this decision to transfer the funds to TMA.

MR. P. KATIREWA.- I think, Mr. Chairman, the wordings “transfer of funds” is not correct. Plummer Shop operates as a TMA, we provide the quotation as a business arm to the Department of Water. The Department of Water writes a cheque to TMA as a business entity but whether it was undertaken by 2015 or 2016 and we rollover to the next year. The wordings, “transfer of funds” is most probably the wrong wording. We provide quotations to the Department of Water, I can provide the quotation to anyone. We operate the TMA, they provide the cheque, we deposit into the TMA and we undertake the project of the EPS for 2015 and roll over to the following year.

The system is still the same. At the moment we have 12 projects for EPS, we signed the contract with the Department of Water because we provide the quotation. They wrote the cheque to TMA as a business entity, we provide the service. So most probably the wordings, “transfer of funds” from OFA to TMA is just a matter of a business entity.

MR. CHAIRMAN.- That is what you are saying that that amount of $448,000 was never transferred?

MR. S. JEET.- Exactly, we provide the quotation and they write the cheque. It is only a matter of operation issues.

MR. P. BAYLY.- That is the normal thing here. These EPS, we build 50 and are in progress at the moment which we are doing. The reason why the Department of Works is doing this because of the expertise involved in them. I think in the last session we had, we had explained how we have a JICA expert who reviews all the designs. In fact, it is one of the other audit queries that comes up later in this report.

For the cost overrun which is a case of the JICA expert wanting us to redo the design because they were not happy with it. So, this is the expertise which is being built up within the Department of Works over a long period of time, three years and over into fourth year now, so it is a straightforward procurement between one department and the other but in an open and transparent manner with an estimate and a proper invoicing, as you would expect.

HON. RATU. S.V. NANOVO.- On that, Mr. Chairman, can we have the view from the Auditor-General, do you agree with that?

AUDIT REP.- We view that as a transfer because it was done in 2015 because the money was not utilised in 2015, so it was done to utilise the money in 2016.

MR. CHAIRMAN.- 40.6.5 - Annual Stock Take Not Observed by the Auditors; I guess, it was partially answered by the Ministry earlier during general questions. But the final comment there that says, and I quote:

“In the absence of an independent stock take, the audit could not determine the correctness of the Closing Inventory balance of $542,722 stated in the Consolidated TMA Balance Sheet as at 31/12/15.”

OAG, are you able to verify that now? You were not part of the stock-take but I think there was …

AUDIT REP.- Verified 2016 stock-take but 2015, no.

MR. CHAIRMAN.- 2015, no?

AUDIT REP.- Going forward, I mean, they are inviting us now so I think that issue will not appear again. I hope they invite us every year for the Board of Survey.

MR. CHAIRMAN.- The next one, 40.6.6?

HON. A.M. RADRODRO.- Mr. Chairman, just on 40.6.4, the paragraph there which says; “The Ministry was not able to provide details of where the cash transferred was accounted for”….

MR. CHAIRMAN.- But the officer explained that there was really no transfer, I think there was a drawing, cheques were written.

HON. A.M. RADRODRO.- No, no.

MR. CHAIRMAN.- I think they can provide that. Officer we will have a look at that.

HON. A.M. RADRODRO.- No, the statement by the Auditor-General that they were not able to provide details of where the cash was transferred and accounted for?

MR. S. JEET.- Mr. Chairman, as our colleague had mentioned, a payment was made and we have all the relevant information, the receipts and where it was lodged.

MR. CHAIRMAN.- If that is provided, probably that will shed some light.

(Inaudible)

AUDIT REP.- Yes, if they can provide that, we will accept it but they will not provide it. Looking at the Ministry’s comments, they are saying something else provided but they are talking about the issue now.

MR. CHAIRMAN.- So, yes, can the Ministry provide the details?

MR. P. BAYLY.- I think we will just provide what we have, can we agree to do that?

MR. CHAIRMAN.- Yes.

MR. P. BAYLY.- To the OAG? Thank you.

MR. CHAIRMAN.- We will include that in our deliberations.

40.6.6 - TMA Sales Revenue Understated in VAT Returns.

MR. S. JEET.- Mr. Chairman, of the 17 TMAs that we have, three are VAT-exempted and they are, Workshop Wages which VAT is not applied on. That is why on the Total Sales for TMA, VAT will be understated.

MR. CHAIRMAN.- Because three are exempt?

MR. S. JEET.- Three are exempt because they are wages.

MR. CHAIRMAN.- Did the OAG know about that? Do you have knowledge that three are paying VAT….

AUDIT REP.- Yes, we are aware of that.

MR. CHAIRMAN.- Despite that, it is understated or is that the reason?

AUDIT REP.- We have to verify how you arrived at those figures?

MR. S. JEET.- Yes.

MR. CHAIRMAN.- So verification process.

MR. S. JEET. - We do our monthly VAT returns, we do our monthly reports and it can be easily detected from there.

MR. CHAIRMAN.- It says, and I quote:

“The audit noted that the total sale amount was under stated by $1,868,126 by the Ministry in its VAT Return.”

Perhaps, you can provide us with those documents while doing the other one, for us to see if that one could be verified.

MR. P. BAYLY.- Yes, I am not surprised. The accountants here know that we do not pay VAT on salaries obviously clearly and we at any one time, could have 300 or 400 project workers working on various projects and this is actually when we take them into account, and that puts that figure into context. So across the country we are doing projects all over Fiji. So it looks like a bit a lot of number when you talking about the number of people involved but that is clearly the reason.

AUDIT REP.- Mr. Chairman, what we have calculated is according to what they had prepared on their VAT returns. Sales as per VAT Returns, you can look at Table 40.11. So that is the amount they have included in their VAT return. Yet, they say they have excluded wages, then it should be clear. It is clear that we have picked it up from their VAT return.

MR. CHAIRMAN.- Yes.

AUDIT REP.- It is not from the total sales that we are including wages, et cetera.

MR. CHAIRMAN.- So those three exempt, the total will not matter?

AUDIT REP.- The exempt amount is only included from there.

MR. CHAIRMAN.- So the exempt will not matter ….

AUDIT REP.- So we have picked it up from their VAT returns and for that, we have not received any written comments from the Ministry.

MR. CHAIRMAN.- So it does not involve wages, I think? It is VAT returns. Can you explain that?

MR. S. JEET.- Mr. Chairman, even the 17 TMAs, we have wages component for each TMA that we pay for labour, our GWE wages. So out of that sales, that portion goes out. VAT is not recorded on that either. Just like I said, the three TMA entities which are Workshop Wages, there is no VAT on that. Likewise, the other 14 remaining TMAs have workforce labours. When we do a quotation, wages component is there, so that again is non-VAT-able, it is only the material and Plant Hire that we charge VAT.

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

MR. S. JEET.- Yes, Sir.

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

MR. S. JEET.- When we do the charging for the project, labour charges is also there so on that, VAT is not applied. It just shows total sales, VAT is exempted from that one.

(Inaudible)

MR. P. BAYLY.- When we charge job out, we charge out materials and we also charge out plant hire, et cetera. All those are VAT-able. We also include the salary or the wage component. That part of it is also charged out of this total sales but we do not charge VAT on the labour content, that is the issue here. So the OAG is saying that they have not been able to reconcile, to their own view and to their own satisfaction the component that we are taking out as non-VAT rateable. We are just saying that we think we have but maybe we need to talk a little bit more about how we make that more transparent to the OAG, but that is what we are doing here.

MR. CHAIRMAN.- Alright.

(Inaudible)

MR. P. BAYLY.- That is right, in terms of making VAT return, we have to carefully go through and make sure because it is a crime to overcharge VAT and it is also a crime to undercharge VAT, so we actually have to get it right.

MR. CHAIRMAN.- Alright, that is understood.

(Inaudible)

MR. CHAIRMAN.- He would not know all those. We have to reconcile again then.

MR. S. JEET.- According to our VAT submissions, that is what we have taken as correct.

MR. CHAIRMAN.- $1.86 million would be the amount?

MR. S. JEET.- Yes, Sir.

MR. CHAIRMAN.- That would have been VAT applicable to wages.

MR. S. JEET.- Yes Sir.

MR. CHAIRMAN.- 14.6.7 – Sales Recorded at at VIP Amounts; says and I quote:

“The audit of the TMA revenue receipts revealed that the sales revenue was recorded and posted into the FMIS general ledger at VAT inclusive prices (VIP). The VAT portion was not deducted nor was it posted to the VAT on Revenue allocation.”

Then you would have to pay VAT back to the Government and that would bring revenue down. Why did that happen?

MR. S. JEET.- There was some clarification sought from the FMIS module and then we had a consultation with MOE and then that item has been sorted out, so it is all separate now.

MR. CHAIRMAN.- But if that portion was a loss to the Ministry, was the responsible officer question or queried on this one, the one who was responsible for misunderstanding?

MR. S. JEET.- Yes.

MR. P. BAYLY.- Sir, this issue has been resolved with the MOE and there is no loss to Government or to the Ministry.

MR. CHAIRMAN.- So the VAT was not paid to MOE?

MR. P. BAYLY.- Yes, we are talking about a specific one here, an exempt account - 631843 is a wage allocation which is not VAT-able.

MR. CHAIRMAN.- Alright.

MR. P. BAYLY.- Again, this probably illustrates the problem of running a cash accounting system and not an FMIS system. I am not blaming the tool, it is just something that we got to be very careful about until it gets resolved.

MR. CHAIRMAN.- But that is under control now if the MOE knows now.

40.6.8 - Receipts and Payments not posted into FMIS General Ledger Balance (Building and Mechanical TMA Bank accounts); is it the same issue?

MR. P. BAYLY.- Yes, I can refer on that, Mr. Chairman, it is the same issue. We cannot commit on that.

MR. CHAIRMAN.- Alright.

40.6.9 - Understated Cash Account Balance; again, the same issue?

MR. P. BAYLY.- Yes.

MR. CHAIRMAN.- 40.18 – 40.7 Trust Fund Accounts; 40.7.1 - Main Trust Fund Account for Security and Retention Deposits.

MR. P. BAYLY.- This is a funny one. I think we discussed this the last time when we met and the same issue came up. When the Water Authority of Fiji (WAF) was set up, this is capital account because it is retention so it should have been passed over to the WAF. That would have made it easier but it was not and it is still sitting with the Department of Water and Sewerage in the Ministry. What happened was, we got completion certificates and then we applied on that basis. We will pay the retentions back.

The issue for us is, it is moving very slowly. In fact, I do not think this amount has changed since 2012 because it is a big water project, it has now varied and some of them in different stages. We would like to get it transferred over to the WAF.

The discussions with the MOE are ongoing but I would also hasten to reassure the Committee that there is actually no problem, it is administratively easier for us to have hand it over but there is no risk or financial risks certainly to anyone for us holding on and waiting for those Certificates of Completion to be passed through and payments made based on those.

MR. CHAIRMAN.- These monies are held on behalf of the contractors once the completion is done?

MR. P. BAYLY.- Yes, that is right so we might retain 10 percent or 20 percent, depending on the contract.

MR. CHAIRMAN.- But these projects are still in process?

MR. P. BAYLY.- I am not quite sure.

(Inaudible)

MR. P. BAYLY.- With regard to our projects, they have been sitting around for a long time.

MR. CHAIRMAN.- It is understood, if the contractors have not sued you for recovery, that means they are….

MR. P. BAYLY.- If they did, we would be very happy to pay the money, provided we had a genuine Certificate of Completion. We would be very happy to pay the money over and get it off our books.

MR. CHAIRMAN.- That will also depend on a satisfactory completion, if the job is right up to the mark.

MR. P. BAYLY.- And that is going to be signed off independently to the satisfaction of ourselves and the MOE.

MR. CHAIRMAN.- It is understood.

40.7.2 - Variances in Main Trust Fund Cash at Bank and Liability Accounts (Department of Energy).

HON. A.M. RADRODRO.- A question on 40.7.2 on the recommendation; have you taken action on this recommendation to liaise with MOE?

MR. P. BAYLY.- Yes, I can confirm that the discussions are ongoing.

MR. CHAIRMAN.- Alright. 40.7.2? Is it again an FMIS problem? It says, I quote: “An unreconciled variance of $889,161 existed between the Main Trust Fund account Statement of Receipts and Payments and the FMIS general ledger.”

The Trust Fund Account is not managed on a cash basis, is it? Cheques are written for this trust fund, so why is it not posted correctly into the FMIS?

MR. S. JEET.- Honourable Chairman, these balances had been there for some time with the variances and it had been static and we had been doing reconciliations. Once we finalised our reconciliations with MOE, we submitted for a write-off and that had been written off.

MR. CHAIRMAN.- What was the component of this trust fund account? Who were the monies owed to? Trust Fund is usually kept by the Ministries for payments to other agencies, maybe FNPF, is it not?

MR. S. JEET.- This is for the Rural Electrification Projects, Sir.

MR. CHAIRMAN.- What happened to that very important social project for the Government, why was it written off?

MR. S. JEET.- It was mispostings and just the adjustments we had to do.

MR.CHAIRMAN.-You say you are sure of misposting? Can you confirm that no one has missed out on power supply because of this?

MR. P. BAYLY.- I can confirm that. It is just what had happened over a period of time. I think those people doing things and not properly quoting things, getting caught up, so it is a big exercise to sit down and reconcile and try and clean it all up. I think it is one of the things that unfortunately happens and the Minister of Finance approved that write-off in 2016.

MR. CHAIRMAN.- Misposting has been a recurring problem across Ministries. Is there any training provided in your Department?

MR. P. BAYLY.- Interestingly, that is a good point there, Mr. Chairman, the quality of accounting staff. Obviously, there is not a huge number of qualified accountants in Fiji but certainly on the training of staff, we have had three people who went to the recent Accounting Society AGM and conferences. We are trying to send people off on training, we are supporting training of our staff because they are very skilled people, more frequently over-worked because of the skills shortage but we are very mindful about that and looking for opportunities for our staff to get good training.

What I am just alluding to, this is not just a one-off, it has been for a period of years. I guess what we are indicating here is, we are trying to clean things up and get back to a firm base and then work for it so that it is easier for everyone to look at this from the OAG’s perspective and also the MOE. So there is quite a few legacy issues sitting in these accounts, some of which we had resolved, some are still sitting there and some of the previous ones are the issues we had just discussed.

MR. CHAIRMAN.- There is something that was discussed in Parliament in the previous week that a lot of mispostings have occurred because of untrained staff or local staff and probably more recruitment in that area it would be helpful but if you pay a group of staff $2 million to manage a $1 million fund, it is uneconomical. You still have to see whether we need how many staff and whether it is viable, it is too economical.

MOE REP.- Mr. Chairman, just a point of clarification in regards to the matter. On the Special Trust Accounts, currently the FMIS Unit is managing the reconciliation as from last year, so we are trying to clean up the accounts for the Special Trust Accounts. Any information in regards to this we can happily supply to the Committee.

MR. CHAIRMAN.- If it is cleaned up this year or last year, it should not appear in the future reports.

MOE REP.- Some balances are still carrying forward, we are still liaising with the Ministry as to clarify with those balances.

MR. CHAIRMAN.- The comment there was that, at the bottom of Table 40.16, it says and I quote:

“The above variance has been carried forward from prior years without any corrective action taken by the Ministry. Despite the issue being raised in prior year audits for the Ministry to reconcile the differences before the submission of the Agency Financial Statements for audit, the variances still exist.”

What sort of corrective measures can be taken, writing off?

MOE REP.- Mr. Chairman, that will be the last resort but there are other avenues of how the FMIS will pursue this. We might need to surcharge.

MR. CHAIRMAN.- Verification from the Accounts physical documents?

MOE REP.- Yes.

MR. CHAIRMAN.- Would it also result in surcharge?

MR. P. BAYLY.- These things are not just written-off willy-nilly just to make things easy, there is a genuine effort to try and reconcile and it will be fair to say to the accounting department here, there is a lot of work that has been going on in pulling out records from the past to see whether we can get to it. So it is always about narrowing down on the bits that you cannot finally get to, you realise you do not have the right paperwork or someone has just clearly done something strange in terms of the accounting postings or journal entries, et cetera.

HON. RATU S.V. NANOVO.- Mr. Chairman, still on that, the amount involved is quite huge. That boils down to how the Department or the Accounting Team were handling their work on a daily basis. Who was their supervisor, what was he doing? Who was the man above the supervisor, what were they doing throughout those years? It goes back to leadership and time management. Training is there at FNTC, normal small accounting programmes, why did you not send your people there?

HON. A.M. RADRODRO.- Just a clarification, PS, this Trust Account is for deposits or these receipts and payments, what are they relating to - Table 40.16?

MR. P. KATIREWA.- These are for the rural electrification.

HON. A.M. RADRODRO.- So when you have variances like these, “Amounts as per Receipt Database” and “Amount as per SLG”, there are two different amounts in there?

There is a very high risk that people might lose out. We need to have two separate amounts. People may be attended to twice in terms of deposits and payments that you receive and pay out.

MR. P. BAYLY.- One of the things that has happened as you are all aware, we refunded all the deposits that were made to the Ministry late last year in February. We produced, I think, it was nearly 1500 cheques and paid them back so we actually had to do a huge job in reconciling this at the end of 2016 because we had to work out who we had to put the money back to, produced the cheques, pay them and find the people to deliver it back.

Sir, that in itself has been part of the reason why we have been able to get to a pretty good understanding of where we are and what people were owed and going back through the records so these are inherited problems. I would just like to say that if you are thinking that people have missed out in any way, that is not the case, this is just accounting which has not been done well over a period of succession of years. We are quite confident we got back to a good place now with the work that we have done and the necessity for doing that was, as I say, paying back everyone’s five percent deposit which was an exhaustive number actually.

HON. A.M. RADRODRO.- Thank you for that, PS, I think I have got one case which was just reported to me last week, they are still awaiting for their refund in terms of deposits for rural electrification.

MR. P. BAYLY.- If you have got the details, please, send them through. We have had two or three, a very small number have come out. Sometimes, we find actually people have receipted moneys and there has been some funny things around that, so we have actually gone and found that the money has been paid but has not been appropriately shared back, particularly when there is a group of people involved. But if you have got any details, we are investigating those and making sure that no one misses out.

MR. CHAIRMAN.- 40.7.3 - Main Trust Reconciliation (Department of Energy): it says, and I quote:

“The audit noted that the Main Trust Liability and Trust Bank account reconciliations were not prepared by the Department of Energy on a monthly basis for the whole of 2015. However, an annual reconciliation was prepared by the Ministry of Finance.”

So there was a requirement for a monthly reconciliation that was not done or was that done now?

MR. P. BAYLY.- I am not sure why that did not happen but I can confirm to the Committee that that has been completed and submitted to the MOE, again, as part of this reconciliation we had to do. It was clear that that had not been done so for whatever reason, that has been addressed and that is now happening on a regular basis.

MR. CHAIRMAN.- 40.8.1 - Underline Account Anomalies; it says, and I quote:

“The Clerical Officer (Ledgers) must ensure to reconcile the ledger balance to the General Ledger Reports and prepare a Ledger Reconciliation Statement within 5 days of receiving ….

Audit review of the Ministry’s underline accounts revealed the following anomalies:

The Department reconciliation balance must match the FMIS ledger balance. However, variance existed between the FMIS general ledger and the respective Department’s reconciliations for the underline accounts…”

Is that again an FMIS issue?

MR. S. JEET.- Mr. Chairman, that had been a static balance carried over, that has been reconciled and approved for write-off by the MOE.

MR. CHAIRMAN.- Was it again a legacy issue?

MR. S. JEET.- Yes, Sir.

MR. CHAIRMAN.- Any questions in that regard?

MR. P. BAYLY.- I think one of the points I have heard about rotation of staff, I think it was from the OAG and I think it is really an important point. We are now looking at that, we have moved in some of our accounting staff around between Labasa, Lautoka and here, as we are moving other staff around.

This rotation is a good thing. You need to balance it because you get familiarity, looking at it in the accounting sense, but also key positions need to be rotated and we are doing that more frequently now. Certainly this year, for instance, we have been moved down to Government Shipping Services (GSS) early this year, for example, so it is a very good practice to do and I think we will try and do that on a more regular basis than might have been done in the past.

MR. CHAIRMAN.- If one team misses a particular problem, the next team on rotation can pick that up?

MR. P. BAYLY.- Yes, absolutely! Also to ensure that people take their leave and give sufficient period for people to come in and have a look at things.

MR. CHAIRMAN.- May be, I should do some surprise visitation as well to particular Departments to see if they are doing it right.

MR. P. BAYLY.- And that what in the sense now. The PAO is now doing on a regular basis. Again, we are finding it quite useful. I think we can try and catch a few of these issues more often than not.

You talked about journal entries, et cetera, people are just not doing silly things on a Friday afternoon, rushing to get things finished, you find staff not having all the paperwork right in what they are doing and just reminding people about what is required. The fact is, you have to get three quotes, or if you cannot three quotes, get evidence that you have, at least, attempted to get three quotes before you procure a job. That is the sort of stuff that we are talking about to try and make sure the system is strong and is being appropriately monitored and managed. People know that they are going to get checked but you need proper oversight of that sort of activity.

AUDIT REP.- Mr. Chairman, can I throw some light on the same thing regarding the variances; if Ministries and Departments prepare their reconciliation on a timely basis and if they find any variances, they should identify the variance and rectify it on the spot. So that will not have a recurring nature of getting recurrence over the years and thus, go for write-offs at the end. If reconciliations are prepared on a timely basis, the problem will be solved.

MR. CHAIRMAN.- That is also the view that a Committee holds.

AUDIT REP.- Maybe MOE would throw some light on that, what action do they take if the Ministry or Department do not submit their reconciliations on time and if they find variances, what action do they take.

MR. CHAIRMAN.- They warned them, that was what they told us because there was one case here which was done after a year or so, it was something that could have been arrested in a second or third month, but it was let to flow on for 12 months.

MR. P. BAYLY.- I agree one hundred percent with the OAG. You are absolutely correct, if you do that speeding up reconciling your own bank balance and you do it regularly, first it is not only a job because there is only a few things to do. Secondly, you can remember it but after a year, six months or twelve months, you cannot remember much.

MR. CHAIRMAN.- Exactly.

It is 11.00 a.m., let us have a short break so everyone can stretch, then we start at 11.15 a.m., commencing from 40.9 - Headquarters - Delay in Award of Tender. This tendering process has been in question for a lot of Ministries so there will be a lot of questions in that regard. Thank you very much.

The Committee adjourned at 10.58 a.m.

The Committee Interview resumed at 11.24 a.m.

MR. CHAIRMAN.- Thank you, Honourable Members, let us start from where we left off.

40.9 – Headquarters; 40.9.1 - Delay in Award of Tender; the issue here was that, proper planning of projects were to be carried out as soon as Parliament approved the budget. A sum of $1.379 million was allocated to the Ministry in the 2015 Budget for Rebuilding of the Plumbing Workshop and the Construction of the Office. The Work Programme for the first quarter was $579,283 and $800,000 for the second quarter.

It says here, and I quote:

“The audit noted a significant delay in the Rebuilding of the Plumbing Workshop and the Construction of the Office for the DEW at Lautoka Depot.

Although the project was supposed to be completed by end of June 2015, it was noted that the Ministry called for tenders on 1/8/15 and awarded the contract to CCL on 2/11/15. The actual construction works commenced on 2/11/15. As at31/12/15, the physical progress was as follows:

* Rebuilding of the Plumbing Workshop - 50% portal frames erected including purlins and floor slab done:
* Construction of the Office – 20% paid and column to ground tie beam done.

The delay in completion of the project indicates poor planning and monitoring of capital projects by the Ministry.

Since the project was not completed in 2015, the Ministry paid $927,522 in advance to Cope Construction to complete the project in 2016. Even though the advance payment was approved by the Ministry of Economy such practices should not be condoned.”

Can there be some explanation on that?

MR. P. BAYLY.- Yes, it was unfortunate what had happened. We clearly expected that Parliament works, given this building extension actually is inside of the Department of Works at Lautoka and we were expecting.... We were seeking a waiver of tender and we were then advised by the MOE that it had to be tendered. In fact an external party was appointed to do that. I have to say though that the project has now just been completed, but those inevitable delays that is the reason for the project.

It was just one of those things that has happened and all I can say that, what is happening since the establishment of CIU is all of those projects, we were working with them closely, the Department of Works and the Building Government architects around both, the issuing of the tender documents because we did it without them, assuming that we are going to do it in-house, we do not need to do it with tender document preparation. So that adds quite a considerable period or some months of delay.

We are working very closely with the CIU around how we do these projects going forward. What I can say is, we are very happy to have done it in-house but there was a decision to outsource of which is in line with the Government in supporting private industries so, of course, we are fully supportive of that.

HON. RATU S.V. NANOVO.- Still on that, Mr. Chairman, I just want to ask two questions. First, was there any overrun in cost in this building when it was completed? Secondly, in a contract like this, once the contract has been given, there are penalty clauses. If the work is delayed, who will be penalised so was that a case in this project?

MR. CHAIRMAN.- The delay here was from the start, even a tender was awarded much after, so that is one delay.

MR. P. BAYLY.- Sir, any project that we outsource has to include penalties and the likes. So the Completion Certificate was given on 23rd November, 2016. There were time extensions to allow for the project which is part of a normal process so with that, there was no significant cost overrun, it was all within budget and contingencies.

Secondly, in the event, there are time penalties for overruns of contracts as a standard element for all contracts that the Government now runs for the private sector. So there are penalties that apply and there is a formal notification process by which we used to do that.

For those who had been involved in construction industry, you know it is fairly flawed, everyone has a different idea and different view about what causes a delay in projects, et cetera, so that is why we have a Department of Building and Government Architects and we have the Director here, so we monitor that pretty closely.

HON. A.M. RADRODRO.- Mr. Chairman, just on these scenario, there are just some questionable arrangements been done here and whether payment has been done in advance for the completion of the project in 2016 of $927,000 and what was the basis of this advance payment? Why does the Ministry have to undertake this payment in advance before the completion of the project?

MR. S. JEET.- Mr. Chairman, there was no budget provision in the following financial year and the Ministry had thought that the advance payments to be made based on the fulfilment of requirement from the contractor which then provided an additional bank guarantee for that amount.

MR. P. BAYLY.- In terms of the advance payments, we do advance payments. For example, it depends on the contract - how much advance payment we give. Usually some contracts, we might sign 15 percent on signing the contract or various micro stages, but interestingly if we do a project with FEA, we pay them 100 percent upfront. So within the Government, we actually pay 100 percent upfront.

The issue about whether we pay people based on milestones, is we take account of progress and what we see is the stage where they are at, we have our Department of Government Building and Architects to review that and give Completion Certificates or estimates of progress, so that is all part of the process that we usually apply on building projects or in any construction project.

HON. A.M. RADRODRO.- It is kind of a questionable approach when we see this payment being made to a private contractor in advance before the completion of the project as is stated here.

MR. P. BAYLY.- In this case, it is a relatively simple building, we are extending an existing building, putting a new double storey and it was fairly straightforward. The contractor had done a lot of Government work and, in fact, is doing two projects for the Ministry right now. So it is well known to us and we looked at it and say, “This looks reasonable”, and that was part of the reason behind that payment.

HON. A.M. RADRODRO.- The question to the engagement of private contractor; why can the Ministry not utilise its own resources?

MR. P. BAYLY.- Where we think we can, we do, and in that case we seek MOE for an exemption to be able to tender and to use our own Ministry resources. Whether that is appropriate, that will be approved but we are at the discretion of the Honourable Minister for Economy. He might feel that at times it is appropriate to support the private sector and for that reason, he will determine and advise us that that is the preferred course of action, in which case we work very closely with the CIU in preparing us to tender documents in doing that.

HON. A.M. RADRODRO.- Just a clarification on this MOE, that is CIU Unit?

MR. P. BAYLY.- Yes, the MOE, we need to seek an exemption for waiver of tender but at the point where the Minister is determined whether this Ministry would be able to do it or whether it would be outsourced, that is the point. If it is outsourced, then we work with the CIU.

HON. RATU S.V. NANOVO.- A supplementary question, Mr. Chairman; the amount involved in here is almost a million, it is quite a big amount. What sort of security did you apply to this contractor to ensure that he uses that money wisely and the building to be completed within that amount of money?

MR. P. BAYLY.- Yes, that is a good question. On the face of it, it does appear to be a large amount. What we hold in security is bank obligation, that is, for the 105 percent value of the projects so we are holding that as security for performance. As custodians of the funds of the people of Fiji, we need to make sure that we are not putting money at risk so that is the reason why we ask for bank guarantee.

HON. RATU S.V. NONOVO.- But the retention component that should be paid at the end of the completion period, once you are satisfied that the work has been carried out to your satisfaction?

MR. P. BAYLY. – So, for example, the final completion certificate was issued in November and on that particular building, we are holding a five percent retention and we may hold that for 12 months. Again, in this case, it is a relatively small extension to a building but you need time to see how the building settles, foundation does not settle properly, so we hold that money back. So, we will pay that out at the end of 12 months in November this year, and that is when we are referencing that early conversation about the WAF holding back that money. That is what we are doing, is holding back that retention money.

MR. CHAIRMAN.- You mentioned something about bank guarantee, that you a require bank guarantee from these contractors as a security. Is that a practice across your Ministry in all projects or it is just for this one or where advance payments are made?

MR. P. BAYLY.- It depends on the type of building and the type of contract and the financial security that they offer. In this case, we sought a bank guarantee because we wanted to have that in place, mainly I think because they are doing a number of projects and we want to make sure they had the financial capacity to deliver on the project. The security will depend on what the nature of the project and the difficulty of it, the provision and the contractors normally for some form of guarantee but a bank guarantee is a good form of guarantee, but they can give us some other things as well.

HON. A.M. RADRODRO.- What does the MOE in terms of the policy regarding this sort of arrangement?

MOE REP.- Thank you, Mr. Chairman. Our Policy and the CIU Unit are not represented today so if we can get back to the Committee on that.

MR. CHAIRMAN.- Alright, can we note that down.

HON. A.M. RADRODRO.- Mr. Chairman, just a question again on the bank guarantee that you said you will provide, do you levy a fee to the contractor?

MR. P. BAYLY.- The contract is required just to provide us with a bank guarantee for 105 percent. In fact, the Director of Building and Government Architect says that Fiji building contracts is an automatic inclusion of the bank guarantee of some form, equivalent to the amount in the contract.

MR. CHAIRMAN.- 40.9.2 - Anomalies in Contract Agreement; it was noted that usually Solicitor General’s Office vets the contract and in this case, it was not vetted. It says here, and I quote:

* + There was no evidence that the contract agreement was vetted by the Solicitor-General Office.
  + The start and completion dates were not specified in the contract,
  + There was no Schedule of Works summary specified in the contract upon which the progress payments were to be made.

That is one issue. How come such essential elements of the contract were missed out?

MR. P. KATIREWA.- Honourable Chairman, in those two projects there were two separate WSCs from GTB awarding the first contract to Cope Construction Limited and since that the other project was within the same cluster, it was awarded to Cope Construction Limited as well. So those two demand two separate starting construction, one in June and the other one was in September for 2005. So, the duration for both were 18 weeks. It was initially taken that both the projects should finish within 18 weeks from the date of signature so 18 calendar weeks. We have to separate them since they have two different tender numbers to those, so they were treated as two different projects altogether; one is the extension of the workshop and the other is the new Plumber Shop.

MR. CHAIRMAN.- But the contract was same or different contracts?

MR. P. KATIREWA.- They were different contracts, Sir.

MR. CHAIRMAN.- So, the reason for dates missing here is?

MR. P. KATIREWA.- Both contracts were vetted by the Solicitor-General’s Office.

MR. CHAIRMAN.- But the bulletpoint here says there is no evidence that the contract agreement was vetted by the Solicitor-General’s Office. OAG, what evidence were you looking for?

AUDIT REP.- We have found a copy of the letter in the contract file by the Solicitor-General’s Office.

MR. CHAIRMAN.- Was it the case here? You are saying it is not vetted, I mean, vetted or not vetted, not a problem but talking about the evidence.

AUDIT REP.- No evidence was provided to Audit regarding the vetting.

MR. CHAIRMAN.- Can you just see to that and if that is available somewhere, you can provide it to us.

MR. P. KATIREWA.- We can provide the evidence of that by the end of the day.

MR. CHAIRMAN.- So, coming back to the reason why the completion dates was not specified in the contract, you are saying it was a continuation of the same project?

MR. P. KATIREWA.- Both projects have two different commencing dates and also are expected to complete differently on two separate completion dates also.

MR. CHAIRMAN.- But in this particular one, there is no commencement or completion dates given?

MR. P. KATIREWA.- Both dates were established, Sir. We can also proof evidence on those also.

MR. CHAIRMAN.- Yes, please forward it to us.

AUDIT REP.- Dates were not in the contract, that is why we have written that. Maybe the contract was signed later on.

MR. P. BAYLY.- Perhaps, we will sit down just to clear the evidence that you are looking for, it might have been that it was not available when you were looking.

MR. CHAIRMAN.- Then copy us too in that one.

MR. P. BAYLY.- Yes.

MR. CHAIRMAN.- What about the Schedule of Works? This is something very important too. The contract should have a Schedule of Works so that the contractor and everyone knows at what stages what is to be finished. What are your comments on that, that there was no Schedule of Works attached to this contract?

MR. P. KATIREWA.- Both projects have defined scope of works also.

MR. CHAIRMAN.- It was there?

MR. P. KATIREWA.- And also it was approved by the GTB and also the Schedule of Payments.

MR.P. BAYLY.- It might appear that the OAG might have been looking at an earlier version of the final vetted contract, and that is what we need to provide to you for your satisfaction.

MR. CHAIRMAN.- Provide to the OAG and also to us.

40.9.3 - Diversion of Funds to other Projects; it says here, and I quote:

“The audit noted that a total of $1,033,478 or 34% of the total funds allocated for repairs and upgrade of public buildings and water and sewer lines were diverted to projects in other groups/areas which were not in the Ministry’s PSIP submission for 2015. These projects were not approved by the Permanent Secretary for Infrastructure and Transport and the Ministry of Finance.”

So details of data; about $1 million - repair and upgrading; routine and special upgrading - $1.5 million and upgrading of water supply and sewer lines of public residential buildings - $500,000.

MR. P. KATIREWA.- Thank you, Mr. Chairman. The decision was made when we had to redo the work programme whereby the priorities come in and then we have to delay some of the projects and then move some of the projects in advance, so that is why we have to re-divert all those funds to other projects.

MR. CHAIRMAN.- What is the normal procedure, do you have the approval of the Permanent Secretary Infrastructure if the money is to be diverted?

MR. P. KATIREWA.- Usually in the case where we have to draw up the work programme in the PSIP Programmes so once we change the programmes, then we have to go back again and seek approval for the diversion of the funds.

MR. CHAIRMAN.- In this case, they are saying that there was no approval sought or received from the Permanent Secretary.

MR. P. KATIREWA.- Can I just come back to the Committee and put some of the evidence for those.

MR. CHAIRMAN.- In addition the diversion of funds also not approved by the Permanent Secretary, there were two issues here.

40.9.4 - Construction of Light Houses; it says and I quote:

“…the Audit noted that two of the lighthouses constructed by the Ministry between 2013 and 2014 collapsed while another two were leaning to one side and were about to collapse. For the two collapsed lighthouses, the Ministry diverted funds from Repairs and Upgrading of Public Buildings ( SEG 8) allocations to reconstruct the lighthouse.”

Who constructed the lighthouse initially and how did they collapse?

MR. P. KATIREWA.- It is a new lighthouse.

MR. CHAIRMAN.- Where were they built, in which area, Cakaumomo?

MR. P. KATIREWA.- Cakaumomo is in the Ovalau Waters, between Gau and Batiki.

MR. CHAIRMAN.- So was the construction of a sub-standard nature, that was why it collapsed or was it an extraneous peril, maybe a cyclone or something, what was the reason that that collapsed?

MR. P. KATIREWA.- Mr. Chairman, there are a lot of factors affecting this building of the lighthouse. Initially, there was no proper investigation carried out on all those data, the depth of these events and the structure whereby the Structural Engineer came up with the proper designs.

The initial design for this project was a single pile. This one collapsed during *TC* Evans, then we managed to go back and reassess again. I am talking about the designs and we have to re-design right out from the single pile to a tripod.

MR. CHAIRMAN.- Was that a design-and-build project?

MR. P. KATIREWA.- Yes, it was a design-and-build project, designed by the Ministry and we built it.

MR. CHAIRMAN.- Who was the contractor here?

MR. P. KATIREWA.- We, the Ministry, because there was no proper investigation carried out like what we are doing now. We had sought the Naval Division to do some proper search on the scene at seas. Previously, we made all sorts of designs, just took the boat and did the design with MSAF and identify the locations. During the construction, I can admit, Sir, that we really faced a lot of adverse weather conditions, the recent one was *TC Winston.* Fortunately, we managed to build up to the standard structure at Cakaumomo and that had been able to withstand *TC Winston.*

For the designs, we managed to show some remedial works and as I speak, all the lighthouses are now in operation, because basically there are a lot of factors, like adverse weather conditions and also due to the timeframe we have been given. Also, we have to meet the deadlines of 60 percent utilisation.

Some of the construction equipment we are still using but we managed to get some request for purchasing new construction equipment. All those have contributed to this. I wish I could show some video clips in here to show how our men are really struggling. We are using vibro hammers, people are climbing up on the crane, I have been there twice already and I really commend my team.

MR. CHAIRMAN.- There are two lighthouses that are about to collapse there, they are leaning.

MR. P. KATIREWA.- Yes, just leaning, we managed to rectify that because of the sea bends, we manage to go back again. We even have to hire SCIL pumping trucks, they were reluctant to go so we just had to do it manually.

For those adverse weather conditions, I really salute our team, even two of our workmen were admitted to Levuka Hospital. It was really cold but with the minimum resources and the equipment we have, we do not have any modernised equipment so we really have to strive up-to-date. As I speak, all the lighthouses highlighted here are now in operation.

MR. CHAIRMAN.- What I am saying is that, I may understand the difficulties that your officers are facing but there are two issues here and the lighthouse is supposed to be the beacon or the guiding light. In areas which usually face storms, they have to be on a strong footing anyway and if they collapse, then there is nothing to show the beacon lights to the ships, that is one.

Secondly, if the second construction that was done are in order and they are on a stronger footing, that means the first one could have been stronger as well so once one lighthouse collapses, whether to build another one or re-erect that one is a more costly exercise. Why could it not be done correctly in the first place, the same equipment and labour?

MR. P. BAYLY.- Just to add, there are a couple of things, building lighthouses is tricky than people realise and I know the Department of Works has built many lighthouses in the past. But the key to them is getting the appropriate data so you have got to do bathymetric studies, tidal studies, going over the quality of the sea floor and that sort of stuff.

Looking back at some of those cases, I think that probably the quality of the analysis of that work was not done sufficiently well to be able to determine, particularly some of those very very exposed positions. As a result, we have got a budget at MSAF and if it is approved for us to probably go to the private sector and use them to do some of those more difficult lighthouses, the advantage for the Government of Fiji is, if there is a failure, then the financial risk lies with the private contractor and not with Government. So that is one of the reasons why we are looking at that model.

I can happily say that all of the lighthouses that are listed in this list do actually have functioning light systems on them so they are in operation but it is just the quality of the lighthouses that are not up to standard. We need to do some remedial work on some of them, straighten them up but the main thing to your point, the lights are operating so I think we need to be honest about it so it is really very difficult.

There will be requirements to bring in some people, maybe even people offshore to come in and help us build some of these really tricky lighthouses that are highly exposed.

MR CHAIRMAN.- The other issue that is raised there is the budget overrun of $726,000. On constructing, the total construction cost was supposed to be $0.08 million. Construction or reconstruction reached $3.7 million ($726,000), 24 percent more of the budgeted amount. It might not be your problem specifically at that time but the concern here is that, had it been done properly in the first place, it would have saved a lot of money.

MR. P. BAYLY.- Maybe if we had better data and done a better analysis, the true cost would have been higher than what was budgeted and might have been higher than the increase, that is the point I am making. Until you really do good bathymetric studies and the likes, you do not actually get that information to base your design on and I think what the Divisional Engineer was saying, we have now adopted a better design, a single pylon lighthouse is never particularly strong structure. I think the tripod model is working well and I would commend the Divisional Engineer’s team for doing what they have done, but certainly we are building for the future.

HON. RATU S.V. NANOVO.- A supplementary question to that, Mr. Chairman, I think the GSS or the Marine Department, they have been doing this lighthouse work for over years. The question is, since the lighthouse was tilting to one side, was the GeoTech point of resistance done or if it was not done, why not?

MR. P. KATIREWA.- Mr. Chairman, yes, we did that, but like what the Permanent Secretary was saying because we have lack of data, we managed to use vibro hammers to pile the drive up to resistance. Previously, we used the design for single piles like Cakaumomo, there have been adverse weather conditions, currents are there all the time and we managed to build up. Instead of a single structure, the Structural Engineer managed to come up with a proper structure which is the tripod structure. We usually have vibro hammers and diesel hammers to pile the drive down up to resistance.

MR. CHAIRMAN.- 40.1 - Divisional Engineer Western; 40.10.1 - Weaknesses in Control of Stores; it says, and I quote:

“The audit noted the following anomalies in the stores maintained at the Western Division.

* The Storeman or the Officer in Charge of inventory shall keep a tally card for each inventory item to determine the value of items. Each card must provide the following details….

However the Storeman did not maintain tally cards at the Transit Stores in the Divisional Engineer Western Depot for hardware stores purchased for various projects.

* The Storeman must ensure that the records are properly maintained and ….

The Purchase Order Register maintained at the Transit Stores was not updated with the delivery numbers for the materials delivered to various projects sites.”

That is the problem.

MR. S. JEET.- Thank you, Mr. Chairman. This Transit Store was established after the fire burned down the Plumber Workshop and the Stores, and then we had to get the Stores Storeman to manage two Stores at the same time. With this amount of items in Stores, he was a bit slow in maintaining the records but nevertheless, all those had been sorted out and we have taken your Audit recommendations and as of now, it is on proper record.

(Inaudible)

MR. S. JEET.- Just one person was doing it but now we got another Storeman to assist.

MR. CHAIRMAN.- The Purchases Order Register for delivery was not updated. Hardware Inventory items stored in Transit Store should be circulated into building, plumbing, joinery items.

Hardware inventory items stored in the Transit Stores were all mixed together and not separated as required. This is a Storeman’s responsibility or for the delivery people?

MR. S. JEET.- Mr. Chairman, this is Storeman’s responsibility but as I mentioned that due to the fire, we had to bring two or three Stores in place and then there was another Transit Stores which items were brought in and issued out for the projects. It was easy to combine, but this had been sorted out.

MR. CHAIRMAN.- Alright.

40.10.2 - Anomalies in Project Records; it says and I quote:

“The Foreman and Supervisor must record all manufacturing jobs on a job record sheet. The job record sheet shall provide the following details:

* Job Number….

The PAO/SAO/AO/AAO must make sure the following checks are done before authorising any payment:

1. Review vendor invoices for accuracy by comparing charges to purchase order;
2. Verify that the goods and services purchased have been received;
3. Perform monthly reconciliation of operating ledgers to ensure accuracy and timeliness of expenses.…

Audit review of the project records maintained by the Divisional Engineer Western Office revealed that project records were not properly maintained. The following anomalies were noted.

* Out of 14 projects reviewed by the audit, 7 projects had variance in project cost compared with the project job record sheet and the project cost in Western Division.
* For some projects such as Fencing of Mechanical Yard, Fencing of Building Yard, Group 5M (DEW Yard) Phase 1 and Group 4A Varadoli, the commitment ledgers were not up to date. Hence the total amount committed for projects was not known.
* Two job record sheets had same job number indicating two job sheets were maintained for one job.
* The total cost for Group 4A Varadoli projects were more than the budgeted cost. Hence the DEW incurred over expenditure for this project.”

There are number of issues, they can give explanation, why the job sheets were not maintained properly, overrunning the budget?

MR. P. BAYLY.- I think it is fair to say that there were some weaknesses in this area. The Compliance Unit within the Ministry has undertaken some checks and are continuing to undertake spot checks. Probably, what we have done is we have had some Storeman in there who had not been appropriately trained and they have been replaced but that is sad. We are still not particularly happy about what had happened and I can confirm to the Committee that investigation is underway as we talk. We need to improve in this area.

MR. CHAIRMAN.- Have some attempts been made to sort this out, that this is not repeated?

(Inaudible)

HON. RATU S.V. NANOVO.- Mr. Chairman, if he was not properly trained, why did you not send him to training when that fault was detected? He was not properly trained to handle this job so why was he given the job in the first place? Why did you not send him for the relevant training?

MR. P. BAYLY.- Part of it was that, we did not have the right people in the Ministry. I mean, it is true, we were recruiting people or maybe using people who were not properly trained and this was in the past. When we became aware of the situation, that is why we changed people and put some better qualified people in there alongside and also increased the number of people operating in that area because it is the very important area for Stores Control. It is an obvious area for leakage.

I cannot comment on why it was done at that particular time but I can tell you what is happening now, Sir.

MR. CHAIRMAN.- You do have project managers for this kind of projects?

MR. P. BAYLY.- Yes, absolutely.

MR. CHAIRMAN.- In this one, it is noted, “The above findings indicate poor project management by the DEW.” So there was a project manager so even if the supervisor was not trained and the foreman was not trained, the project manager should have picked that up. There was a project manager, was he trained properly?

MR. P. BAYLY.- Yes, they are, but it is also the amount of time these project managers are doing huge number of projects. It is not an excuse I have to say, but you rely on your Storeman or Stores person to do the job right now. Often these things only get picked up when you do a spot check and you go; “Hold on, that is not right. Something is wrong here” and then you look at the tally records, the stock sheets and you see that the things were not done quite right and that is when these things will come to light.

That is the situation, I think, just continuing our Compliance Unit’s activities in monitoring what going on and doing spot checks and making sure people are informed, they know what is expected of them, hence as I have said earlier, Sen and his team going out to each of these locations. Stores is only one area, it is the accounting side of it as well we need to make sure everyone is doing their job. More importantly that there is a coach, but they do not know what they are doing. I do not mind asking and saying; “Hey, I am not quite sure what happens in this case”, rather than just been a big bash and that learning coach who had been able to ask questions and say; “It does not feel right, it does not look right. Is it right?” And it implies as much as whether you are trying to build a lighthouse and you got this Occupational Safety and Health issue or whether you have got someone looking after Stores and saying; “Something is not right here, something is not tallying. I know we had more than that but today we do not and something has gone wrong.” It is a kind of atmosphere to encourage people to be able to say; “Look, we are all in this together, we got to do a good job so let us make sure we are not missing any parts.”

HON. RATU S.V. NANOVO.- Still on that Honourable Chairman, just a question to the Ministry; do you conduct performance appraisal for your staff on an annual basis whereby you do that quarterly, half yearly and from that you should detect the weaknesses that are happening within the system that needs to be addressed? Why was that not adhered to?

MR. P. BAYLY.- There is, as you probably know, an Annual Performance Appraisal and a very important part of that is the training component. So people are being identified for training and there is a programme for doing that. Actually, the highest area where we do training is actually in Government Shipping Services, it is extraordinary the amount of training to keep people current with their seafaring licencing requirements and things like that. So, we do these things.

Sometimes when people are appointed, they may not have the right skills and we have to train them on the job. But yes, that is a very important element of people who create development is to be able to provide the training. The money is there, we have got budget for training, and all the departments have it available and people know what they can apply for training and we have got a Training Unit in the Ministry which is very accurate. We run two trainings just in this area - specific training courses; Stores Control and Record Keeping. But I think in the Ministry this year, we have training of about 50 and 60 in house training courses, dealing with different aspects of the Ministry.

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

40.11 - Divisional Engineer Northern; 40.11.1 - Surplus Materials upon Completion of Project; in here, the issue was that more than the required stock was purchased and then they were not used. Again, this is an issue of storeman. I think the Storeman responsible and the Inventory Clerk who was in charge of inventory. This problem of lack of skills by the Storeman was not unique to the Western Division, it is also prevalent in the North. Any issues on that?

MR. P. BAYLY.- Yes, this is very similar to the West and there is an investigation on this as well. I might as well jump through to it. The next issue 40.11.2 which is also in the North is all part of the same investigation.

Again, the setting up of the Compliance Unit within the Ministry has helped them out to try and address some of these issues. We are making sure that we have put in restriction on who can sign off Purchase Orders, et cetera, calling of quotations, making sure we get three quotes and making sure the procurement process is signed off. That practices is in progress and I think it is work is in progress.

MR. CHAIRMAN.- PS, what happens when there is an over-purchase and the stock is not used, what do you do with the stock? Do you use it in other projects or you sell it off?

MR. P. BAYLY.- We can use it in other projects. A project might be called for a certain quantity of timber but if we are more efficient in using that timber, through design we can use it. We do not do this on purpose but sometimes there is always overs and unders, sometimes you got to buy extra paint but you might have overestimated on the amount of timber you might have, so we do hold that in stock and that is available to be used elsewhere.

However, from a client’s perspective, we get paid for what we do, so that is where the quality of our Class A, Class B and Class C quotations are provided from the Department of Building and Government Architects. Category A or Class A is pretty finely tuned right down to the nitty-gritty of what we think it will be. But in a lot of cases, we give Class C quotes on jobs which means we are fairly similar that it is going to be a bit about that amount.

MR. CHAIRMAN.- I mean, the galvanised roofing iron and gauze wire that is alright but paint will usually have a shelf-life .

MR. P. BAYLY.- Yes, but we are very efficient about using that sort of stuff. Some of you may have been and seen some of the works either in Lautoka or Labasa or even here at Walu Bay, you will see things are pretty clean down there and there is not a lot of stuff sitting around.

MR. CHAIRMAN.- For a particular project if you buy 193 cans of paints extra, I mean, I do not know whether that was required for that project or if that is an excess, materials purchased and excess of requirements of 193 cans of paints and is in excess of the project requirement as per Table 40.24, the storeman must be really incompetent to …

MR. P. BAYLY.- If the storeman had not done a good job or we have over ordered or the procurement processes failed or whether we did a basic design or something but as I had said, that it was a reason why we would have an investigation to see what is going on here. Because on the face of it, 193 cans of paints is a lot of paints.

MR. CHAIRMAN.- There is a lot of extra paints.

MR. P. BAYLY.- We would all look at each other sand say, “What is going on here?”

MR. CHAIRMAN.- We had a particular Ministry where more books were ordered and paid for than what was required and they never reached the store, it might be the same story with the paint.

MR. P. BAYLY.- But at least, we know where it is and thanks to the OAG, we have to start looking.

HON. RATU S.V. NANOVO.- Still on that, Mr. Chairman, was there any disciplinary action taken against this officer who ordered extra and his superior? They should be taken to task. Also, whether their salary has been deducted to meet the costs that they had unnecessarily incurred?

MR. P. BAYLY.- Thank you for your question. The investigation is still underway and out of that or inevitably, disciplinary recommendations for the people involved.

MR. CHAIRMAN.- 40.11.2 – Store Cards not Properly Maintained; I think this is on the same issue.

40.11.3 – Items not Taken on Charge at the Project Site; this is on the same issue.

40.11.4 - Delay in Supply of Hardware Items by Approved Contracted Suppliers; people who had procured for supply of items did not supply the hardware items on time.

MR. S. JEET.- Mr. Chairman, we had this issue with the contracted suppliers whereby upon receipt of complaint from the Divisional Engineers, we had sought clarification from the FPO that the contracted suppliers cannot supply. Then we were asked to obtain three quotes and then buy from ….

MR. CHAIRMAN.- So these suppliers were not paid?

MR. S. JEET.- Not paid, Sir.

MR. CHAIRMAN.- But it must have caused some delay in the project?

MR. S. JEET.- Yes, Sir, upon obtaining quotations, they stated that they do not have the items in stock. Then we sought clarifications from FPO since they were contracted suppliers. Then we were advised to obtain three quotes.

MR. P. BAYLY.- I have to say, it is a huge source of frustration for us. People are saying here; “We have it” but when we got the quote, we got the price, then we put it through the procurement process and the prices of goods and when we got back to him, he said; “No, no, I sold the last one last week.” And you would not know how many times that actually happens. Then after a while, you see a pattern and then you start to think; “Actually, did they ever have it in stock or whether they are the sole supplier of the product. This is particularly in the marine environment where we have to source marine products offshore but we have local contractors bidding for it and then we found out that they do not actually have that product in stock, so it is an ongoing issue that we are dealing with. It is about knowing who your supplier is and having a good relationship, ringing them up and say; “Have you got this on hand or is it something that you have to get it from overseas?” But it does affect the delivery of project timelines from time to time.

MR. CHAIRMAN.- I understand that it only happens to small purchases as well. By the time you do your pricing and go to the store, they said that they sold the last one just an hour ago.

40.11.5 - Highly Overstated Project Cost Estimates; this is something that is beyond the storeman. This is something that the scoping clerk and probably the Project Engineers would know:

* Repair and Upgrading of Public Building – Northern;
* Routine & Special Upgrading of Public Buildings – Northern; and
* Upgrading of Water Supply and Sewer Lines of Public Residential Buildings.

It says here, and I quote:

“The audit noted that the DEN did not implement two of these projects, namely Group 7C Mua Coconut Research and Mua Coconut Centre in 2015 with budget estimates of $55,946 and $18,190 respectively. These projects were not implemented because they were located far from Taveuni and due to time constraints were placed last to be carried out in 2015.

The audit also noted significant savings in actual cost of implementing four out of eight projects compared to the project costs estimates. The savings were high as 48%. This shows that project costs estimates were not properly prepared and were highly overstated.”

MR. J.T. LAWANIYASANA.- Mr. Chairman, the level of estimate that was done was taken from Class D estimate but there were quite a lot of factors that was factored into the cost of the….

MR. CHAIRMAN.- I mean, it was not a bad idea to save money but the things that were budgeted for, had they been built?

MR. J.T. LAWANIYASANA.- They were built in 2015.

MR. CHAIRMAN.- So it must have been referred to in 2016?

MR. J.T. LAWANIYASANA.- Yes, Sir.

MR. CHAIRMAN.- Alright, understood.

MR. P. BAYLY.- A Class D kind of estimate which is your very broadband one, you go down the grades and then Class A is very fine, but there is cost in doing it.

MR. CHAIRMAN.- 40.12 - Divisional Engineer Central Eastern: 40.12.1 - Non-Compliance to Project Implementation Schedule; there was a Project Implementation Schedule where the Divisional Engineer Central Eastern (DECE) did not comply.

MR. J.T. LAWANIYASANA.- Thank you, Mr. Chairman. When we prepared the PSIP, we prepared them together with the Work Programme. This programme was supposed to start early, however, during the implementation period we found out there was a delay, like we had discussed earlier, in the procurement process. Then we had to go back to our programme.

However, we amended our Work Programme based on what we were actually doing, the initial stages. When we prepared the PSIP, we also made our Work Programme. But actually during the implementation period, we found that all those factors came in, the delay in material, et cetera, but we managed to complete all those projects earlier.

MR. P. BAYLY.- Just adding to that, if I may, Mr. Chairman, all contract agreements have timelines in them well specified so with penalties, if they do not. Just from the MOE’s point of view, we, as a ministry, are required to report to the MOE on a quarterly basis. We report monthly to ourselves with the Performance Monitoring Unit preparing those reports for us, including the SCOs that come out that we are in line Ministry for, but on a quarterly basis we submit a full report to the MOE on our project implementation. That is a very detailed submission and includes physical evidence, photographs, et cetera. It is normally photographs or copies of contracts that had been signed as proof of where were are on those projects. So together with not only what we doing inhouse to better monitor the project completion and the way we are spending our money, there is a very full process by the MOE that we are required to submit very detailed records too.

Like I said, that it is quite an administrative burden to do that, but I think the main advantage is, that means people are now much more accountable for progress and completion dates. In the old days, you could say; “Hey, we are alright”, but when you ask for a photograph that changes things quite quickly. Accountability has been spread throughout the Ministries and I think the MOE takes credit for that.

MR. CHAIRMAN. - Government Shipping Services: 40.13 – Non Payroll. 14.13.1 – Progress Reports Not Prepared; the Report says, and I quote:

“The audit noted instances where the works carried out by the Contractor was not reviewed or supervised by a representative of the Department either on a daily, weekly or fortnightly basis. The Department reviewed the progress of works after receiving claims from the Contractor for payments. The claims were endorsed by the Acting Director Buildings and Government Architect (DBGA). Apart from the project reports for the payments, the Department did not prepare any periodic progress reports on the progress of works carried out by the Contractors.”

This is something that the PS and I were discussing at tea break, that there is lack of monitoring by the Department when contractors are working on projects, and that has led to some of these issues. Any particular explanation on that, I mean, why are the people who are in charge not bringing in periodic progress reports?

MR. P. BAYLY. - I can say that that has been done much better than it has been before and that was what the audit was looking at. We have a new Acting Director of Government Shipping and he is very reactively monitoring projects, and also just partly through the quarterly reporting that we do through the MRA, so I can assure this Committee that this has been much improved.

MR. CHAIRMAN. - It has much improved, thank you.

The amount there was also big one $8.5 million, which includes:

* + Construction of new offices and workshops;
  + Jetty refurbishment at GSS Walu Bay;
  + Dredging of Walu Bay Jetty (Phase 1); and
  + Dredging of Walu Bay Jetty (Phase 2 and 3).

I quote again from the Report:

“The findings indicate lack of monitoring supervision by the Department. Failure by the Department to review and supervise the works carried out by the Contractors may result in non-compliance to the project designs and material specifications.”

40.13.2 - Non-Compliance with GTB Approval?

MR. P. BAYLY.- The main point here, I think, is about the Clerk of Works. Normally, we do appoint the Clerk of Works. The Clerk of Works is there to monitor performance, normally to be on the project and stand and be there daily or, at least, weekly, looking and checking very closely with the contractor on how they are going.

The reason why we did not appoint a Clerk of Works here for this particular project which is down at Walu Bay is because of the proximity of the DBGA and also the fact that it was being in the GSS, so for that reason we thought it was not a necessity. And I might also add that the Clerk of Works position was not actually funded for under this project when we did the budget submission.

HON. A.M. RADRODRO. - Where about is this new office and workshop in Walu Bay?

MR. P. BAYLY. - Right at Government Shipping Services.

HON. A.M. RADRODRO. - The old existing building?

MR. P. BAYLY. - Yes. The old wooden one set on the waterfront levels. This has been pulled down and the new one is being put up.

HON. A.M. RADRODRO. – Out of interest, what happened to the old materials that were pulled down?

MR. P. BAYLY. - I do not know the answer for that question because that was part of the contract, the removal of that.

MR. P. BAYLY. – Their contractor was a private contractor and not with the Department of Works so the private contractor was tasked to remove all the material. Not only that but also the stuff underneath the ground, they cleared it out.

MR. S. JEET.-Honourable Chairman, I think it was the discretion of the contractor to dismantle and remove all the items.

MR. CHAIRMAN.– 40.13.3 - Anomalies in Purchase of Generators; there were some generators procured by the Government and the whole list of generators is listed.

“Review of the contract documents and project files revealed the following anomalies:

* The GTB required the Supplier to provide a surety of FJD 76,109.66 as performance bond within 14 days of being notified prior to signing of contract.

The contract agreement….

The Department did not comply with the GTB’s directive and no surety was held against the supplier.

* The terms and conditions in the contract should specify….”

The final comment there says, and I quote:

* “The Department made advance payments to the Supplier amounting to FJD 429,132.09 to utilise the funds at the close of the financial year 2015. However, the payments were made without carrying out the inspection test as required under the contract.”

MR. P. BAYLY.- There are a number of things around this particular contract to make it a bit unusual. First, the generator was sourced from Malaysia and before they were shipped, they were tested. We sent a person up there to do the testing to make sure the generators worked and based on that, we placed the order.

The contractor, in fact, is not the supplier in Malaysia though, he acts like an indent agent. So when we were contracting with him or that particular firm, they were waiting to get from the supplier so we have a situation where we have someone who is really basically an order-taker but who is local and whom we can have responsibility and contract with. So that is the reason why there were some issues around delay. They could say that what they were doing was basically passing information back and forth.

In terms of the actual machine, based on our testing in Malaysia, we were very comfortable about the quality of the machinery. In fact, I can confirm that the generators have been received and are installed, but given that we had tested them and once they were here, we were happy to proceed with them because they arrived safe and sound in good working order, , without having to wait to do a full onsite testing and inspection again. So that was our judgment. If we had not sent our personnel to Malaysia who did do the full value testing and the company concerned provided a very detailed technical report on the specifications and characteristics of the machine, we would not have done that, but based on the information we had now and people involvement, we thought that was an appropriate course of action.

MR. CHAIRMAN. - But this contract was completed, even though there was advanced payment made, was that supplied because there is no anomalies in that regard?

MR. P. BAYLY. – Yes, that is right.

MR. J.T. LAWANIYASANA. – The request for advance approval was done through the MOE.

MR. CHAIRMAN.-Where are these generators kept, at different locations?

MR. J.T. LAWANIYASANA. – This generator is now installed on a landingcraft – *Vunilagi*. It is the new set of generators.

(Inaudible)

MR. J.T. LAWANIYASANA.- That is the landingcraft that was brought over to Fiji in 2015.

MR. CHAIRMAN. - 40.13.4. Delay in Supply of Used Straight Steel Tramline Rails.

MR. P. BAYLY. - It is a lump sum agreement. Do you want to deal with that?

MR. CHAIRMAN. - What are these rails used for?

MR. S. JEET.- Honourable Chairman, these rails were used for beacon works. When the tender was called, the supplier had opted for an advance payment but due to shipment arrangements from abroad, there was a delay in the shipment of items to the contractor. So the contractor requested that the payment be made once the full sum is supplied. So that was the delay in getting the things from abroad by the contractor. The items had been received and fully paid.

MR. CHAIRMAN.- After the delay of 45 days, but the items were finally received?

MR. S. JEET. - After the items had been received, the payment was then done.

MR. P. BAYLY.– Actually, we used lot of steel tramlines. This year, I think we repaired 128 beacons around the waters of Fiji which gives you an idea, so we use a lot of these tramlines. Stick them in the water, put the beacon on top….

MR. CHAIRMAN.- Are these tramlines part of the beacons?

MR. P. BAYLY.- Yes, that is why we put the beacon on top but we use them because we can drive them deep into the ocean bed.

HON. RATU S.V. NANOVO.- Still on that, Mr. Chairman, the boats that these generators were fitted into, when it was bought from overseas, did they not come with a generator?

MR. P. KATIREWA.- Mr. Chairman, the vessel came with two sets of existing generators. What actually happened, during the trip over to Fiji from Malaysia, it started developing generator problems. It could not take any load when the auxiliaries are running, say if they are operating a ram, at the same time, operating lights and air conditioning on the vessel, the generators could not take any load.

Basically when the vessel arrived in Fiji and just for your information, the vessel (this landing craft) was not built to Fiji’s specifications, it was already built. The Fijian officials came over, inspected the landing craft and procured the vessel for the Fiji Government so basically when it came over to Fiji, discussions was underway to replace the existing generators, given that it had operated in Fiji for about two years and continued to develop generator problems and also causing some of the navigation equipment to malfunction. So that is basically the reason why we went back and procured those two new generators.

MR. CHAIRMAN.- A person went to procure this equipment from Malaysia, would he not have identified that this is not made for Fiji standards?

MR. P. KATIREWA.- They would not know, Mr. Chairman, because when they came in, the generators were running and working normally. Unless you run the generators and operate a vessel for a specific period of time, then you would be able to tell that the generators are not taking the load of some other equipment on board the vessel.

HON. RATU S.V. NANOVO.- How old was this vessel when you brought it home?

MR. P. KATIREWA.- The vessel was actually built in 2013 and bought and delivered to the Fiji Government in 2015.

HON. A.M. RADRODRO.- Just a question regarding this generator; the vessel was bought in 2013 and then the overhaul of the generator was done in 2015, which was only two years after that time. More on the purchase which I would like to get into later but in terms of the vessel itself, would you be able to advise the Committee how many local trips has it made before it generated a problem, otherwise the quality of the purchase is going to be questionable?

MR. P. KATIREWA.- Honourable Member, the issue here is about the generator, not actually the quality of the vessel. The vessel is safe and sound. It has survived *TC Winston*, it was anchored in Ovalau during *TC Winston* so it survived that cyclone. It had operated in Fiji, as I said, for about two years but it continuously developed generator problems, causing malfunction to some of the navigational equipment. That is why we made a decision that it is far better to procure two new generators than to continue running these two generators and causing a lot of problems on board the vessel.

MR. CHAIRMAN.- 40.13.5 - Advanced Payment for Fuel and Lubricants; it says, I quote:

“The audit noted that the Department made advance payments totalling $367,913 to Supplier C for the supply of fuel and lubricants without obtaining approval from the Chief Accountant.”

MR. P. BAYLY.- Mr. Chairman, it is a good point that the OAG has made here but the practical issue is that, when we acquired this fuel in December, we were thinking about December as the Christmas period, a very busy time for ships and a lot of high demand for fuel. Also, what turned out to be a very prudent decision to bunker some fuel for the cyclone season because as we all know that *TC Winston* came along and I think fortuitously, we had prepared the fuel.

What we had asked Total to do is to store it for us, we filled up our ships and as we needed it, we would fill up our ships. A good ship you could put $50,000, $60,000 worth of fuel into it. While it seems like quite a lot, it is actually not, that much could only fill up our fleet once, so it was very prudent reserve for us to use and we were able to use that during *TC Winston* when we needed that. We needed fuel and we did not have to wait in line behind everyone else who was waiting for the same stuff. Again, we would be doing the same thing under similar circumstances.

MR. CHAIRMAN.- But the problem there seems to be another one, that in addition, the Department overpaid VAT. The accounts officers paid nine percent VAT for the procurement of that fuel. Has that money been recovered from the supplier?

MR. S. JEET.- This VAT payment has not been recovered, Mr. Chairman, because the procurement was made during that period when the VAT was 15 percent.

MR. CHAIRMAN.- The procurement was made before the VAT changed but the payment was made after?

MR. S. JEET.- No, the payment was made prior to the change.

These are delivery dates, when the vessel was fuelling.

MR. CHAIRMAN.- “8th January, 2016,” that is the invoice date.

MR. S. JEET.- But the payment was made in advance to bunker that fuelled with Total, the supplier. As and when the fuel was drawn out, they issued the invoice for that. We will check that when we come back.

MR. CHAIRMAN.- You have got a whole stock of fuel from the supplier but kept it with them. You were drawing out from that?

MR. S. JEET.- Yes, Sir.

MR. CHAIRMAN.- But the supplier should have been responsible because the VAT was dropped but the stock was still kept away but it was kept for your purpose. That is a very different system that you buy in bulk and then keep on drawing from it.

MR. P. BAYLY.- … (inaudible) paid the money and you pay the VAT on it already and your delivery date is some specified date at a future time to be determined to your request, that was what happened.

MR. CHAIRMAN.- I see some sense in that, that was reserved for you and no one else would have taken fuel from that.

MR. S. JEET.- Yes, Sir, and it should be noted that some vessels were doing the trips when these fuel was ordered and when they came back, because we had to fill about 70 percent to 80 percent capacity. We have one onshore and our fuel store only takes 55,000 litres at Walu Bay.

MR. CHAIRMAN.- 40.13.6 - Significant Loss in Drum Deposit; it says and I quote:

“In the event that fuel is purchased in packed/drums, a drum deposit of $50 VEP is charged and refunded upon the return of drums in good conditions. Additionally, if lubricant drums, 200, 205, 208 litres is refunded to Supplier C in good condition, a credit note of $20 VEP will be issued…

The Department paid drum deposit of $22,885 during 2015… The Department was eligible for drum deposit refund of $19,090…

However, the audit noted that no drum deposit was refunded to the Department as drums provided by the Department for refund were rejected by Supplier C since they were not in a good condition.”

MR. P. KATIREWA.- Mr. Chairman, when the drums were procured, they would actually be kept on board the vessels which are exposed to seawater, rain and sunlight. There is no way the crew would be able to keep it inside a cabin or compartment on board a vessel, simply because they are classified as dangerous goods. So when the vessels return from their trip, the drums are taken to Total so since the drums are corroded and there are damages to the drums, Total refuses to take those drums back.

MR. CHAIRMAN.- What happens to those drums, where do you keep them?

MR. P. KATIREWA.- At the moment, they are at the GSS Yard.

MR. CHAIRMAN.- Probably if auctioned, they might recover some of the money.

MR. P. BAYLY.- We are auctioning them off to people who might want to buy them so we are trying to recover some money out of it. It is just that Total are quite fuzzy about the drums they take actually.

HON. RATU S.V. NANOVO.- Just on that, Mr. Chairman, the second recommendation on that, what has happened to that, has that been implemented? It says, I quote: “Officers responsible for improper handling of drums are surcharged the amount of refund.” Should captains be monitoring this on ships?

MR. P. BAYLY.- I think all captains are well aware that the drums do have value, but as the Director has pointed out, sitting out at sea in adverse weather condition and sometimes long at sea and they get banged in the rough seas and knocked around, it is not that people are not taking care of them.

This is not a disciplinary action, this is an issue that we have to keep them on the open deck. The laws of the sea require that drums of hazardous fuel are all well ventilated, that there is access, that they have to be clear from other things that might contaminate them and there are a lot of issues around where you can store them on the deck, which means you cannot necessarily put them where we would like. We cannot do that and we are not allowed to do that. In rough seas, these things get smashed around like everything does on a deck, especially seas in Fiji as you will know. So, we do take care of them, but I do not think it is a disciplinary action, I think we just try and do the best as we can.

MR. CHAIRMAN.- There is explanation given there by your Ministry that it was exposed, they are kept on the deck and you cannot keep them in the cabin. The corrosion was caused by rough seas, exposure to the weather.

HON. RATU S.V. NANOVO.- Honourable Chairman, I think the drum can only be returned from the regional company that you bought the drum from if it is being dented, not just corrosion because I was running this business before. It is mishandling by the crew or whatever is causing the drum to be dented and that is why they are returned. If the crew involved were advised right from the beginning that they are going to return those drums in order to get their deposit, they will handle that with care.

MR. P. BAYLY.- Again with respect, Honourable Member, I think the crew do know that they are valued. These drums are not just flying around, they are lifted on to the ships on pallets and the pallets are put down on the ship, they are tied but there are limits to what you can do and in rough seas things do move on the ship. If you are transporting bulldozers and fuel, these things happen so it is a fair number of these drums do get returned. Unfortunately not all of them do and Director, with due respect to the crew, I think I have seen them handling things quite carefully on ships because you need to pack things properly on ships. You cannot have stuff moving around too much, but things do move and they do get damaged.

MR. CHAIRMAN.- I know these drums get dented very easily, no longer those thick overseas drums, they are now very thin drums.

HON. A.M. RADRODRO.- Maybe, PS, if you compensate the crew properly then they will probably look after it properly.

However, the other thing is that, I think the other job of the Committee is to see the proper accounting of public funds, so we do have a duty to ensure that these things are properly accounted for. The other question is; these drums that are not returned, can you use that instead of getting new drums? We just reuse the old drums rather than keep increasing and incurring this additional …..

MR. P. BAYLY.- Unfortunately, they do not allow that and that has been asked over in the past but they do not allow it. Unfortunately, I do not know why and I am sure they are making good money out of it. They always say; all we do is we periodically four days and sell them off and raise some cash. That would not be very much, $100.

HON. A.M. RADRODRO.- Have you made any attempts to arrange with the oil company not to have this deposit arrangement where they can reduce the price of oil or something like that?

MR. P. BAYLY.- I do not think so. . No, we have not tried to do that, it is the contract price that we pay.

MR. CHAIRMAN.- They will never subtract the price of oil with the price of drum there, otherwise they will lumbered with more drums. At least, they take some back, if it is a deposit system.

40.3.7 – Anomalies in Maintenance of Tally Cards; it says, and I quote:

“The Department did not maintain tally cards for Office Supplies and Repair and Maintenance materials during 2015. The Department started maintaining the tally cards for these stores from 2016. However, it was noted that the tally cards for Office Supplies, Fuel and Lubricants, Repair and Maintenance materials stores were not updated by the storeman….”

Another storeman issue.

MR. P. BAYLY.- Yes, another one and I can confirm to the Committee that the storeman has been removed and we have brought in a qualified storeman in there and we have sought to also replace the supervisor. We have recognised that there was a problem in that area and given there is so much of that, it is quite a complex environment, the type of stores that have been kept so we have been able to change that.

MR. CHAIRMAN.- Bookkeeping is an important area. There are so many materials floating around - paints, drums, et cetera, can easily go missing and end up in someone’s home, if it is not taken care of.

40.3.8 – Anomalies in payments; it says, and I quote:

“The audit noted several instances of local purchase orders issued by the Department after invoices were received. Purchase Orders were issued by the Department just to regularise the procurement process. In addition, several payments made by the Department were not supported with delivery dockets.”

So, there were probably instances where no purchases were made but invoices were raised and payments were made. They were not even sure whether the goods were delivered or not because there is no delivery dockets.

MR. S. JEET.- Mr. Chairman, there are instances when the vessel is about to sail in the weekend and certain requirements are needed before the MSAF releases those vessels or satisfies the trip, like radio, air condition, et cetera. So at the 11th hour, arrangements are made with the suppliers to come and fix but verbal approval is obtained. Once the job is done, then invoice is issued by the company but LPO is issued later on to regularise that payment.

MR. CHAIRMAN.- For emergency matters.

MR. S. JEET.- For emergency.

MR. CHAIRMAN.- The recommendation even before that says, and I quote:

“The Department should ensure that:

* + local purchases orders are issued for purchases….; and
  + delivery dockets are obtained for all items purchased.”

This is for the emergency one?

MR. S. JEET.- Only emergencies.

MR. CHAIRMAN.- Honourable Members and team from the Ministry for Infrastructure, we still have substantial amount of queries left, starting from Fiji Meteorological Services. What I suggest is that, we adjourn and we will allocate another time for you to complete the remaining questions, but also try to thresh out some of the answers from your submissions. If they are not sufficient, then we will call you on another date that is suitable to you. Is that alright, PS?

MR. P. BAYLY.-Yes, Mr. Chairman.

MR. CHAIRMAN.- Alright. There has been a long day anyway for everyone.

MR. P. BAYLY.- I am very happy to come back and answer more of your questions. We obviously have been through them, the rest of that you have got explanations here of the things. Any time that is convenient, we will come back and will complete this.

MR. CHAIRMAN.- Alright. So, what we will do is we will get the secretariat to arrange a suitable time, suitable to both the Committee and yourselves, and then we will call you.

MR. P. BAYLY.- I would just like to thank you on behalf of our team from the Ministry your questions, they are very good questions. Thank you and we fully understand the job that you are doing and the requirements, the task and the types of question you ask, we do not have a problem with that.

We would also like to thank the MOE and finally the OAG, who are very appreciative of everyone’s work, thank you.

MR. CHAIRMAN.- I thank you, PS, Mr. Bayly and and your team for your appearance this morning and afternoon before the Committee. As you know and you have realised by now, we are doing a very tedious task on behalf of the Government and Parliament. (Vote of Thanks – Mr. Chairman)

The Committee adjourned at 12.46 p.m.