**PUBLIC ACCOUNTS COMMITTEE**

**[Verbatim Report of Meeting]**

**HELD IN THE**

**COMMITTEE ROOM (EAST WING)**

**ON**

**WEDNESDAY, 14TH JUNE, 2017**

**VERBATIM NOTES OF THE MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD IN THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON WEDNESDAY, 14TH JUNE, 2017 AT 9.26 A.M.**

**Submittee: Ministry of Infrastructure and Transport**

In Attendance:

Mr. Paul Bayly - Permanent Secretary

Mr. Paula Katirewa - Director of Energy

Mr. Sen Jeet - Principal Accounts Officer

Mr. Navin Chandra - Senior Accounts Officer

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DEPUTY CHAIRPERSON.- Honourable Members, in particular, Officials from the Ministry of Infrastructure and Transport, a very warm welcome to you all. Today, we are here to continue with our deliberation on the 2015 Annual Report and we will begin from the Fiji Meteorological Services. Before we do so, let me just very briefly introduce Honourable Members of the Public Accounts Committee (PAC), for the benefit of all of you present here in this room.

(Introduction of Members by Deputy Chairperson)

The Honourable Chairman has sent his apology, he is in Malta, Europe for the ACP Conference.

On my far right, we have Officials from the Ministry of Economy (MOE) and on my far left we have the Officials from the Office of the Auditor-General (OAG). These two Departments are always present in the Committee meetings, who help us in any sort of advice or deliberation of any sort. or issues and clarifications that we seek further assistance on and we take the assistance and the expertise from them.

Without further ado, I welcome you once again, Mr. Bayly, to our submission and now I would like to give you this opportunity to take us through and very briefly introduce your team, then you can continue with your submission. Thank you.

MR. J. BAYLY.- Good morning, Deputy Chairperson and Honourable Members of the Committee, it is so good to be back and I thank you, probably I am quite well by now. To my left is Mr. Sen, Principal Accounts Officer for the Ministry. To his left is Mr. Chandra, the Senior Accounts Officer and to my right is Mr. Katirewa, who is the Director of Energy.

We have got three Sections that we did not finish the last time and we will start with the Fiji Meteorological Services. We will take questions section by section, so unless there is any other questions, we will go straight into it. I will refer you to Fiji Meteorological Services - 40.14.

MR. S. JEET.- 40.14 - Non Payroll. 40.14.1- Anomalies in Construction of Archive Facility; Deputy Chairperson and the Honourable Members of the Committee, this was for Fiji Meteorological Officers. There was an oversight by the Department of Meteorological Services in making the final payment, but the contingency sum that was paid had been retained by the company and it has been lodged with the MOE Consolidated Fund Account. We have recovered that sum of $78,000 which is mentioned here.

MR. J. BAYLY.- There was, in fact, a problem with the building and I can confirm to the Committee that just yesterday, we have issued a full Occupation Certificate by the Department of Building and Government Architects (DBGA), so those defects in the building had been made good by the contractor and that brings this contract more or less to a close at this point. I will take you to the next one the upgrading of….

HON. RATU S.V. NANOVO.- Deputy Chairperson, can I intervene, we do thank the Ministry for the explanation given and I would like to take us back to that particular year where that anomaly was discovered of $78,020.34 overpayment. Even though we have now recovered that and that is good that it has been recovered, what disciplinary action was given to this officer at that point in time when this was discovered?

MR. S. JEET.- There was no disciplinary action taken against any officer. There was an oversight, as I mentioned earlier, by the PS.

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

MR. J. BAYLY.- All I can say is, this project, as I had made it clear to the Committee, we have only just issued a Certificate of Occupancy yesterday.

HON. RATU S.V. NANOVO.- No, I am taking us back to that particular year….

MR. J. BAYLY.- I understand that and we take note of the comments that you have made but the issue is, the anomalies and overpayments had been recovered. We have undertaken to check the project when I became involved, we went and did a full examination of it. There was an oversight and you have got to remember that this was during the course of a project and it is not at the end of the project, that this oversight was discovered. So I accept your comments about during the process so this was quite some time ago.

All I can say is, it has been addressed, procedures had been tightened and this had been brought up, particularly to make sure that we do not have these instances going forward. It is not a pattern, it is a one-off and as I have said, it is during the construction period, it is not at the end when we suddenly discovered that we had overpaid some people, but I take your point.

HON. RATU S.V. NANOVO.- Deputy Chairperson, still on that, we noted that many of those Ministries that had presented here, whenever disciplinary action has been recommended, they take it lightly.

MR. J. BAYLY.- I hope….

HON. RATU S.V. NANOVO.- Hold on, hold on until I finish.

MR. J. BAYLY.- Yes.

HON. RATU S.V. NANOVO.- They take it lightly, that is why the issues keep recurring. Whenever there is recommendation, at least, it should be strictly observed.

MR. J. BAYLY.- We understand that and you will find that there are lots of disciplinary actions resulting from instances that happened over the previous years that we are investigating. I think we will show you that later on as we go through some of these other sections, we do take it very seriously.

We have an Investigation Unit and there is a level of materiality and also a level of whether the system is broken or whether someone has deliberately done a solicit error or whether someone has done something more serious and that is part of the ongoing, sort of, review of these projects at all times.

HON. A.M. RADRODRO.- Deputy Chairperson, just a question to PS and probably to your subordinate staff; what led to this overpayment made without proper authorisation?

DEPUTY CHAIRPERSON.- Just adding to that actually, that is what I was going to ask also. It is written in general that the project was not monitored properly, there is not any specific information but the overpayment amount itself is a concern. It constitutes more than $78,000. So, what were some of the specific reasons as to why this project was not monitored well? Was it during the construction stage or first stage, second stage, third stage? What are some of the precise information related to this project not being supervised well?

HON. A.M. RADRODRO.- Maybe, Deputy Chairperson, if they can address the bulletpoints on a case by case basis because this is a very huge (inaudible)…. as been highlighted by the Auditor-General. The first, second and third bulletpoints, we know that actions had been taken but whether the recovery from overpayment was made because of the Audit highlighting these scenario. Can you advise to the Committee as to what led to the payment being made without proper due authorisation?

MR. S. JEET.- Deputy Chairperson, the overpayment was made before the close of the 2015 financial year. The Fiji Meteorological Office has its own accounting unit which looks after its financials. Since there was no funds available in the following year to cater for the payments of contingency, the officer made the payment direct to the company instead of making the payment into the Trust Account. So this money should have gone to the Trust Account as the end of the financial year because the project was continuing. This contingency sum was supposed to be….

HON. A.M. RADRODRO.- There is a bit of inconsistency in the explanation given because at times you mentioned that projects that were carried over would be budgeted from the new year’s budget. But this one, you said you have to pay because the end of the year is approaching. What is supposed to be the situation, MOE? There has been an inconsistency in the explanation given but not only for this but for other Ministries in project funding and project situations.

HON. A.A. MAHARAJ.- Deputy Chairperson, through you, just on the same matter, when we actually say proper monitoring was not done for this particular project, what we are actually saying over here was for the construction phase or for the accounting phase as well because accounts is dealt separately from construction. So we are saying that proper monitoring was not done, whether it was for the building to be constructed in a proper manner or the account itself. That means that the Senior Accountants were not monitoring because any money going out would be monitored. For example, if it is $100 and we give $20, there should be a system in place where it says $80 is the balance. So when the payments are made there, there should have been a balance sheet actually stating that this is the amount left. How can we have an extra payment made to a particular company? So the whole process is in question.

DEPUTY CHAIRPERSON.- We will first have the response from the MOE in regards to Honourable Radrodro’s issue, and then a designated official can respond to Honourable Maharaj’s question.

MOE REP.- Thank you, Deputy Chairperson and Honourable Members. At the end of 31st December, 2015 whatever money was approved in the budget would have lapsed after 31st December. In as far as payment to Trust Accounts, any retention should have been made into the Trust Account so that could pay the contractor after the defective period. Thank you.

DEPUTY CHAIRPERSON.- Can anyone from the Ministry of Infrastructure & Transport respond to Honourable Maharaj’s question? The question was, if something went wrong during the construction phase or during the accounting period.

MR. S. JEET.- Deputy Chairperson, on the overpayment, I can say that it was not an oversight by the Accounts Team at the Fiji Meteorological Office, instead of putting that money into trust, payment was made in a lump sum to the contractor which is the error on our part. Money should have gone into trust.

HON. A.M. RADRODRO.- Just a clarification, the Accounts staff at the Fiji Meteorological Office who do the checking on their payments, et cetera, they process through their Accounts Section?

MR. S. JEET.- They have an Accounts Team consisting of their Accounts Officer and an Assistant Accounts Officer and Clerical Officer. They will do all their payments from Nadi.

(Inaudible)

MR. S. JEET.- No, they have. Based on the…

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

MR. S. JEET.- … certificate that has been made for payment, these are contractual payments which are approved by the PS, the PO’s and then the payments are made.

HON. A.M. RADRODRO.- There are limits there, I just want to see whether they were checked or was proper verification done through the processing of the payment or how was that error allowed to go through?

MR. S. JEET.- Deputy Chairperson, on the balance of payment, because they were trying to clear off the payments by 31st December, whatever the balance, that figure was put forward to be cleared so the voucher was raised to clear that payment.

HON. A.M. RADRODRO.- So Cheque Number 21821in Table 40.35, of $538,112.62 is an advance payment. Did they just clear that payment themselves?

MR. S. JEET.- Can you repeat that one, Sir?

HON. A.M. RADRODRO.- Cheque No. 21821 amounting to $538,112,62, did the Accounts staff at the Fiji Meteorological Office process this payment on their own without any proper verification and certification by the Head Office?

MR. S. JEET.- Sir, these are contractual payments, they provide the details and the balance of the payment to be made. This was the balance to be paid, including the contingency amount, so that was the information they submitted to Headquarters for a PO to be released and a payment to be factored to this amount.

HON. A.M. RADRODRO.- Sir, that is what I was saying, they process the payment but someone needs to verify and check what they were trying to pay out which includes the contingency sum of $78,000.

MR. S. JEET.- Yes.

HON. A.M. RADRODRO.- How can they be making the payment without proper verification? The full process of the Ministry’s Accounts Section was not properly implemented in terms of verification, processing and certification of payments.

MR. S. JEET.- Sir, as I mentioned earlier, Fiji Meteorological Office maintained its own processes, looks after its own finances and has the authority to process….

HON. A.M. RADRODRO.- We understand that but they would have a limit to work under in terms of payments that they make.

MR. S. JEET.- Sir, this is a contractual payment. Contractual payments do not have any limits, it is only….

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

MR. S. JEET.- Yes, when the documentations are done they submit to the Headquarters for PS to release the PO.

DEPUTY CHAIRPERSON.- I think we are reaching a deadlock here but from the Committee’s point of view, PS, it is reflected in the Audit Report. I understand that it is a matter of more than two years but can we have a full report on this issue, a written response from your Ministry at a later date?

MR. P. BAYLY.- Yes, certainly, Deputy Chairperson.

DEPUTY CHAIRPERSON.- How did the payment eventuate, what were the terms and conditions of the contract and who did the necessary approvals, et cetera.

MR. P. BAYLY.- Certainly, we are happy to provide that.

HON. RATU S.V. NANOVO.- Still on that, Deputy Chairperson, we noted that $78,020.34 is the contingency amount. How can a contingency amount be paid out all at one time because that should not be part of the main contract sum, unless there is an overrun and you can use that money?

MR. P. BAYLY.- With respect, that was never the issue.

DEPUTY CHAIRPERSON.- I think those are the details that we require, more pressing details on that.

MR P. BAYLY.- We are happy to provide that …

DEPUTY CHAIRPERSON.- The Ministry can come back to us later with all the transactions and all the documentations relating to this issue.

HON. A.M. RADRODRO.- On this project timeline, initially 15 weeks was agreed upon and then audit highlighted 25 weeks.

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

HON. A.M. RADRODRO.- And not 15 weeks as approved by GTB? Was there any penalty incurred for the additional 10 weeks?

MR. P. BAYLY.- We will specify that in our response, Deputy Chairperson. We will come back to you on that and we will deal with all of these.

HON. A.M. RADRODRO.- Just a general question in terms of this particular project, was the Ministry equipped to perform this project themselves? Why does it have to be tendered out to contractors? We know the resources that you have, you can conduct the work but you tendered it out. Why do you have to tender it out?

MR. P. BAYLY.- Well, that is Government policy to tender this project out.

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

MR. P. BAYLY.- Possibly, but was tendered out and everyone was available to tender. So it was Government policy at that time and I do not see anything to that changes, it is just normal. These big projects always tendered out because we can quite often get quite a large variations of pricings, and also the availability of workers, et cetera.

HON. A.M. RADRODRO.- Do you still have that department that can do all these for other Ministries and Departments?

MR. P. BAYLY.- We still have the capability for building projects…

HON. A.M. RADRODRO.- What department is that?

DEPUTY CHAIRPERSON.- Basically, it depends on the project also.

MR. P. BAYLY.- Yes, absolutely, and in this case, to build an archival building which has to store all maps and you can just imagine all the maps being generated by the Fiji Meteorological Office, it is quite a considerable amount of history that needs to be properly retained, so in this case you needed people who have had experience in building those types of facilities that are both, damp proof as well as insect proof. So, that is part of the other reasons why we have had some delays in this project to get that right.

HON. A.M. RADRODRO.- Why I am asking that question was because of the workmanship of the Ministry which has been well known to be very good in terms of building new buildings. We have noted that in Government quarters and Government schools which were built by the staff of the Ministry so that is basically what I am trying to say.

MR. P. BAYLY.- Yes, I understand what you are trying to say and I thank you for the compliment but given the specialist nature of the building like this, it was prudent to tender it out to people who have got experience in building, putting up structures that have to meet archival standards, so it is more than just a usual building standard.

MR. S. JEET.- 40.14.2 - Upgrading of Outer Island Works Not Properly Planned; Sir, the breakdown of the $150,000 was not submitted by DBGA’s Office to FMS thus the breakdown cannot be used as a basis of project cost with the estimate from DBGA’s Office. The improvements at Ono-i-Lau itself exhausted the available funds, thus not allowing for other stations to be undertaken within the allocated funds. The sum of $147,431.00 was the estimate cost for Ono-i-Lau alone which covered for the total breakdown, that is, only material cost was estimated, excluding cartage, labour, geographical location. That is why most of the allocated funds was used in Ono-i-Lau.

HON. RATU S.V. NANOVO.- Deputy Chairperson, when the tender was approved, did the Ministry follow it up again with the GTB to check what they had approved, especially the allocation that you had already submitted? Do they go according to the allocations that you submitted or it is just a blank approval of $150,000?

Did the Ministry do that to get the details of the tender back from the GTB after it had approved that? If they had got that back, they should have corrected that time based on the allocation that they gave.

MR. S. JEET.- Deputy Chairperson, the $150,000 is a yearly allocation for maintenance and repairs of outer island stations, there was no tender called for this. The Ministry was doing it in-house.

HON. RATU S.V. NANOVO.- But again, you clearly stated how much should be used in each station - $20,000 each, this was clearly outlined in there. If you had followed it up again with the GTB and they just gave a blanket approval of $150,000 you should have corrected them there and said that it is only $20,000 for each of the station. If that was done you would not end up with this problem.

My question; did you follow it up again with the GTB to ensure that the plan that you put forward to them is the correct one that they approve, was that done?

MR. S. JEET.- Deputy Chairperson, as I said this is an annual allocation for small maintenance works to be carried out in the outer island stations but when the team actually visited the work and it had started, then it was realised, the actual need of that station. So the Management had decided then that because of its geographical location, that all the works had to be completed.

HON. A.M. RADRODRO.- Change the submission to reflect the actual assessment as you explained.

MR. S. JEET.- Deputy Chairperson, the submission was made in our PSIP as to how the funds would be utilised but in reality on the ground, it was something else when the team visited.

HON. A.M. RADRODRO.- Was a resubmission made to reflect the actual reality on the ground?

HON. RATU S.V. NANOVO.- Have you made any submission?

MR. S. JEET.- No submission.

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

DEPUTY CHAIRPERSON.- Specific names are not required, perhaps.

MR. S. JEET.- Deputy Chairperson, as I said earlier, this was the maintenance funds given to cater for all the outer island stations. This is what was intended to be spent but when the team visited the site, the actual reality on the ground was something else after the budget was approved.

DEPUTY CHAIRPERSON.- I think what the Honourable Members are trying to drive at, even though this estimates were given but the estimates should have been subject to some sort of feasibility study, et cetera, which should have reflected, at least, to some percentage what the reality was because if we look at the allocation for Ono-i-Lau it is $20,000, but in actuality the team went there and found that it was more than $20,000 which was approximately close to $147,000. So there is a very big gap in terms of the funds allocated and that is why the issue arises as to how much feasibility study ….

MR. P. BAYLY.- Yes, Deputy Chairperson. I remembered that this estimates was done in 2014 and the money was to be spent in 2015. I am sure what they did was just allocate a general amount, they split the $150,000 up and they were assisted exactly like that. I think the issue that you might be more interested in is; are we still continuing to do that practice? And I would say that, that is not what we are not doing now.

In terms of looking at our budget for this year, we do go and do our estimates and we do have a very good idea of how we are going to spend the money. The process which is used now to put PSIP together is much complex and much more informed then perhaps, it was done at this time and certainly someone, no doubt, the PS at that time has made the decision that given the priorities that they would spent the additional money at the expense of spending it on other Meteorological stations, that there would have been a management’s decision, but certainly going forward. For this year’s budget submissions and even last year’s, they are quite detailed now. We have to justify that and I think that is the issue that you are driving at.

DEPUTY CHAIRPERSON.- Yes.

MR. P. BAYLY.- Are we still doing this business like we were doing back then, and I can say to you, we are not.

DEPUTY CHAIRPERSON.- So, we take note that now, even before the estimates are allocated, there is actually some realistic visitations or studies done.

HON. A.M. RADRODRO.- Deputy Chairperson, just on Table 40.36, there re about seven specific areas that were highlighted to be attended to in terms of PSIP. The Audit noted only one, all the funds were diverted to only one area. What happens to the rest of the six stations?

MR. P. BAYLY.- Sir, those are projects and those are maintenances to those other facilities that had been programmed last year and this year, so we are maintaining our Meteorological Stations pretty well. Obviously, for a lot of them, we have had to put additional resources in, following *TC Winston.*

We have, at this stage, with this $150,000, even in some cases (I think) we have had to spend more to address the problems of *TC Winston*, but we are endeavouring to keep our Meteorological Stations up back into good working order.

We had 21 (when monitoring) stations damaged as a result of *TC Winston*, for example, and we have had some overseas funding to help with repairs of those. So we are re-cutting our capital budget to fit; to get us back up into good order and I am very pleased to say that the Meteorological stations are generally in very good order now. We have a big priority to make sure, given the importance of the Fiji Meteorological Services to Fiji, not only the weather reporting but the aviation and marine information that they provide. So we may put on a lot of these things and we will continue to do so, it is an ongoing problem.

HON. RATU S.V. NANOVO.- Deputy Chairperson, the question was, out of the six that are outstanding, how many of these had been upgraded? PS, the answer that you gave was too broad.

MR. P. BAYLY.- Deputy Chairperson, if you would like the details about what has been upgraded since this time, we can certainly provide that to the Committee for your information.

HON. A.M. RADRODRO.- Just a clarification; the $147,431 that was spent for Ono-i-Lau, the scoping was only for fencing and footpath works, but does these works really cost that much?

MR. S. JEET.- Deputy Chairperson, it is not only the fencing and the footpath, when the team went there, they had to do other maintenance work in the station.

DEPUTY CHAIRPERSON.- Yes, it is mentioned there in the Department’s comment - material cost was estimated, excluding cartage, labour, geographical location, transport, et cetera.

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

MR. S. JEET.- It was not just footpath and fencing, there were other works too but we can provide details, Deputy Chairperson.

DEPUTY CHAIRPERSON.- Yes.

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

DEPUTY CHAIRPERSON.- PS, just a question out of interest; these types of maintenance works, are they now carried out by the Ministry only or you still go for tenders for other Departments?

MR. P. BAYLY.- Depending on the size of the maintenance works but if it is small, we will do ourselves if we can, if not we will go to tender.

HON. A.M. RADRODRO.- A question to the PS and supporting staff, I note that the Department of Infrastructure was involved in this work, this is outer island work, and the previous contract was done by the private contractor. Can you just advise why the contractor was not engaged in the outer islands and not involved in the works that was previously done in building the archival facility?

MR. P. BAYLY.- I think the two projects are quite different. As I have said, the first one was built to archival standards. It was general maintenance on buildings and putting up fences and replacing footpaths. But again, it is Government policy to tender out these projects to the private sector. As I had said, if they are small or they need something immediate, we will fix them, but to ensure that Government gets value for its money. That is the reason why a lot of these projects are tendered out to good effect.

HON. A.M. RADRODRO.- I am just asking because I am seeing that the Ministry is engaged in rural outer islands where the contractor is involved in the main islands. I am asking, what is the…

MR. P. BAYLY.- The upgrading of the Meteorological Office in Rotuma and other places were all being also tendered out to private sector contractors, so there is no hard and fast rules about this. It is where we can get good value for the Government’s money or people’s money, so if we think that we can get a bit of value. There may be instances where we can do it more effectively in-house, using local resources but generally it pays to check with the market and see what it is and what can it deliver, and if they deliver better value, then we are very happy to do it that way.

HON. A.M. RADRODRO.- If a contractor gets engaged in this Ono-i-Lau project, would it be a savings there?

MR. P. BAYLY.- Probably not in this case because it is minor works and the cost of mobilisation and transportation is the big issue. We see that in putting contract works on Taveuni or even Qamea, et cetera, the cost of transportation is really the key factor in here.

DEPUTY CHAIRPERSON.- 40.14.3 - Building Works Carried Out Without Any Agreement?

MR. S. JEET.- Deputy Chairperson, we have noted the Audit recommendations and we are now ensuring that any major works to be undertaken by contractors, there will be an MOU or even a contract, and we are ensuring that this is happening now.

HON. RATU S.V. NANOVO.- Still on that, Deputy Chairperson, can we be advised about the standard during this time, the procedure or the process involved if this type of work comes to you and what do you do, just give out the cheque and let them do the work?

MR. S. JEET.- Deputy Chairperson, the work is authorised through an issue of a purchase order upon the evaluation and recommendation by the TEC Committee and the Department monitors the progress of the work.

MR. P. BAYLY.- They would do the usual thing, seek quotes and we are usually required to get three quotes, make an evaluation on them and go from there. But we make that and if we note that these things were done without agreement so we have changed that.

HON. A.M. RADRODRO.- In this works, does the private contractor involved here or the Ministry staff?

MR. P. BAYLY.- In this case, I believe it was an external contractor.

HON. RATU S.V. NANOVO.- Can we be confirmed on that in writing, just to who conducted this?

MR. S. JEET.- Yes, Sir, we will confirm it in writing and we will provide that.

40.14.4 – Journal Vouchers Not Adequately Supported; Deputy Chairperson, the relevant documents were filed elsewhere with other supporting documents but now, as recommended by the Auditors copies had been attached to the respective general vouchers.

HON. RATU S.V. NANOVO.- Deputy Chairperson, there were three Officers altogether who should verify to ensure that procedures are done. Can you advise us why they cannot be disciplined for not adhering to the Department’s Agency Financial Manual? The Manual was there at that time and the Officers worked outside that Manual.

MR. S. JEET.- We can go and look into it and then we can provide an update on this.

HON. A.M. RADRODRO.- Just a clarification; these general vouchers, what accounting adjustments did they make? Probably, OAG can further elaborate on this accounting adjustments - $15,000; $8,000; $13,000; $130,000 adjustments. What is that? Even one JV was not approved. What is AAO?

HON. RATU S.V. NANOVO.- Accounts Officer.

MR. S. JEET.- Assistant Accounts Officer.

HON. RATU S.V. NANOVO.- In here, all those three Officers were again involved - Senior Accounts Officer, Accounts Officer and Assistant Accounts Officer. All these people should ensure that they verify this payment. Our question this morning, advise us why all of those Officers should not be disciplined? They deviated from the normal financial manual that is already in front of them, they simply deviated from that.

MR. P. BAYLY.- First, we have to acknowledge that we were lack of staff, lack of accounting staff, we did not have sufficient staff.

HON. RATU S.V. NANOVO.- They were there, they can do the work.

MR. P. BAYLY.- Secondly, we acknowledge that there was misfiling of the supporting documentation. It does not mean it was not there, it was just attached to other documentation. And we have to acknowledge that we did need another Ledger Clerk at the FMS Office. There are some things in here, the recommendation from the Auditor-General was to ensure that adequate supporting documentation is attached. We all know that, we all accept that, people do their jobs occasionally that they do not do it and this is a number of them that are being picked up by the Auditor-General and we are happy for that and we have noted them as well.

In this case when this was raised, it was not felt that it was a disciplinary issue, it was felt like there were a number of contributing factors. Firstly, there was lack of staff. Secondly, in this case about the documentation, it is not that the documentation has been suppressed, it was just been misfiled.

We all know that there were some issues about it, but in terms of pulling out and disciplining everyone, there had been some cautionary investigations and some discussions about what had happened, why this has happened and the need to do it better and we have made the comment that we have put in our submission for additional staff, and we have been improving the processes as well.

So, again this has something that happened, what have we done about it? Firstly, we have looked at the processes and also getting more staff and making sure that they are trained. I think that is the key point here.

HON. RATU S.V. NANOVO.- Deputy Chairperson, I just want to give an example in here whereby I was pronounced Manager for the Fiji Development Bank in Rakiraki. I was the last person to go through all these, to make sure all the evidences of payment are with the voucher. Once I see that in the file, only then I will approve for cheque preparation. The process is completed. How can that be different from your process?

DEPUTY CHAIRPERSON.- The Ministry takes note of your suggestion. OAG, you were trying to comment on something?

AUDIT REP.- To add on to that issue, provided if the Ministry takes the Audit recommendation seriously and they implement all the recommendations suggested by the OAG, I am quite sure that such incidents will not happen in future.

On the issue of disciplinary action, if we suggest disciplinary action should be taken, I think something should be done. If people are disciplined they will, at least, be on their toes. Thank you.

HON. A.M. RADRODRO.- Just a question to the Auditor-General, in your recommendation you did not recommend any of those. You just recommended the supporting documents but nothing on disciplinary of staff. Why?

AUDIT REP.- What I am saying is, in some other issues we have suggested about disciplinary action but not in this one.

HON. A.M. RADRODRO.- We will take it that the Ministry did not take the disciplinary action because you did not recommend it.

AUDIT REP.- (Inaudible)

HON. A.M. RADRODRO.- Does this case warrant disciplinary action?

DEPUTY CHAIRPERSON.- No, what the Auditor-General is trying to highlight is not specifically disciplinary action but they are very stringently highlighting the processes that need to be followed and these processes, if not followed it is generally assumed that there should be some sort of disciplinary action, et cetera.

HON. RATU S.V. NANOVO.- Deputy Chairperson, why we are saying that the Finance Manual which was available to them but once they deviate from that, they are working outside of the Manual so they should be disciplined.

DEPUTY CHAIRPERSON.- Exactly, yes. I think what the Committee is recommending that in cases like this, additional comments can come from the OAG as to what are some of the suggestions. They can take disciplinary action or investigate the matter, if they are in the jurisdiction to do so, they can.

HON. A.A. MAHARAJ.- Deputy Chairperson, through you, PS, I think you stated somewhere that were certain discussions going on, especially regarding disciplinary action. I think it would be appropriate if you can give the Committee some details on what was done with reference to the recommendation of the OAG, even if the processes or procedures have been changed, to ensure that these things are not repeated. This will be most welcomed by the Committee.

I see in the Table that there was one journal which was not approved. Is there a cap on the amount that can be issued or voucher that can be signed without any approval by the AO, AAO or Senior Accounts Officer or it can be any amount that can go through without any approval?

MR. S. JEET.- Deputy Chairperson, these journal vouchers are raised to facilitate regularisation of mispostings and to get accounts in order. These are not payments that we have made so the officers when they carry out reconciliations, they found out if there are any anomalies or if there are misposting, then these mispostings are rectified through journal vouchers.

HON. A.A. MAHARAJ.- For example, if someone is doing it, then it needs to be a senior staff who will actually approve it, it cannot go without any approvals, even if it is an adjustment. We know that it is not a payment, it is just a voucher but even that, it needs approval. For example, if there is an outstanding of $5 million, someone can just put in $5 million and then say it was not approved, but it comes into the report, saying that an adjustment was done.

DEPUTY CHAIRPERSON.- I think the information we need is the approval structure, who has the authority to approve.

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

DEPUTY CHAIRPERSON.- It is there.

HON. A.M. RADRODRO.- The question I would like to reiterate to the Auditor-General, does this audit findings warrant disciplinary action to be taken on the staff concerned?

DEPUTY CHAIRPERSON.- And you can give a general perspective.

AUDIT REP.- We will have a look at it and we can always let you know. Why we did not recommend, maybe we did not take it seriously but the issue we are talking about is that the voucher is there, it is the journal, the adjustment as instigated by the Principal Accounts Officer. It is the adjustments of misallocations from one allocation to another, it is not actually a payment. It is the adjustment of the account, misallocation. The only thing is that, those vouchers were approved but supporting documents were not there for us to justify that this adjustment is correct or not.

HON. A.M. RADRODRO.- MOE, can you advise us on the general processing of vouchers in terms of voucher entry, who is supposed to be doing all the checking and verification and preparation? What are the necessary requirements for a voucher before being approved for postings?

MOE REP.- Thank you, Deputy Chairperson. The journal voucher is raised as mentioned. If there is a misposting, if something was supposed to be paid from a certain vote but paid for a different vote, then the journal voucher is raised to correct where the vote is debited and when the journal voucher is raised as stated here, the AO and the SAO also have to check. When this journal voucher was raised, there should be an attachment to say, this is where it was paid from, this is where it was supposed to have been paid from, so supporting documents had to be there, Deputy Chairperson.

DEPUTY CHAIRPERSON.- How about the vouchers which were not approved then and had been mis-allocated?

MOE REP.- All vouchers are supposed to be approved, Deputy Chairperson.

DEPUTY CHAIRPERSON.- There was a case where $2,777.39 was not approved. Internally, what is the Ministry required to do in instances like that?

MOE REP.- Deputy Chairperson, a voucher would be used to correct the posting. So I am not sure what happened here, maybe if it was not approved then they just corrected the posting but in as far as the voucher not being approved, they may be the best to answer.

DEPUTY CHAIRPERSON.- Ministry of Infrastructure and Transport?

MR. S. JEET.- At the end of the journal voucher, there is a provision for approval. If that is not signed at the end, then this will not be approved. It has a provision there; “checked by, approved by”.

HON. A.A. MAHARAJ.- Yes, because our argument point is, if the process says that it needs an approval, then it needs an approval and if we are saying something here that it is not approved, that means that something is lacking in the process itself.

HON. A.M. RADRODRO.- Deputy Chairperson, a question to the Ministry on the approval processes; the Assistant Accounts Officer (AAO) and the Accounts Officer (AO), are they allowed to approve the general vouchers, especially when this is not normal operation? Are these officers allowed to approve or is there a high level of approval needed?

MR. S. JEET.- Deputy Chairperson, depends on who is the Accounting Head for the Department, just like the Meteorological Office where it does its own finances and all accounting. So the AO is the head of the Accounts. She has the authority to make all the adjustments after reconciliations during the reconciliation process when there are any adjustments. In the absence of the AO, the AAO takes the responsibility and also does the approvals.

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

MR. S. JEET.- Clerical Officers.

HON. RATU S.V. NANOVO.- Clarification, Deputy Chairperson, in this case the AO is above the AAO?

MR. S. JEET.- Yes, Sir.

HON. RATU S.V. NANOVO.- How can the AAO approve that big payment of $130,000?

HON. A.M. RADRODRO.- The Journal Voucher.

HON. RATU S.V. NANOVO.- It is beyond his control!

MR. S. JEET.- Deputy Chairperson, I cannot confirm at this point in time but I presume the AO was on study leave then and the AAO, but we need to confirm that.

HON. A.M. RADRODRO.- Sir, this scenario raises a very serious alarm bell in terms of the accountability issues within the Ministry where there is no high checking authority, especially in instances like this. So for Journal Vouchers to be approved only by the AO and the AAO, the whole Ministry’s financial structure becomes a question, very high risk as the Auditors identified in terms of the Journal Vouchers’ authenticity becoming a very high risk.

MR. P. BAYLY.- I thank that comment. I think we need to take in context what the Auditors said, that the Department should ensure Journal Vouchers are attached and have supporting documentation. That was the Auditors’ comment, bearing in mind these are not payment journal, payment journals are just accounting adjustments.

I think it is clear that there has been some issues here, we have talked about the procedures, we have talked about getting new staff and I think it is longbow to start questioning the whole of the Accounts system based on the OAG’s Reports here with all due respect to the Honourable Member involved. Thank you.

HON. RATU S.V. NANOVO.- This payment just to correct the journal, the procedures of approving cheques still applies because imagine if some dirty dealings are going on inside here which are known by only the AO and the AAO, they can just do that and clear themselves off. That is why a proper checking system should be in place all the time, whether it is payment or to correct the Journal Voucher payment.

MR. P. BAYLY.- And the risk of continuing to go over this. We have said that we will provide you with the procedures and some advice to give your Committee some assurance so I think we have…

DEPUTY CHAIRPERSON.- We take note of your comment, Honourable Ratu Nanovo, except for the dirty game, on that part.

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

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

DEPUTY CHAIRPERSON.- I am sure the Ministry will take note of that and they will come back to us as to the system that is in place now in improving scenarios like that.

HON. RATU S.V. NANOVO.- Shall I ask a question to the MOE regarding this issue, Deputy Chairperson? In 2015, when was your last visitation to the Meteorology Department.

MOE REP.- Deputy Chairperson, the last audit that we did for the Meteorological Office was for the second quarter of the 2016-2017 financial year.

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

MOE REP.- No, Honourable Member.

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

MOE REP.- But we did note that there were some improvements and we had taken into account the findings noted by the OAG. There were general improvements with regards to the Meteorological Office’s accounting systems.

(Inaudible)

MOE REP.- Honourable Member, our report was issued early this year.

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

MOE REP.- To assist in…

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

MOE REP.- So as at the time of our audit, there was improvement in the accounting systems of the Meteorological Office.

(Inaudible)

MOE REP.- Based on the sample that we did. We also noted, Deputy Chairperson, that in 2015 there were no periodic visits done by the PAO, but this has since been improved. The PAO and his team and they have been visiting the site officers around Fiji, around the Western Division as well as in the Northern Offices addressing these issues. And as at the date of our follow-up, there has been improvement. Thank you.

DEPUTY CHAIRPERSON.- Yes, we take note of your comment, but still whatever we requested, we look forward to that response.

Department of Water and Sewerage.

MR. S. JEET.- Deputy Chairperson, Department of Water and Sewerage. 40.15 – Non Payroll. 40.15.1 – Refurbishment of Office; initially the Department of Water and Sewerage was based at Richards Road and then it was moved from there to Gaunavou House beside Nasilivata House.

When the Department of National Roads vacated and it formed into Fiji Roads Authority, we had space. After the Management did the open floor office plan, spaces was identified within the Ministry and the Department of Water and Sewerage was brought back from Gaunavou House to Nasilivata House where they are currently situated. This saved the Government from paying the rent at Nasilivata House. It should be noted that it is not the Department’s responsibility; it is the former Public Service Commission’s Office Accommodation Unit that allocates office space and accommodation for the Government Offices, not the Ministry.

DEPUTY CHAIRPERSON.- So currently the Ministry is not responsible for payments of this nature? Now, the responsibility is …

MR. S. JEET.- The responsibility for the relocation?

DEPUTY CHAIRPERSON.- Yes.

MR. S. JEET.- It is still with the Office Accommodation Unit based at the MOE.

DEPUTY CHAIRPERSON.- MOE?

MR. S. JEET.- Yes, Sir.

(Inaudible)

MR. S. JEET.- Yes, Deputy Chairperson.

HON. A.M. RADRODRO.- So when you make this payment for the upgrades, did you have anything in place to ensure that you can recover in such a way?

MR. S. JEET.- Deputy Chairperson, there was an analysis provided and based on the rent at that time, the Government was paying for utilities for the Department of Water and Sewerage at Gaunavou House, as compared to the current location. Since the rent was already paid for the whole floor, in other words it was free of charge that the Department of Water and Sewerage came in and that rent had been forgone.

DEPUTY CHAIRPERSON.- I think that was a good measure by the Ministry.

MR. S. JEET.- 40.15.2 – Construction of Portable Lab; Deputy Chairperson, when the Department was at Richards Road, there were some works done there but they were asked to move out from that premises to Gaunavou House so they had to set up a lab at Gaunavou House. The area was a bit small, there were parking areas and there were a lot of movements in and around so the lab could not be constructed there.

In addition to that, the Department of Water and Sewerage moved out from Gaunavou House to Nasilivata House, so the tenancy at Gaunavou House ceased. It was decided that the portable lab be constructed at the Divisional Engineer Central Eastern since the DNR Unit that was located there had also moved out because of the formation of FRA, so a site was identified to construct the portable lab.

HON RATU S.V. NANOVO.- Deputy Chairperson, on the three recommendations given by the OAG, the last one there says, “take appropriate disciplinary action against responsible officers for additional costs incurred.” Was that implemented or just shelved or what was the status?

MR. S. JEET.- Deputy Chairperson, as explained, the Management was of the view that this move had to be made, so the Management did not see any disciplinary action to be taken because that move was through movement from Richards Road to Gaunavou House and then from Gaunavou House to Nasilivata House, so the tenancy at Gaunavou House had lapsed because they had identified an area adjacent to the car park to be used as a portable lab. That had incurred some expenditure for location of ….

HON A.M. RADRODRO.- We understand the movement and the need to relocate but all these decisions need to come with a plan. However, the way the things have been moved around, it looks like there was no proper planning done. Even for this office, the Ministry was to incur $2,700 and then that was later changed within this compound. Why was this allowed to change? Who was responsible for the decision making? Why cannot they just do a proper analysis before making a final decision on the right place?

HON. RATU S.V. NANOVO.- Additional to that Deputy Chairperson, initially why did they select that area where the lab was to be established when that piece of land shakes all the time as mentioned here? That should have been done thoroughly before they…

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

MR. S. JEET.- Deputy Chairperson, I might not be able to answer that question.

DEPUTY CHAIRPERSON.- I do understand that that requires more specific information. You can always get back to us on that.

MOE in your pool of contractors, do you have certain contractors who specialise in construction of labs, et cetera, since it is a very technical construction type of work?

MOE REP.- Deputy Chairperson, we no longer have that pool of contractors.

DEPUTY CHAIRPERSON.- But sometimes back or is it abolished now? I think last week someone mentioned that the Ministry still has that.

MOE REP.- No, Sir.

DEPUTY CHAIRPERSON.- Alright, I will take back that question.

HON. RATU S.V. NANOVO.- Deputy Chairperson, my question is still not being answered, whether disciplinary action has been taken against the person who allocated the area on which the lab had to be constructed?

DEPUTY CHAIRPERSON.- I think PAO has mentioned that he will come back on this matter with a written response so you can also inform the Committee whether disciplinary action was taken or not.

HON. RATU S.V. NANOVO.- Thank you.

DEPUTY CHAIRPERSON.- Can we move to the next one?

MR. S. JEET.- 40.15.3 – Items not Received for Payments made in Advance; Deputy Chairperson, these items in question were indented from Belgium and according to the contractors, the vendors were to make the payment through indent and only then they would provide and ship the items to Fiji.

Those items were identified by the Belgium Customs and listed as dangerous goods and they had to ensure that proper packaging and all sorts of those safety things are in place before they could allow those items to be shipped to Fiji. That was the delay but finally, we have got the items and they are in use at the moment.

HON. A.M. RADRODRO.- Those items are not available locally?

MR. S. JEET.- No, Sir.

HON. A.M. RADRODRO.- Which ones are those, the laboratories items?

MR. S. JEET.- Yes, Sir, the two items are Hydrogen Sulphide Kit and N.N DiphenylDiamine.

HON. A.M. RADRODRO.- What about the $9,900 still paid to the same supplier?

MR. S. JEET.- Those items, Sir, had been received, all the other items had been received, as well as the items that were mentioned. The only delay or came in late was the Hydrogen Sulphide Kit but the other items which were paid for had been received.

HON. A.M. RADRODRO.- Is the second item of $9,900 not available locally?

MR. S. JEET.- No, those are septic tanks, they are local items.

DEPUTY CHAIRPERSON.- 40.15.4?

HON. A.M. RADRODRO.- A question to the OAG because it seems like you are putting it together as a same supplier.

AUDIT REP.- It is supplied locally.

HON. A.M. RADRODRO.- My question is on, your third recommendation; can you just give us a hindsight on this particular recommendation that you are putting through, the surcharge action?

AUDIT REP.- If the advance payment is made and that item is not received, they should be surcharged to recover the amount if the item is not received but subsequently, if they have received the item that is alright, they do not need for a surcharge. But while our report was being finalised, we did not have any response from the Ministry whether the items were received or not.

HON. A.A. MAHARAJ.- OAG, when making such a recommendation, do you people not actually ask for, like in this scenario, ETA when the thing should be available before actually putting in those kinds of recommendation of surcharge? Now we are in a scenario where actually the Ministry is saying they had actually received all the stock from overseas so that particular recommendation actually falls in between something else being ordered.

It was supposed to be received but a recommendation came in between somewhere that someone was supposed to be surcharged while the Ministry actually ensures that, that item is received. Definitely, with dangerous goods, there are other procedures to be followed so it cannot come as a normal shipment. I think that recommendation by OAG is totally out of line, in this particular context.

AUDIT REP.- Its was not provided to us during the course of the audit while we were finalising our report. If those things had been received after our report, then we cannot help, although our report was finalised.

DEPUTY CHAIRPERSON.- Yes. Honourable Maharaj?

HON. A.A. MAHARAJ.- You mean to say that the explanation was not coming from the Ministry of Infrastructure and Transport.

DEPUTY CHAIRPERSON.- Yes.

AUDIT REP.- We did not get that information at that point in time, the explanation just came in now.

DEPUTY CHAIRPERSON.- Yes, the OAG did inform that whilst they were doing the audit, they requested for information on this but it did not come so that is why they made that….

HON. A.M. RADRODRO.- But I take it that the septic tank was received already during the audit.

(Inaudible)

HON. A.M. RADRODRO.- Four out of the nine, so the balance of the five septic tanks?

MR. S. JEET.- They had been received, Sir.

(Inaudible)

MR. S. JEET.- Yes, Sir.

HON. A.M. RADRODRO.- Why was it not received all at the same time?

DEPUTY CHAIRPERSON.- Oh, I get you now.

MR. S. JEET.- Deputy Chairperson, can I come back to you on that? I will provide the details. Those are portable septic tanks so they could have been manufactured and then supplied, and I may not be able to furnish the full details here, I have to go back and check.

DEPUTY CHAIRPERSON.- OAG, the Department comments came in after the audit or because as they said here, that everything was supplied?

AUDIT REP.- Yes, all were supplied but while we were finalising the report it was not supplied. We have not verified that yet because we can only come back to you when we have done 2016 Audit which has been completed but we just need to verify.

HON. A.M. RADRODRO.- So that next time they can adhere to a timeline that you put through?

AUDIT REP.- We gave them the report and we gave them 14 days’ time for our reply.

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

AUDIT REP.- 14 days.

HON. A.M. RADRODRO.- Including Saturday and Sunday?

AUDIT REP.- Yes, that is two weeks.

HON. A.M. RADRODRO.- How long does it take you to do the exit interview?

AUDIT REP.- Exit interview is when we give them the advisory plan, we already indicate it there and when we have exit meeting we will indicate it to the Ministry that the exit is the onus on them, if they want to exit they can make arrangement. But we always follow up with an exit meeting but if they do not make an arrangement for exit, they do not have an exit.

HON. A.M. RADRODRO.- That is all within the 14 days?

AUDIT REP.- No, after they submit the comments.

HON. A.M. RADRODRO.- After 14 days, then you conduct another exit?

AUDIT REP.- Yes, but for an exit, it is the onus of the Ministry to organise for that.

(Inaudible)

AUDIT REP.- Yes, Sir.

DEPUTY CHAIRPERSON.- I am sure systems might have improved now.

40.15.4 – Installation of Ecological Purification System (EPS) in Rural Areas?

MR. P. BAYLY.- The EPS was our new project that was started in 2015. We are using and still are using new technology and that technical assistance is provided by JICA.

The first year of operation was a bit of a trial and error in these things. They are quite complicated systems, if any of you has seen them, the construction of three tanks and they use algae and mixture of sand and different materials to filter the water.

it is true to say that when we had a JICA expatriate coming to look at them, there has been a lot of learnings and we had to repair or replace the first couple we did in terms of being able to get them exactly the way the JICA expert wanted them. I would say that the Japanese design is very exacting. I think we have now got 56 of those in operation. In fact, we had just initiated in doing another 35 of these EPS around the country.

We have got a JICA expert, in fact, I am meeting with a new JICA water representative from Japan tomorrow morning, and we have a visiting professor who comes from Tokyo and when they come, they come and have a look and if they do not like something, they tell us to do it again. But I have to say that since 2015, we have now got the technical expertise to do these things and we are rolling them out pretty quickly.

I have got 15 under construction, as we talk right now, we have just had three completed last week so we are talking about a situation where there is a lot of learning going on. Late last year, we finalised our manual that we now provide to the villages around the maintenance and care of them but does include the design of them and have to look after them, so that is the reason why we have had, in the first year, these increases.

We have got a pretty good idea on the cost of these things now. They are very dependent on the size of the village, somewhere in the order of some 35,000 to 50,000 so a big village would be 50,000 and I am pleased to say that the programme is rolling out quickly.

HON. A.M. RADRODRO.- Thank you, Deputy Chairperson. Just a comment to the Ministry; this is a very good exercise in terms of the provision of EPS. However, the work that is involved here is to maintain the quality standards of drinking water. How does the Ministry post-construction ensure that the quality is maintained at all times?

MR. P. BAYLY.- A good question. We have, in each of the villages, water committees and those water committees are responsible for looking after our EPS. I can say from personal experience, particularly after *TC Winston* when we went around the country visiting not only these systems but the solar homes and other things, we did find a number of cases that the EPS had not been well maintained. So we now have a programme of sending out our own Ministry staff to periodically go and look at these EPS to see how they are functioning.

Indeed, just last week we did the coastal checks around Vanua Levu looking at EPSs with a group of us not only there but solar home systems so we are doing this periodically because if you lose the algae on them and if they do not get looked after, one we looked at last year had not been operating for the last three months, if their water resource reservoir does not work and you lose the algae test, and that takes a long time to get re-established. So it is very important that we make sure that we are talking with the water communities. So we got quite an active programme now to ensure that that happens and we will provide technical assistance if they call us or text us and say; “We have a problem,”

HON. A.M. RADRODRO.- Chemicals, do you…

MR. P. BAYLY.- Do not use chemicals, that is the beauty on them, so they are our filter system. If you have not seen them, I encourage you to go and have a look.

Just out of interest by the end of this year with the construction of the proposed new 35, we think we will probably be effecting about 10,000 people in terms of villages, so in every village 200, depending on the size of that village. It is affecting a lot of families so this is a very important programme for Fiji because there are many instances whereby we cannot get freshwater or take water to them.

Interestingly, I might add that we are now looking at a system to say; “Look, if we can provide the clean water, take it out of the river and clean it, we are now looking at systems that what we could trial to use to clean the wastewater before it goes back into the river which is an increasing concern to us. So we wanted to provide an end to end solution. It is really a very interesting project.

HON. A.M. RADRODRO.- Post- construction, how long does the Ministry gets involve before it winds itself out from the….

MR. P. BAYLY.- We do not. In fact, there was a decision made last year, we will periodically go and check all of them because what we find is, some villages have very good water committees and it is usually the young men but not inclusively, who we train to look after them. But if those young guys or women disappear and go off, either they get a job in the city, et cetera, that is where the technical gap comes, so we have to be able to go back and train those young men and women to make sure they are looking after the systems regularly.

HON. A.M. RADRODRO.- The construction of this EPS, is it conducted by WAF staff?

MR. P. BAYLY.- No, at this stage, it was all done by the Department of Works staff. In the 2016 Budget, the responsibility was handed over to WAF but WAF this year has contracted the Ministry to provide the technical assistance and indeed, now to start to build them as well, hence the reason why we are rolling them out, so it just recognises where the technical skills lie. But from this year, WAF has the budget for the EPS.

DEPUTY CHAIRPERSON.- Honourable Members, on this note, we will take a small tea break and we will resume our submission at 11 o’clock. Thank you.

The Committee adjourned at 10.45 a.m.

The Committee resumed at 11.05 a.m.

DEPUTY CHAIRPERSON.- Honourable Members, we shall continue with our submissions so I would like to request the Ministry of Infrastructure and Transport to take us through Department of Energy.

MR. P. KATIREWA.- Thank you, Mr. Deputy Chairperson and Honourable Members.

Department of Energy: 40.16 – Rural Electrification Unit; 40.16.1 – Anomalies in Community Contribution; as stated in our response this project was, in fact, one of the projects that we were instructed via a Promulgation in Parliament to complete before Christmas of 2014. Now, Honourable Members, you may be aware that at this point, there was still a requirement for contribution to be paid from the communities but in view of that construction, we had to go ahead with completing the project. In due course, we also discussed at length with the communities who are benefiting, the payment of their contribution but I am pleased to say at this point in time that that contribution has been fully paid.

MR. P. BAYLY.- This was one of the projects, sort of, overtaken by time. We noted the comments around five percent but most of you would be aware that it is now a Government policy not ask for the five percent deposit. And I can confirm that by Christmas in 2016 we paid out 15,012 cheques back to various communities and people around the country so at the time, we had our issue but it has also been resolved.

HON. A.M. RADRODRO.- Deputy Chairperson, just a question to the Department of Energy in terms of the work that was carried out from Naiyala to Nayavu; I drove past that area even right up to Tobu village in Ra, the unfortunate part is that there are about eight or 10 villages from Malabe to Tobu, who were still not connected to the grid, once this has been done. Why is it that the villages in between, about 10 of them, have yet to be connected to the grid?

MR. P. KATIREWA.- Thank you, Deputy Chairperson and Honourable Member, I am fully aware of that. There was that Promulgation in Parliament for the particular section of the extension to be done. Now, this actual project is divided into three parts, there is one that extends from Waimicia to Balekinaga, Balekinaga to Navesau and then from there towards Nayavu.

The sections are also demarcated by FEA and they also undertake their part of the work so in conjunction with FEA when the grid is completed, then we move in to wire the homes. The project is in phases and we cannot complete it soon after we had done Nayavu and Wailotua, and the project is still ongoing and will be completed very soon.

HON. A.M. RADRODRO.- I think this is part of the previous Minister’s commitment, that it was supposed to be connected to the grid at the end of 2015 but last week, those villages are still not connected to the grid, about 10 of them from Malabe, Nasautoka, et cetera. Even though the FEA grid line is already running alongside their villages, the electrification of the villages is yet to be done. Any indication as to when will these villages be electrified?

MR. P. KATIREWA.- I may be able to get back to you, Honourable Member, on that. I think one of the reasons why there was a major delay was that, the programme of works for FEA was really drastically affected by *TC Winston* so there was most probably a one year delay in the overall programming of grid extensions. But the fact that the power grid is there, does not mean that the homes can be connected. There are certain aspects, for example, there is a low voltage transmission lines that need to be also streamed. So if you see power lines stand, it does not mean that those power lines can service the homes because there are still high voltages.

HON. A.M. RADRODRO.- The villagers in between, and Nayavu is further from the last village that are provided with electricity. Nayavu has been provided with electricity but not the other villages in between, so is there any indication or timeline? That is what we are interested in, when will these villages be provided electricity because Nayavu is already provided with electricity which is further down, I think the eleventh village?

MR. P. KATIREWA.- Honourable Member, we will be able to get back to you on the exact time.

MR. DEPUTY CHAIRPERSON.- Yes, please.

HON. A.M. RADRODRO.- The work there says, “Naiyala to Nayavu” but in between there is no electricity provided to the villages.

MR. DEPUTY CHAIRPERSON.- Yes, I do agree with what Honourable Radrodro is saying that most probably the villages that already have electricity, the grid systems nearby must be similar to the villager without electricity. So if those villages can get the electricity, why can the other villages highlighted not also get electricity? However, that is an internal operational matter but nonetheless important as was highlighted by Honourable Radrodro so please. if you can look into that.

HON. A.M. RADRODRO.- Just further to that, PS and Director, for your information and I think I have highlighted this previously, in Barotu Village, after *TC Winston* about close to 10 houses still do not get electricity till last week because they could not afford to pay $600 to the contractor to reinstall the black wire that was damaged by *TC Winston*. Is there any way that the Ministry could assist in providing affordable prices for the villagers to ensure that they get back their electricity?

MR. P. BAYLY.- That is probably outside the scope of work we are talking about today but just a general comment about what is going on at the moment, we had problems with *TC Winston* which affect severely FEA’s ability to wire up projects as planned. Secondly, since we have taken off the five percent deposit from the communities, you can imagine how many requests for solar homes we are now having.

We now have a very clear purpose or method to identify the priority areas so every month, the Department of Energy meets with the FEA and also there is a Ministry of Economy involvement, we go through and prioritise all the projects that had been identified in this year’s budget. Last year’s budget has a full list of village by village to be electrified and no doubt, when we have the Budget announcement on 29th June, we will have a similar one for this year.

We do work off that list but that is not to say that we do not look at others, if we got some spare funding, we do. Our priority at the moment, I think in terms of projects going forward is, there are some villagers we have found are still without power. Just by way of example, I was in Kadavu a couple of weeks ago and there are two villages that have no power, no solar, no generator, no transmission lines close by. So these are the ones we are actually trying to focus on, the ones that have absolutely nothing.

Taking in mind these villages and where we can wire up, we know they are there, I have seen them and I have also asked the same question, why have they not been wired up? Surely we can do this. There is a Programme of Works, we can talk about that, it will change, no doubt, after we get the new budget allocation after 29th June, but definitely I can assure you, looking at how and quickly the ones we can do immediately and those that we will do longer term.

HON. A.M. RADRODRO.- That is really great, PS. I think the issue regarding Barotu villagers is the affordability. It is just the $600 for a normal household in the village to pay for the reconnection of back wire is a bit too excessive. So if you can relook at the pricing, probably the list of your preferred contractor for electricity reticulation.

DEPUTY CHAIRPERSON.- You can take note of that..

MR. P. BAYLY.- Yes, noted, Deputy Chairperson.

DEPUTY CHAIRPERSON.- The next issue, please.

MR. P. KATIREWA.- 40.16.2 – Additional Expenses Incurred Due to Delay in Formulating Contract; this is similar to the issue that we had discussed. It is an issue regarding community contribution and for this particular project, we had a community issued with an offer letter which gives them a one year period for them to be able to pay the community contribution.

Knowing the circumstance that surrounds these kinds of things, the community was able to pay this at the very last hour and that was unfortunately during the closing of accounts period as well, on 17th December. The quotation expired one month soon after.

If we are going to be asking Government to actually move funds to FEA at this point in time, that would really be practically impossible for the fact that FEA is really stringent on their quotations, it has a one year validity period and they stick to that. So when the quotation expired, they issued us (which is the normal process) with the new one which was $399,000 over the old one, so we were left with the fact that we could not move the funds over. That is why we asked for the budget in the next financial year for the quotation that FEA submitted to us. That is the main reason because we could not move any funds anywhere without the community actually paying whatever they are required to pay.

DEPUTY CHAIRPERSON.- Just a question out of interest, PS, this is also out of line as per the Audit issue, the installation of electricity, how does it work for the squatter settlements?

MR. P. BAYLY.- That is an interesting question. We are dealing with one at the moment, actually next to the Kinoya squatter settlement. In that case, because they are unauthorised, I mean, not formally recognised, the Department of Energy sends it to the Ministry of Local of Government for funding and that is based on their own availability of funds. So we are dealing with them and in that case, we will do the house wirings as well at the same time. They are treated quite differently from normal, sort of, rural electrification projects that we are doing because it is within city boundaries and that is one of the key areas and that becomes the responsibility of the Ministry of Local Government.

DEPUTY CHAIRPERSON.- They address issues, like the landowner is not giving consent and they said that that is part of the requirement of application. Obviously, no landowner will give consent, very few of them do, so they are left with no choice but to pay to someone who already has electricity on a daily basis which I believe is illegal. They keep on addressing issues like, how can we get the power connected without the consent of the landowners because they noticed other people in the same squatter settlement already having electricity.

MR. P. BAYLY.- That is right. That is what the Ministry of Local Government as having to work through. For example, in the same settlement that I am talking about, Veiraisi, we put in street lighting just last week, for security. There were number of burglaries and robberies in that squatter settlement. What we said to FEA, because they are the ones providing the information, either their supplier must put meter in there but in that case the Ministry of Local Government is actually the customer of FEA so they are picking up the bill until it can sorted out.

Again, those settlements are not part of the Rural Electrification Programme, they are handled internally and are handled through the Ministry of Local Government working with FEA. But what we do is, we facilitate that relationship. For the house wiring, we may also get involved to do that as well.

DEPUTY CHAIRPERSON.- So they have to get consent from the Ministry of Local Government?

MR. P. BAYLY.- No, the Ministry of Local Government will endeavour, no doubt, to get the consent of the landowner.

HON. A.M. RADRODRO.- Deputy Chairperson, I think earlier on, I had questioned the Ministry regarding the verification of quotation obtained by FEA and this is probably one example where FEA had quoted a different amount and then later, a significant amount after the expiry of the first quotation. What role does the Ministry play to ensure that what FEA is quoting is actually the right amount and not an over-inflated amount?

MR. P. BAYLY.- The role of ensuring whether the amounts are fair or not is actually done by the Fiji Procurement Office (FPO) because we have to go to FPO and seek the waiver of tender. The issue is complicated here by the fact that FEA are, in fact, the sole supplier here in Fiji of the provision of power lines, transmission and distribution lines. So we talked to them, we discussed it but at the end of the day, if the FPO is not happy, they will not give a waiver but that is when you do not have any other choice, that is the difficulty.

However, it is in everyone’s interest to make sure these projects are done and it is in everyone’s interest that the projects are done properly and not at an exorbitant cost, bearing in mind that the Ministry of Infrastructure and Transport is the line Ministry for FEA so we have a close working relationship, not only through the Department of Energy, and we are all doing this for the right reasons. This is not a profit activity for FEA in terms of normal business stuff, they need to recover their cost, no doubt, but we are careful that we want to get value for money and get as much money as we can to spend on these projects.

HON. A.M. RADRODRO.- Especially, FEA making a revised quotation of $958,000 on this particular instance from a quotation of $399,000. Would that not raise a red flag on the Ministry, especially the same quotation, the same area has been quoted but a 200 percent or 300 percent increase?

MR. P. BAYLY.- All I can say is, it does seem like a lot, but you got a sole supplier.

(Inaudible)

MR. P. BAYLY.- But this is managed through discussions with them. If you want, we can provide you with some more details about why the increase was so high but the system generally works pretty well.

HON. A.M. RADRODRO.- After this contribution, how has the quotation been when customers are no longer required to pay any contribution?

MR. P. BAYLY.- It has not changed. We have a list of rural electrification projects and we will need to get power to them, the priorities are agreed. Then they will go away and quote the job and they submit a quotation to the Ministry. Then we look at what is in there and how much it is, and then we fund. But that is after the FPO has provided a waiver.

HON. A.A. MAHARAJ.- Deputy Chairperson, through you, could we be provided with some information as to how many households were covered in the first quotation and how many were covered in the second quotation?

What we have also seen is, sometimes in the first quotation, though it is in the same community there are only 10 households which are covered and three households who are sitting almost one or two kilometres away, in a years’ time when they are doing another quotation those three households also come in. Why do we not incorporate all of them?

Actually there are times when these variations occur because we have actually we have actually faced similar situations elsewhere as well when the first quotation was low and the second quotation was really high but upon discussion with FEA, we came to know that there were certain households, especially in agricultural area who are actually sitting quite kilometres away and we actually incorporate those households, there is a variance so if you can get the similar information about this one as well.

MR. P. BAYLY.- We will give you some of that information too.

DEPUTY CHAIRPERSON.- Yes. 40.16.3

MR. P. BAYLY.- 40.16.3 – Anomalies in Contractual Agreement; all the contracts that we write are vetted by the Solicitor-General’s Office. Before we make any payments to FEA or anyone else for that matter, the contracts are drafted by the Solicitor-General’s Office and they are submitted to us. Once they are approved by them, then we do sign the agreement with the respective organisation, in this case FEA.

In the contracts, we do not have start dates and end dates because often, the timing, and that is not required by the Solicitor-General’s Office, mainly because we are working within a budget of a year. At any one time, projects can get changed, the order of projects, prioritisation can come in and so we have monies that we pay to them, we want to get it spent, we want the job to be done so the Solicitor-General does not require us to specify actual start dates and end dates.

Indeed, I am not sure from the commercial point of view whether that will be helpful or not because we are all trying to achieve the same thing, we all trying to change the lives of Fijians by getting the stuff built and commissioned and if there are times when we got to re-prioritise projects, then we will do that but we will do that with the view of priority of needs and where that needs to happen.

HON. RATU S.V. NANOVO.- Just on this Deputy Chairperson, I am just interested to know the location of those two hydros projects for Kadavu and Koro?

MR. P. KATIREWA.- Thank you Deputy Chairperson and Honourable Member, I think there is a typographical error, Kadavu and Koro is supposed to be Kadavu Koro in in Kadavu.

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

MR. P. KATIREWA.- I believe as we speak, it has been commissioned, the homes are now connected.

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

MR. P. KATIREWA.- That is a good question, Honourable Member, we have advised the community because they have an electricity committee. The payment of their fees so that they can sustain the project later on, it is something that we can advise them on but they will have to take it up as part of the management of their project.

HON. RATU S.V. NANOVO.- In Kadavu koro, how many villagers can be catered?

MR. P. KATIREWA.- For the time being that village is sufficiently catered for. If there is a need to connect that system to another nearby village, then we will have to do another study on the current load consumption that, that village shows us, so that we can make a good report if the project can be extended to a nearby village. But as you know when communities do get electricity their load consumptions tend to grow, that might prevent that project from being connected to another village nearby.

HON. A.M. RADRODRO.- Deputy Chairperson, just a question on the Kadavu Koro Hydro; how many turbines altogether are installed there?

MR. P. KATIREWA.- Just one, Honourable Member.

HON. A.M. RADRODRO.- And in Mauna Hydro Overhead Grid Line Construction, where is that?

MR. P. KATIREWA.- It is in the Natewa District of Cakaudrove.

HON. A.M. RADRODRO.- Nukuloa Micro Hydro Project?

MR. P. KATIREWA.- That is in Gau.

project completion.

MR. P. KATIREWA.- 40.16.4 – Delay in Project Completion Due to Non-Supply of Materials by the Approved Supplier; Deputy Chairperson and Honourable Members, we note that comments have been highlighted by the OAG, we agree with it and I assure the Committee that for all the contracts with FEA that we have, for all works that we engage FEA, we have contracts with them.

HON. A.M. RADRODRO.- In this particular issue, did the contractor finally provided what was contracted for him to do?

MR. P. KATIREWA.- Yes, I think the party concerned here is the supply of materials by FEA on this particular project and they have supplied the materials. In fact, the project has been completed because of that supply.

HON. A.M. RADRODRO.- This is Muana Hydro Project, is it different from Mauna?

MR. P. KATIREWA.- Yes, Honourable Member. This is the Muana Project, the same project in Natewa. That is a typographical error as well, Honourable Member.

DEPUTY CHAIRPERSON.- This is located where?

MR. P. KATIREWA.- In the district of Natewa in Cakaudrove.

DEPUTY CHAIRPERSON.- 40.16.5?

MR. P. BAYLY.- 40.16.5 – No Delay Damages Charged for Delay in Project Completion; This one, I think, is really an issue about the delay in supplies. FEA imports quite a lot of stuff from overseas and if there is a delay in importation of their stuff, then the project is delayed. In that case, we cannot charge penalties but if there is a contractual issue around delays in the way that they have constructed the project, then we are within our rights to charge payments for delays but this was not the case.

I would just like to note that we have, since this time, we have now got quite a strong monitoring regime that we have established in the Ministry and a r checklist so as we go through projects, we have a checklist - to signing off in stages of the project, as well as doing active monitoring. I think we have tightened up on this area a lot.

DEPUTY CHAIRPERSON.- I believe there are no questions so we can proceed. 40.19.

HON. RATU S.V. NANOVO.- Deputy Chairperson, can I take us back to 40.16.5?

DEPUTY CHAIRPERSON.- Yes.

HON. RATU S.V. NANOVO.- This is Deputy Chairperson, in regards to the solar that was installed in Vunisea. I think the initial intention was for that solar to provide 24 hours services to the Vunisea Government Station, plus the nearby villages of Namuana, Namalata, Wailevu, Mokoisa and Tavuki but after it was completed, it was only accessible to Vunisea and the two villages nearby, excluding the other villages that I had mentioned. Why was that because the initial intention was that but when the project was completed, it cannot accommodate what it was initially planned for?

MR. P. KATIREWA.- Thank you, Honourable Member, that is a pertinent point that you raised. One of the other main objectives of the project was to reduce the fuel used by the plant at the Department of Works Government Station. Secondly, as far as connection of all the other nearby villages, there are obviously phases that we will undertake later on.

I can assure you that there have been budgets that we have prepared for connections from Namalata to Mokoisa from the same system, but that is the different undertaking in itself. The plant was established because we wanted to reduce the fuel consumption at the plant but obviously, the extension will be carried out as we progress with the next year’s work programme and the years to come.

HON. RATU S.V. NANOVO.- Still on that, Deputy Chairperson, in Vunisea we have received complaints from the nearby villages of Namuana because of the fuel power house in Vunisea. The fuel from there is dripping straight into the sea. I had already raised that issue with the people in Vunisea but since you are here, if you can just follow it up to ensure that the fuel does not go right into the sea as they are complaining about it. That will take us back to the COP23 issue.

MR. P. BAYLY.- I thank you for that and we will check that out. *Vinaka*.

DEPUTY CHAIRPERSON.- Yes.

HON. A.M. RADRODRO.- Deputy Chairperson, just a question on the solar system; there are about 3,200 solar home systems which means 3,200 homes?

MR. P. KATIREWA.- That is correct, Honourable Member.

HON. A.M. RADRODRO.- And have they been accounted for as highlighted by the Auditor-General that the Department paid $10 million on this and as at 19/12, the items were still not being installed. That is on page 68 with the picture at the bottom.

It says there, and I quote:

“It was noted that the 3,200 solar home system equipment costing $10,803,113.88 received by the Department on 22/10/15 were not taken on charge in the Department’s inventory ledger or the tally cards.

As at the date of audit on 19/2/16 all the items were yet to be installed as the contract for the installation of equipment was yet to be finalised.”

MR. P. BAYLY.- The situation is first, because of such a huge quantity of solar panels, you can imagine what 3,200 solar panels looks like, a lot of them when they arrived because of the size, the loads, we had to store them somewhere. They were kept in sealed containers and not opened. Sir, am I on the right one - 40.17.2 or you in the other one? Are you referring to the pictures?

DEPUTY CHAIRPERSON.- Honourable Radrodro?

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

MR. P. BAYLY.- Yes, they refer to 40.17.2.

(Inaudible)

MR. P. BAYLY.- So I can confirm to the Committee, we do know about the 3,200 panels. We have got three contracts underway so two of those contracts were given to Powerlite and the other one was Omega. Todate we have got 2,444 in stock. The question is, whether we can get all 3,200 of them done by the end of this financial year and the answer is probably not. The installation, particularly up in the North, Vanua Levu area has been affected by the weather, cyclones, et cetera, so there are some delays in the programme, but they are working day and night to get it completed.

In terms of the accounting for the 3,200 we do have them in-stock, we have accounted for each of them because they have now been issued to the contractors. I do have an issue around this comment and I thank the OAG, they are correct. In my view, this container should have been opened and they should have verified both, the quality and the quantity of the items in it. That is not something we will do again because like we all know, when you receipt goods, you need to be able to look at it and inspect it, make sure it meets the requirements of what you have ordered and in this case, I think because of the numbers and the bulk of them, it was decided to lead them sealed. That is not a practice we would do again. The OAG was right to make the comment and I will tell you that, that practice will change.

HON. A.M. RADRODRO.- What company is this, OECL in Nakasi?

(Inaudible)

HON. A.M. RADRODRO.- As for the picture, why were the solar items left to be lying outside, as shown in the pictures? Figure 40.1.

MR. P. BAYLY.- We are just looking at the photograph, we do not have a coloured version. Are they poles?

In fact, I can tell you that we have been storing poles to try and help the contractors. What we have done is, we have stored hundreds of poles at the Department of Works in Labasa for Powerlite because it did not have any proper storage space.

Indeed, here at Walu Bay we have a warehouse where we store several hundreds of these solar panels as well, again, to help them store the panels securely. And I am pleased to say that they have all been removed by Powerlite and their own panels have been stored. You can imagine, each solar panel has a pole attached to it, plus all the wiring, is a huge storage problem. In fact, maybe next time around we might only get some half loads in and manage it, so the contractors can do it more effectively. But anyway, that is quite normal.

At the end of the day, we have to remember that when the panels are completed, we send a team, we go to the village, we walk around and we sign off and do the testing on each single pole, panel and wiring system. At the end of that village and only at the end of the village, do we pay the monies over to the contractor? So there is a very strict control so if a contractor is lazy and leaves these panels lying around and loses them, then that contractor has to pay. We have got one village up in the North (I just forgot the name of it) where we have had the panels stolen within the village so that has been turned over to the police. What I am doing is giving an indication of how tight this process is controlled because of of these panels does a house, a home, a family and that is why we cannot afford to lose any one of them.

HON. RATU S.V. NANOVO.- On that, Deputy Chairperson, I just want to know the method of payment; is it a one-off payment or progressive payment?

MR. P. BAYLY.- It is a progress payment so normally, it is about 20 percent upfront.

HON. RATU S.V. NANOVO.- Is the development being carried out? Is it a one off?

MR. P. BAYLY.- 20 percent upfront, then we did a progress payment and then we do a final payment at the end after the solar panels are being commissioned. Yes, six months after is a final payment and that gets us the warranty period that we take on the work to make sure because normally, if we have to get problems, you get them in the first six months so we make the final payment, six months after they have been commissioned.

HON. A.M. RADRODRO.- A question on this, 3,200, the Ministry paid $10 million for this. Why did it make a one-off payment rather than just put the risk on the supplier?

MR. P .BAYLY.- Because it is easier for us to source and pay for them, we can do a bulk purchase. This is a big order, and remember that the capital budget for the Department of Energy is about $25 million so the most expensive part is the acquisition of the materials, and we want to ensure that we get the right panels, we get the quality control and if there is any issue, the contractor can just come back to us and we have got one point of contract.

If we have different contractors acquiring different products and are we got to certify it, we are not be happy with it, then we have got issues but we want to make sure that the supplier of the panels and more importantly, the wiring that we use is of a reputable quality, and that is the most important thing. So we standardise that, we do bulk purchase, we get a discount from that, it is a more effective way and I think from a commercial sense whereas the control sense, that is still the preferred method.

HON. RATU S.V. NANOVO.- Mr. Chairman, one-off payment, especially when it is a big amount like this, what sort of security do you have to ensure that these contractors will complete the work? In other cases, they can just take the money and go away elsewhere. What sort of security do you have, to ensure that they will carry out the work?

MR. P. BAYLY.- Thank you for the question. Just through the process I have just described, once we go to market, we will contract out. Last year, we made three contracts roughly over $1,000 and one had a little bit more to make up $3,200. When we signed those contracts, I get an upfront payment of 20 percent, then we get progress payment, and then we do the final. So if at any point, one of them failed to deliver on their contract and we have a project monitoring group that are going around the country to check on their performance, check that they are not falling behind and more importantly, signing off on the ones that are being commissioned so we can pay them because they also need the cash to keep their business going as well. So we have a very active team all over Fiji. In fact, the Department of Energy, I think of all of your staff with the exception of one person who is out at the moment around the country checking on the progress of installation.

HON. A.M. RADRODRO.- Mr. Chairman, just a question regarding the security of the items that were procurred, the huge amount that was spent by the Ministry. Those items were stored at Walu Bay as highlighted by the OAG and further at the OECL warehouse in Nakasi which was not fenced and not properly secured. Why did the Ministry undertake such an exercise and cannot keep all its items that it had purchased? Why did they leave it at the supplier’s compound unsecured?

MR. P. BAYLY.- The short answer is, the supplier at that point handed them over to the contractors. We would prefer that they manage them, do the indent and stock control over it rather than us doing.

As I said, we have a warehouse down at Walu Bay, full of these items. If the security of the contractors considered is insufficient, then that is the problem of the contractors, although fair to say that these are the companies we are using – Powerlite and Omega, very substantial companies, have a very good reputation here in Fiji and we are confident about their ability to look after that stock. If they were to lose it, they would have to make good on them.

HON. A.M. RADRODRO.- The second supplementary question is, you made this purchase in 2015 - $3,200 worth of solar panels. Have they been fully installed as of today?

MR. P. BAYLY.- As of today, we have done 2,444. They were actually installed and as we are talking, they are continuing to install so that number changes almost everyday. They have got big teams right across the country, installing as fast as they can and we are pushing them as hard as we can.

HON. A.M. RADRODRO.- Is the arrangement of installation of solar panels different from gridding electricity? Are the customers levied some payment requirements?

MR. P. BAYLY.- No, there are no requirements.

MR. DEPUTY CHAIRMAN.- You may continue, Sir.

MR. P. BAYLY.- The next one 40.17.3, I think we have dealt with this already. There were some delays but I am very pleased we have to report that we have a very close working relationship with the Office of the Solicitor-General. They are turning around the contracts very quickly for us now. A lot them that have been standardised. Fortuitously it is saving a lot of time. So the reasons for significant delays were largely in part to contractual but I think we have addressed that problem.

HON. A.M. RADRODRO.- Just a question on the recovery, has the Ministry managed to recover the balance of $548,000?

MR. P. BAYLY.- Yes, it has all been recovered. That has all been written off, is it it?

MR. P. KATIREWA.- Thank you, Honourable Member for that question. As we have stated in our response, the arrears are there because there have been some issues with collection and also (I think) there had been some issues with the operational status of the systems. But I am pleased to say that the $500,000, we have recovered a fair bit of that and we can come back to you on the actual amount that we have ….

MR. P. BAYLY.- I think I can talk to that. During *TC Winston* we had a quite a long time period when solar panels were broken and communities were not receiving power, although in theory we should be charging for that period of time. We need to do a full exercise to go back and we will need to make some refunds to those customers because it does not seem fair to us that we should charge them, even though in theory they had solar home panels but they were not working properly. The amount of arrears today is just somewhat over $300,000 and falling and we have revenue collection going out throughout the country. And as part of that we are looking at this issue about what we should write off, what we should not charge customers and collect. So that is work in progress.

HON. A.M. RADRODRO.- Maybe, the Auditor-General can come back and verify that figure regarding what the PS has stated.

There is one $1,188 in Rewa in Table 40.48.

MR. P. KATIREWA.- Honourable Member, yes, if you are interested in that particular location, I think that is in Beqa.

MR. DEPUTY CHAIRMAN.- I see Rewa is quite up to date. We can move on to FEA grid extension projects.

HON. RATU S.V. NANOVO.- Mr. Chairman, in Beqa, there are a number of villages, not just Beqa, there is no village called Beqa.

MR. DEPUTY CHAIRMAN.- Perhaps, you can provide specific information about the village.

MR. P. BAYLY.- I will just give you an example, last Friday we received a call from one of the villages in Beqa, from Rukua Village, saying that their solar panels are not working so we deployed our electrician over there on Monday. That is the kind of response we are doing, talking about maintenance of these things. I do not know what particular village in Rewa in this case but it could be a number of villages involved, they are our individual customers.

40.20 – FEA Grid Extension Projects: 40.20.1 – Missed Out Schemes/Tee-offs (Seaqaqa/Dreketi Grid Extension Projects); the grid extension issue which was raised by the OAG is around any certain number of the households being connected. All I can say to this one is, FEA have a construction process and a timeline so these villages are being connected, will be connected if they have not already been connected so again, it gets affected by the priorities that happen. It not that people are going to get missed out, they will get connected if they have not already been.

HON. A.M. RADRODRO.- MOE, do you conduct internal audit process in this particular Department within the Ministry?

MOE REP.- Yes, Deputy Chairperson. The last audit that we did for the Rural Electrification Project was in 2015 where we also identified incomplete projects but some of the causes for those findings were, as you will know, when the Honourable Minister goes out they have Government initiatives and they do not necessarily have the manpower to accommodate these.

HON. A.M. RADRORO.- The audit findings you have discussed with the Ministry Officials?

MOE REP.- We have, yes, Sir.

DEPUTY CHAIRPERSON.- Perhaps, we can move on since the other issue and the response to it is the same, I am very confused about the numbers, it is appearing differently.

HON. A.M. RADRODRO.- Deputy Chairperson, just a question to the PS; can you confirm whether these remaining households will also be attended to or have already been attended to as identified by the OAG?

MR. P. BAYLY.- We can provide the Committee with an update on that.

HON. A.M RADRODRO.- 634 households, only 549? So can we be advised on that?

MR. P. BAYLY.- Yes, we can provide that update. *Vinaka*.

DEPUTY CHAIRPERSON.- Can we move on to 40.21 - Renewable Energy Development Projects. The numberings are different.. According to the OAG, it should be 40.19.

MR. P. BAYLY.- I have got 40.19.1 – Bidder Engaging Officers of the Ministry in Preparing the Tender Document; that is the one we are talking about.

DEPUTY CHAIRPERSON.- Yes.

MR. P. BAYLY.- This is a very serious issue and it has been investigated. So we will get to the bottom of this.

We believe that while there was no active collusion, we do believe it was probably more around discussions over a kava bowl but the fact is, it was named so we will investigate it and if there is disciplinary action to be taken, we will do that, so that is in progress right now.

HON. A.M RADRODRO.- …tenders provided by external companies or companies that were….

MR. P. BAYLY.- It was one external company.

HON. A.M. RADRODRO.- External, external meaning, there was no involvement of ownership where internal people ….

MR. P. BAYLY.- No. I may think it is in the nature of conversation rather than actively advising them, but as I say we will going to get to the bottom of this one, it is a very serious allegation.

DEPUTY CHAIRPERSON.- I think that matter is before investigation but it is a very serious one, nonetheless. Is this matter before the courts or it still internally….?

MITT REP.- (Inaudible)

DEPUTY CHAIRPERSON.- Internal. So since it is an internal matter, we would want to be updated on the progress and I believe there cannot be any more questions in regards to that until and unless the investigation is completed.

40.19.2 - Losses Incurred on Installation of Wind Monitoring Systems (WMS)?

MR. P. BAYLY.- This is an interesting one, it is a technical reason for this. We ordered these 34 metre tower materials. In fact, the World Meteorological Office (WMO) in Geneva came out after we had all made the agreement with the contractor not long after and they provide this as an international benchmark that they could only use data from Wind Monitoring Systems were mounted on 50-metre high poles or structures. So at that point, the contractor had been awarded contract but we did not know about that and so we requested them to go back and make good on and replace them with 50 metres, so it is part in compensation, we had to do that.

That is a normal, sort of, a commercial outcome. Unfortunately, it is just the timing of WMO. These things come out internationally at various times, we had not expected that one, but the genesis of that, this whole question, the OAG is quite right to bring it up that they seek an explanation.

DEPUTY CHAIRPERSON.- That is a very technical explanation, are there any questions?

HON. A.M. RADRODRO.- CEL, what company is that?

MR. P. BAYLY.- It is a company.

DEPUTY CHAIRPERSON.- Clay Engineering Limited.

MR. P. BAYLY.- Again, I could say to Clay Energy, a very reputable company, they do a lot of work in Fiji as you would all know, this is one of those situations that happened from time to time of being in business.

HON. A.M. RADRODRO.- What was there before this wind monitoring system was procured, was there any wind monitoring system before that?

MR. P. BAYLY.- No, these were new ones we were putting up.

HON. A.M. RADRODRO.- It was initially for 50 metre tower?

MR. P. BAYLY.- No, 34 metres, and we were required to replace that and put up 50 metres. It is a high tower, by the way.

HON. A.M. RADRODRO.- Who made the decision to change when the….

MR. P. BAYLY.- We had to comply with the WMO requirements. They said that this is a new standard, it has been applied right across the world and Fiji is a signatory to WMO. In fact, we sit on the Board, so we have to comply with that.

HON.A.M. RADRODRO.- So who made the decision to procure the 34 metre….?

MR. P. BAYLY.- The decision to procure in the contract was awarded before the WMO announcement was made.

DEPUTY CHAIRPERSON.- 40.22 - Biofuel Implementation Programme?

MR. P. BAYLY.- There are two to three issues on biofuel, perhaps, I can just take them altogether.

If I can just take you back, the Biofuel Mill Programme was established about 10 years ago. At that time it was a very good initiative and the Ministry had invested quite a bit of money, some millions in the project. The cost of oil was up here (indicating) and the cost of virgin coconut oil was about here (indicating) relative to the …

Today, we have got that situation. What has been happening over the last few years is that, the price of oil has rapidly escalated. And these nine biofuel mills are all located on islands to provide employment opportunities, as well as produce bio-diesel.

What happened was that, the price of virgin coconut oil has been rising quite rapidly, in fact, if you read the latest …. we should all be cooking with virgin coconut oils, as well as use it in cosmetics, et cetera. So the demand for copra has now switched to feeding the copra mills because they can get more for the price of their copra if they send it to copra mills. So that is completely undermined, this is taken over 10 years.

We have looked at this and last year when it started, we need to take time out on the business model, given the way that the oil prices are not expected to increase rapidly over the next few years. We have just finished a study, funded through the MOE, working with GGI and we are now going on to the process of working through a new commercial arrangement for those mills. So we are looking to convert some or all of them over to virgin coconut oil but we have got a trial going on in one of the islands with copra mills but this is quite a long study which has just been completed.

The comments that the OAG was making here about the mills not functioning, that is all part of this business. They have lost supplies, it has been re-diverted, hence the reason why we have been winding down the operations. And we did have one mill during *TC Winston* which was completely destroyed and we collected their materials up and they are now sitting back here in Walu Bay, awaiting a decision on this report that we have just had commissioned and finished.

HON. A.M. RADRODRO.- Thank you, PS, for the explanation. Just a simple question; was there a proper feasibility study for the respective nine cases?

MR. P. BAYLY.- Absolutely! As I had said, we started this programme this programme 10 years ago and all of these mills had been established overtime and each one has been subject to a feasibility study. It has been a long process of engagement with the local communities, sighting of those mills, for example, if you go to Gau it is just by that ferry jetty there, a very nice facility but simply, with the rapid decrease in the price of oil over the last couple of years, these mills are no longer economically viable in their current state.

HON. A.M. RADRODRO.- The operations in Cicia, Koro, Rabi and Rotuma, the Mill Managers were not providing the necessary sales record and reports to the Department of Energy.

MR. P. BAYLY.- That is true. There have been some measures around the quality of the data and that is another reason why I call time out on it last year when I came in because I was not happy about this business model. When you are running this sort of businesses, you need to almost run it like a small business. It is pretty hard to do them from Suva and although we have a good biofuel team here, we think we need a different commercial model to run them successfully.

DEPUTY CHAIRPERSON.- Exactly.

HON. A.M. RADRODRO.- For Government investment in this particular projects….?

MR. P. BAYLY.- Sorry, what is your question?

HON. A.M. RADRODRO.- With the amount of Government investment, I note that the next topic says demolishing and re-construction. What happens to the ones that were not in operation at the moment?

MR. P. BAYLY.- That is part of what we are doing a trial with Copra Millers Association to take over the management and running of those. We are doing the trial with, so again it is very keen for us not to lose our investment in those mills because there had been quite a substantial investment, hence the reason why we wanted to be partner with the Copra Millers to do a trial.

DEPUTY CHAIRPERSON.- Just a question out of interest; Copra Millers Limited is it part of private public….

MR. P. BAYLY.- No, it is a Government entity. So we are kind of doing this in the family.

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

DEPUTY CHAIRPERSON.- We have two issues on house wiring works so perhaps, the PS can take us through on both the issues.

MR. P. BAYLY.- 40.23 - Major/Minor Electrical House Wiring Works.

40.23.1 - Inconsistencies in Basis for Award of House Wiring Works through Expression of Interest; these Audit findings have been noted. We have tightened up on our procurement processes. There are reasons why we do not choose the lowest bid. Sometimes there will be instances where the preferred and lowest bidder from a cost basis may be over endowed with other work. We look at their work schedules and we know what they are.

We also do try and work out because we wanted to build the capability across the country. We do not want just one or two people doing it all the time so we are actively looking at trying to build capacity in the industry by supporting other private sectors operators.

I think some of the reasoning for choosing in most cases not the lowest bidder or whatever the other reasons were, is probably not being properly or well enough documented. And I would like to say that because I do not want the inference being made that it was for some other reason or to financially benefit someone. We do look quite purposefully about who is doing the work, what work they have and how we spread it out?

HON. A.M. RADRODRO.- Deputy Chairperson, just a question on the Vegetable Oil Dual Fuel Kit sets, that 19 of those would be installed. Has that been attended to?

MR. P. BAYLY.- That has been, and I think we are looking at having them installed completely by end of next month.

DEPUTY CHAIRPERSON.- Are there any questions on house wiring works?

40.23 - Bukuya Hydro Scheme?

MR. P. BAYLY.- The Project has been completed. The issue has been referred to our investigatory team, it is all part of the same thing so we can just say that there has been an investigation and as requested, we will keep you updated on the progress of that.

DEPUTY CHAIRPERSON.- So the investigations are continuing on this matter? Alright, it is an internal investigation?

MR. P. BAYLY.- Yes, it is.

DEPUTY CHAIRPERSON.- So we will request for an update on that.

MR. P. BAYLY.- We will provide that.

DEPUTY CHAIRPERSON.- 40.24 - Project Administration Issues. 40.24.1 - Roll Over of Projects.

MR. P. BAYLY.- Yes, this is all about rollovers. I think the key point is that, we are trying to do everything in the year and we have got an annual budget and we need to spend it. There are instances where we do need to rollover projects. For example, as I had just mentioned, I think we have to rollover some of our solar home system installations to budget into next year, but that is a process I have to say is well documented and a signal to the MOE. But our intention is to spend the money within the year in which the money is being granted to us as budget allocation.

DEPUTY CHAIRPERSON.- Honourable Members, are there any questions on that?

HON. A.M. RADRODRO.- Do you have capable staffing resources apart from the finance, to conduct the projects within the financial year?

MR. P. BAYLY.- We do, and we are using our contractors. Our key thing is around project managing those contractors, to make sure there is no slippage or if there are, that we are aware of the reasons. For example, on the solar home programme, occasionally we get told that the quality of the roads is not good enough to get the heavy truck up there. If we are told that, then we can talk to FRA or one of the contractors to make sure that that can be properly, especially during the period when we had all the tropic depressions and all the rain earlier this year. We have quite a lot of access issues that we had with the contractors but that is us monitoring them properly. We have got enough people and we are doing that.

DEPUTY CHAIRPERSON.- 40.24.2 - Poor Project Record Keeping?

MR. P. BAYLY.- It is true that project recordkeeping has not been great. One of the things we did do when I came in is looked at where we were filing everything. We had individual files all over the building, especially in our headquarters and what we did was, move people out from the ground floor and establish a filing system where all the Ministry stuff are all in there and it is now being managed by a Librarian.

It is quite a lot of work to get it all located. If you go into the ground floor when you go into our building, off to left you go in there and you will see a proper established library and I have to say, I think it is working a lot better, we have got them all in one place. Recordkeeping, as you all know, unless you are very disciplined about it and having them in their respective departments where people doing this on a part-time or on a no time basis, record and filing can quickly get out of hand and we are very pleased about the progress we are making. Incidentally, we are also scanning all of our historical records so we are having that on an electronic means to be able to access this data.

HON. A.M. RADRODRO.- Deputy Chairperson, just a question to the PS; I note this Audit issue may indicate that the technical officer is required to multi-task in keeping records.

MR. P. BAYLY.- That is the issue, yes, to be fair to the technical officers. In most cases, things that the librarians are not good at, that was why we said, “Right, let us put it down and centralise it and put someone there.” We have got two people in there, who are looking after it properly.

DEPUTY CHAIRPERSON.- So all the records of the projects are in one storage facility now, for all the Departments?

MR. P. BAYLY.- Yes, it is most of the ground floor in our building. You give me an idea how many filing cabinets are in there? You know that they probably would not do it.

DEPUTY CHAIRPERSON.- I believe we are on the last issue now.

40.24.3 - Composition of Tender Evaluation Committee (TEC)?

MR. P. BAYLY.- Deputy Chairperson, just very quickly on that one, I think in the past there have been some instances where the composition of the TECs have not been properly done. I can assure the Committee now that we have a representative of the Accounts, a representative of the Department of Energy and also a representative of our Department of Works. So we now have three people from three different Departments looking at this, first from the accounting point of view. Is it right from Department of Works, could this be built, given the money that has been proposed? Does it look reasonable? Also, the Department of Energy providing the technical advice to the TEC.

HON. A.M. RADRODRO.- I think the main issue is that, the Finance person is not there in the Committee.

MR. P. BAYLY.- But he is in the Committee, they are in the Committee now.

HON. A.M. RADRODRO.- Director level or Principal level?

MR. P. BAYLY.- Depends, we have Senior Accounts as well..

HON. A.M. RADRODRO.- I think you should create one Director level there to ….

MR. P. BAYLY.- We do not actually have a Director of Finance.

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

MR. P. BAYLY.- We are . This person here controls an effective a billion dollars of the Government budget at a PAO level, so that is one of the things we are looking at.

HON. RATU S.V. NANOVO.- On that, Deputy Chairperson, I just want to know how often do they meet and what is the quorum before they can meet?

MR. P. BAYLY.- They meet whenever we have contracts so they will stand up on an ad hoc basis. We establish who the committee is and they do a formal evaluation. So the processes that we will, for example, some things that come through the FPO, they will call a tender, the FPO will compile all the documentation, they will write to me as the Permanent Secretary and say that, “Here are the tenders, here are the pricing, here are everything, so we expect you to do the tender and present the tender evaluation back to the FPO”. So we do a formal submission back, recommending what we think is the preferred bidder, and then the FPO will decide on that, either approve or disapprove our recommendation, and I will give a reasons why.

In difficult situations or technical ones, like in the energy sector, frequently the Director of Energy is requested to attend those FPO meetings to provide technical input into the FPO’s deliberations on our recommendations. So it is a very formal system, particularly around how we report back to the FPO. Now, for very small contracts we will do that in-house but in most cases I have the jurisdiction to make deliberations on that.

HON. RATU S.V. NANOVO.- Do they meet every month?

MR. P. BAYLY.- More frequently, if required as required, and you can imagine in a Ministry like us, how many of these things will come in through all the time.

DEPUTY CHAIRPERSON.- Yes, considering the fact they have so many Departments, so I believe they meet as the need arises.

Are there any more questions?

MR. P. BAYLY.- (Inaudible)

DEPUTY CHAIRPERSON.- Three?

MR. P. BAYLY.- Yes, Accounts, Department of Works and Department of Energy in this case. We are talking about energy projects.

(Inaudible)

MR. P. BAYLY.- Include a Secretary, these are the three technical people.

HON. A.M. RADRODRO.- Deputy Chairperson, just a question to the PS; how many Departments do you have within your Ministry? You have a Department of Works, Government Shipping, Fiji Meteorological Office…

MR. P. BAYLY.- Corporate Services, Policy, Planning, Department of Energy, Department of Water, Government Shipping Services, Fiji Meteorological Office, Department of Building and Government Architects, Department of Works which includes three Divisional Engineers - Central, Western and Northern.

HON. A.M. RADRODRO.- Transport?

MR .P. BAYLY.- Yes, what we did was, we pulled out Transport and we formed a Policy Unit.

HON. A.M. RADRODRO.- Because I note that the OAG did not cover that, the Transport Department. Is there a reason why your transport was not covered in this audit?

MR. P. BAYLY.- It is the Department of Transport, Infrastructure and Planning Unit.

MR. P. KATIREWA.- We have actually covered the Department of Transport and all were resolved so they were not included in the reports.

DEPUTY CHAIRPERSON.- Honourable Members, I believe there are no more questions?

On this note, I thank the PS and his team for addressing the issues that were highlighted as per the Auditor-General’s Report of 2015. We understand that the Department is very technical and very highly specialised which leads to challenges in this regard, Audit issues. Nonetheless, there is always room for improvement and we are hoping that all these issues will be improved in the near future and in the current scenario as well.

Once again, I would like to thank the representatives from other Ministries, in particular MOE and the OAG for availing themselves always in giving us more insight as to the issues that we highlight so that we have as much independent view as possible on a Committee level. Once again, thank you all for your presence here today and I would like to request Sir, PS, if you have any final words before we conclude the session.

MR. P. BAYLY.- Thank you, Deputy Chairperson and to the Committee, thank you for your questions today, they were good. We acknowledge many of your pertinent questions. We have the same concerns that you do. We also note that we have got a quite a bit of stuff there that we need to provide to you subsequent to this, so we will do that.

I would just like to also thank the OAG and the MOE, and thank you Deputy Chairperson. *Vinaka*.

The Committee adjourned at 12.21 p.m.