**PUBLIC ACCOUNTS COMMITTEE**

**[Verbatim Report of Meeting]**

**HELD IN THE**

**COMMITTEE ROOM (EAST WING)**

**ON**

**WEDNESDAY, 31ST MAY, 2017**

**VERBATIM NOTES OF THE MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD IN THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS, ON WEDNESDAY, 31ST MAY, 2017 AT 9.30 A.M.**

**Submittee: Ministry of Sugar**

In Attendance:

1. Mr. Viliame Gucake - Director Sugar Industry (Outgoing)
2. Mr. Sanjay Kumar - Director Sugar Industry (Incoming)
3. Ms. Reshmi Kumari - Director Policy and Research

MR. CHAIRMAN.- Good morning, Honourable Members, members of the media, the public, Secretariat and staff. I welcome the team from the Ministry for Economy (MOE) and the Office of the Auditor-General (OAG), who are here to assist us with our work today.

As you all aware, we are in process of scrutinising public spending in terms of Government Departments and Ministries and for that purpose, we have before us today the Ministry of Sugar headed by the Director of Sugar Industry (Outgoing), Mr. Viliame Gucake; Ms. Reshmi Kumari, Director Policy and Research; and Mr. Sanjay Kumar, Director Sugar Industry (Incoming).

I welcome you lady and gentlemen to this session of the Public Accounts Committee (PAC). We will be scrutinising your Financial Reports of 2014 and 2015. You will note from the Report of the Auditor-General that your accounts have gone from unqualified to qualified. You have started off well in 2014 and there were some issues in 2015 so we need some explanations on that. I understand that you have a short presentation before we start with the questions. I will let the Director Sugar to commence his statement first.

MR. V. GUCAKE.- Mr. Chairman and Honourable Members of the Parliamentary Standing Committee on Public Accounts and colleagues from Government, at the outset, I wish to convey the apologies of the Permanent Secretary for Sugar Industry, Mr. Yogesh Karan, who is not able to join us this morning for he has another official engagement with the Honourable Prime Minister as we speak.

Before I continue Mr. Chairman and Honourable Members, I again wish to introduce the members of the team. I am Viliame Gucake, the outgoing Director, I will leave the Office by the end of next month. On my extreme left is Ms. Reshmi Kumari , Director Policy and Research and she is based in Level 4, Government Buildings, Office of the Prime Minister where the Permanent Secretary is located. On my left is Mr. Sanjay Kumar, my successor and is the Director Sugar Industry based at the Sugar House in Lautoka.

We have prepared a PowerPoint presentation on the issues raised from the Ministry of Sugar’s 2014 and 2015 Audit Reports and subject to your concurrent, Mr. Chairman and Honourable Members, we wish to proceed along that line. With your permission, Mr. Chairman and Honourable Members, I will invite my successor Mr. Sanjay Kumar to take us through the PowerPoint presentation and do you want, Mr. Chairman and Honourable Members, to intervene as issues arise for clarification or would you rather wait until the end of the presentation?

MR. CHAIRMAN.- Yes, what we will do as you go along and if the issues arise, I think it would be prudent to address it there and then so that we can have it in a minutes. So we will take it probably paragraph by paragraph as your presentation goes along.

MR. S. KUMAR.- Thank you, Mr. Chairman. Basically I will be starting with the 2014 Audit Report.

Part A: Financial Statement, 33.1 – Audit Opinion; our Audit Report was unqualified because of our stringent procedures that improved our processes.

33.2 - Statement of Receipts and Expenditure; this shows that we have a 20 percent increase and this increase was due to the introduction of the Sugar Development Programme which focussed on the preparation of sugarcane farming land.

3.3 - Appropriation Statement; the Ministry incurred expenditure totalling $18.5 million in 2014 against its revised budget of $19.87 million which resulted in the underspending of 6.5 percent which is equivalent to $1.3 million.

Sir, in the next slide you will see what our financial statement looks like which I have already highlighted in my previous slide.

33.4 - Statement of Losses; Sir, you will note that there have been no losses of money or assets reported on 31st December, 2014.

MR. CHAIRMAN.- Thank you, Director. Before you go further, 33.2 - Statement of Receipts and Expenditure as per the Audit Report, if you look at paragraph right underneath Table 33.1, it says, and I quote:

“The major components of expenditures in 2014 were the operating and capital grants of $15.6 million to the Sugar Research Institute of Fiji ($0.9 million), Sugar Industry Tribunal ($0.5 million), South Pacific Fertilisers Ltd ($5.75 million) and the Sugar Development Program ($8.4 million). Total expenditures increased by $4 million or 27%...”

By way of background, either the outgoing Director, Mr. Gucake, or the incoming Director; can we have a brief background on what each of these entities do and what are their functions? We are particular interested in the Sugar Development Programme of $8.4 million as well.

MR. V. GUCAKE.- Thank you, Mr. Chairman.

The Sugar Research Institute of Fiji (SRIF) does adaptive research for the industry research, such as developing new varieties that are:

* high in sugar content;
* tolerant to drought;
* would be able to withstand lodging in the event of floods; and
* resistant to pest and diseases.

The Sugar Industry Tribunal is the institution that provides the sounding board for the sugarcane growers and the millers under the Sugar Industry Act 1984, revised in 1985, and part of that legislation is to have a popular Master Award.

The Master Award provides the dos and the don’ts for the millers and for the growers and for the provisions where the millers and the growers do not see eye to eye, they then take those issues in writing to the Sugar Industry Tribunal. Then he will call for the representatives from the growers and from the millers, and he will try and work out a solution. But in the event there is no solution that is amicably reached, he will make a decision based on the facts presented to him and that decision is binding on the two institutions which are the millers and the growers.

Let me give you an example, Mr. Chairman, before the start of crush, the Fiji Sugar Corporation (FSC) would have done their field visit to test out which sugarcane farm or which sector is ready for harvest. I mean, there is incidents of sugar that is occurred in the cane and on that basis, FSC will advise the Sugar Industry Tribunal on the tentative crush dates, the start of the dates, like Labasa Mill will start tomorrow, so the harvesting starts today.

What the Sugar Industry Tribunal will do as per the requirement under the Master Award, is to advise the growers through the Sugar Cane Growers Council (SCGC) that; “These are the tentative dates to the start of crush for each of the Mills. What are your views, do you agree or you disagree?” The SCGC will then do its own assessment of due diligence and then report back to the Sugar Industry Tribunal.

In most cases whatever dates that are proposed by the millers, the growers the growers would go along with it, that is, for the start of crush but it is not so when the crush comes to termination. Similarly, before the crush FSC would have done an estimate of the likely volume of cane that would be crushed in each Mill. So they would monitor that figure on the basis of the cane that is harvested every week. There is cut-off date every Monday and the stakeholders are advised through a template on the volume of cane that is harvested every week until end of crush. But as it nears the end of the crush, FSC will do another assessment and based on the volume that goes every Mill, they will make an assessment of the standing cane that is on the field and the likely termination dates for each Mill.

FSC is required by the Master Award to advise the Tribunal; “These are the likely termination dates for these Mills.” The Tribunal will then advise the growers through the SCGC. The SCGC would then do its own independent assessment and normally, Honourable Chairman and Honourable Members, they would want an extension because they want every harvestable cane standing in the field to be harvested and delivered to the Mill.

Now, there is a catch to this, sugar occurs in cane from about May, it goes up the graph up to September. Beyond September, the sweetness of the cane tapers off. So from FSC’s point of view, the sooner the Mills get terminated the better for it because under the sharing of the sugar proceeds, 70 per cent of the sugar proceeds go to the growers, 30 per cent goes to the millers, and for the millers to keep crushing, every mill has got a different figure; some 3,500, some 4,000 some 2,500 tonnes of cane, it requires to be in the mill to keep it running.

Towards the end of the crush, there is sporadic supply of cane because most of it has been harvested and as a commercial decision, FSC does not see it viable for it to continue to operate the Mills, so it has to close them so that normally does not go down well obviously, with the growers.

That, Honourable Chairman and Honourable Members, is a brief on the role of the Sugar Industry Tribunal. It is independent in the sense that the Tribunal is appointed by the Chief Justice. The Tribunal then appoints the Industrial Commissioner, Mr. Brown, at the moment, who does the day to day work. The staff is about eight and they are independent, Honourable Chairman. Their operating budget is provided by Government. As I said, the Tribunal and the Industrial Commissioner do not get appointed by the Minister responsible for the Sugar Industry, they are appointed by the Chief Justice.

MR. CHAIRMAN.– Mr. Gucake, it will be ideal that all the cane is harvested and crushed between May and September to have a maximum cane?

MR. V. GUCAKE.– Or maybe October, because it is still there, but when you get to December or to January the next year, it will just be water, no sugar.

MR. CHAIRMAN.– That means the Mills must be functioning at the optimum to harvest supply, plus crush to its best?

MR. V. GUCAKE. – Yes, Sir.

HON. RATU S.V. NANOVO. – A question in regards to that, once the termination date has been given and agreed to by the Tribunal, what will happen to the standover cane that is not going to be harvested for that season, will the farmers be paid for that?

MR. V. GUCAKE.– Thank You, Honourable Ratu Nanovo. The standover cane will have to wait for the next crush. There is no provision in the Master Award for compensation for standing cane.

MR. CHAIRMAN.– What happens to the sugar content of that cane if it is passed over to the next season?

MR. V. GUCAKE.– The physiological characteristics of the cane is by end of December, there is no sugar in the cane, so the growth system starts all over again. Then we are left with the growth period from March to April, that is best time to plant cane, and the sugar occurs from April, May and June. According to the scientists from the SRIF, when there are cooler temperatures at night and higher temperatures in the day, the higher the variance, that is when sugar occurs in the cane.

Mr. Chairman, if I could just start on the fertilizers, the South Pacific Fertilizers Ltd (SPF), initially the shareholders of this Company were FSC - 40 percent, the SCGC - 40 percent and the Sugar Cane Growers Fund (SCGF) - 20 percent. The reason it was formed (I think) in the late 1980s or early 1990s was that, prior to that, the Colonial Sugar Refinery (CSR) had imported Straight Fertilizer NPK. But some studies were done and the result was that, some of those fertilizers that were imported did not augur well with our soil conditions, so that was the reason why the Government at the time decided to form this Company and soil tests were carried out, and then they configured the quantities of Nitrogen (N), Phosphorous (P) and Potassium (K). That was the reason why this company was formed, but in 2009, to blend a 50 kilogramme bag of sugar, it costs this Company $45.59 and yet, it was selling at $19.50 a bag.

MR. CHAIRMAN.– What year was that when it was $45.59?

MR. V. GUCAKE.– That was from 2009.

MR. CHAIRMAN.– So in 2009, it cost $45.59 to blend a 50 kilogramme bag of sugar, that was NPK?

MR. V. GUCAKE.– Yes, all ingredients are imported, none of them available locally, so it cost them $45.59 to blend a 50 kilogramme bag and yet, they were selling at $19.50.

I was told, Honourable Chairman and Honourable Members, that the Board at that time were majority growers, so they did not want an increase, even though the figures show that it was only a matter of time before it folded. It did not mean for Government to step in, in April 2009 with a subsidy of $9.8 million which was supposed to be for two years - 2009 and 2010, but over the years, the Bainimarama-led Government saw it fit to continue and up to now, including this year there is an investment of $66 million provided to this Company.

As part of the Cabinet Decision in 2009, Cabinet decided to increase the price to match the $19.50 to $45.59 but then Government decided to subsidise that increase of $26.09 by paying $14.09 and the growers pay $12, so now the growers are paying $31.50 from 2009. If they were to buy from outside, Mr. Chairman, it would cost about $85 to $110 a bag. But for the growers, this is always a contentious issue with them, we have received complaints that the cost is too high or the quality is substandard. I hope I have answered your question.

MR. CHAIRMAN. – Yes. The Sugar Development Programme of $8.4 million, what is that about?

MR. V. GUCAKE. – This was requested by the Ministry in 2014, Mr. Chairman and Honourable Members, to assist the growers to plant more cane because the rating capacity of our four Mills could crush 4.3 million tonnes but now, it has gone way down, I think in the last season it was 1.3 million tonnes because of the impact of  *TC Winston*. So the main objective for asking Government to provide the Sugarcane Development Grant was to encourage existing growers to be assisted in planting more cane. I think that moment, Mr. Chairman, the new plant cane versus ratoon, the percentage is about 95 percent ratoon, 5 percent new cane.

The idea in providing Government Grant so that the Government could influence the planting of the right type of varieties of cane because at the moment, there are 17 commercial varieties released by the SCRIF. But out of that 17 commercial varieties, only seven are grown by the growers and it is really up to them. We cannot force them to plant any other variety but through this cane planting grant, we are able to influence them to plant the varieties that are high in sugar, that are tolerant to lodging and the drought and those that are disease-resistant.

MR. CHAIRMAN.- We understand that the grant will only be given to those farmers who actually agree to plant the new variety.

MR. V. GUCAKE.- That is part of it, Mr. Chairman, because at a point when the Ministry of Sugar was created in June 2012, we came to know that there is a variety that is being grown in Nadroga and in Macuata, they call it the *mana dina*. It is very heavy but very little sugar.

MR. CHAIRMAN.- If you weigh it at the Mill, you get more dollars but less sugar.

MR. V. GUCAKE.- More dollars but little sugar so that was the reason why, as part of this grant, we assisted those people who are planting those, to plough them out and replace them with the recommended varieties.

MR. CHAIRMAN.- It is a good move. It takes care of the cane that was not producing enough sugar.

MR. V. GUCAKE.- Mr. Chairman, that was the reason why the Nausori Mill was closed in 1959, a lot of juice, no sugar.

MR. CHAIRMAN.- This $8.4 million, is this the one that farmers get when ploughing the land because there is a grant that is given after they have ploughed the land, they get some money and then after they have planted the cane and showed that it is about two weeks old, they get a grant, is that part of that or is it under a separate fund?

MR. V. GUCAKE.- That is correct, Mr. Chairman. We had to bring that in because we have learnt from our mistakes in previous years when grant was given outright, money was spent, there was nothing, the land could have been ploughed but planted with cassava and other crops other than cane. So that is why we had to bring in some discipline because I think they have some responsibility to play in this. It is a partnership thing, so they have to plough, plant and when the cane is germinated then they get paid the other 50 percent.

MR. CHAIRMAN.- It is an investment by the Government and they have to get the returns anyway. If they do not plant it, it is bad investment, is it not? We can move on, that was just by way of background.

HON. A.M. RADRODRO.- Sir, just a question to the Director, with all those monies that gave been handed out to the respective institutions as you have highlighted, what is the overall output in terms of the objective of the Ministry? Is it really achieving its intended output or how is it coming out?

MR. V. GUCAKE.- Yes, for the SRIF that $900,000 under the Sugar Research Institute of Fiji Act 2005, their operating budget is shared by three institutions: Government, FSC and the growers. Each of them pay equal amounts, so $900,000 the total budget is $2.7 million so each of this institution provides one-third of it.

We believe, Honourable Members, that through the number of new varieties that have been released by the institution and through the many disagreements between growers and growers and growers with FSC, we believe the Tribunal has been able to provide the solutions to keep the industry on a steady footing.

With fertilizers, every consignment of fertilizer that is blended by SPF gets sent to USP for testing and also to Australia for testing so the test results have been within the five percent variance that is acceptable in terms of quality. And I believe, Honourable Radrodro, they have been achieving their objectives. The role of the Ministry is just to coordinate their functions relative to the plans of Government and make sure that they play within the ambit of the legal framework of the Sugar Industry Act 84.

HON. RATU S.V. NANOVO.- While still on that, Mr. Chairman, we have seen huge amounts of money being poured into the industry so far. At this moment, what sort of tonnage would you be looking at for the farmers to produce in order for the industry to break even a loan?

MR. V. GUCAKE.- 2.5 million tonnes.

HON. RATU S.V. NANOVO.- What is the current production at the moment?

MR. V. GUCAKE.- As I said, Honourable Member, last year was 1.3 million tonnes because of *TC Winston* but the target this year, the estimate is about 2 million tonnes.

MR. CHAIRMAN.- That is quite close to the target.

MR. V. GUCAKE.- We have a new Management at FSC, a new Chairman and 50 percent of the eight-member Board are new, as well as a new CEO of Zimbabwean nationality who has had the experience of managing the African cane belt, the new CEO who is a local and we got him from Coca-Cola Amatil (Sydney) where he has been there for the last 19 years and a new Chief Financial Officer, whom we also pinched from the Coca-Cola Amatil. With the new Management team, they put together a strategic plan from 2018 to 2022 and I think with the blessing that Parliament has given for the increase in Government Guarantee to FSC, I am sure we have positive vibes for the industry within the next five years. It would have been different if they were brought in but they did not have the resources to make things happen on the ground so that is why we want to thank the Honourable Members for supporting the increase in Government Guarantee from $120 million to $322 million in the last Sitting.

MR. CHAIRMAN.- That was the explanation. Yes, we can move on to the next part.

MR. S. KUMAR.- Coming back to 33.4 - Statement of Losses, you may note that the Ministry did not have any loss of assets nor monies as at 31st December, 2014.

Part B – Audit Findings, 33.5 – Capital Expenditure Planning; this slide will show you some of the issues that have been picked up by the Auditor-General. The Capital Expenditure allocation basically in summary, there was a zero utilisation on the Purchase of Cultivators allocation due to the delay in the tender process and the ineffective Capital Expenditure Planning, continual review of Capital Expenditure Project which resulted in the actual utilisation of $2.1 million of the total budget of $2.6 million in the Cane Access Road allocation.

MR. CHAIRMAN.- ‘Purchase of Cultivators’, what are these?

MR. V. GUCAKE.- Mr. Chairman, these are farm tractors with five sets of implements.

MR. CHAIRMAN.- These assist in planting.

MR. S. KUMAR.- Yes, Sir.

MR. V. GUCAKE.- We missed out, Mr. Chairman, on this particular year because we had requested the FSC and the cane growers as to what type of tractors. I think the year before, the Government purchased three Massey Ferguson tractors with implements and those are being administered/managed by FSC.

The idea was to allow farmers who do not have access to tractors to use those tractors, but we found out that these Massey Ferguson tractors were manufactured, within the walls, Mr. Chairman, from China. They did not last very long so it took some time for the FSC and the SCGC to look for an alternative machine. By the time they did, the time to do the Expression of Interest had run out and that is the reason why we could not utilise this $600,000.

MR. CHAIRMAN.- These tractors are kept by the Ministry or by FSC?

MR. V.GUCAKE.- By FSC.

MR. CHAIRMAN.- And farmers can borrow it or hire it from FSC?

MR. V. GUCAKE.- They hire from FSC.

MR. CHAIRMAN.- As you mentioned, three tractors?

MR. V. GUCAKE,.- Three.

MR. CHAIRMAN.- One was kept at each Mill?

MR. V. GUCAKE.- One was supposed to be in Vanua Levu and two in Viti Levu.

MR. CHAIRMAN.- The second part of that is cane access road. You made a saving there of $2.6 million, you did not use much of that budget.

MR. S. KUMAR.- Sir, there was a saving of $400,000.

MR. CHAIRMAN.- So that means you did not use that $400,000 for Cane Access Roads. What roads are Cane Access Roads?

MR. V. GUCAKE.- Mr. Chairman and Honourable Members, Cane Access Roads are roads that would link the farm to either the point where the locos would pick up the rails, that is for rails, and there are those that transport cane from the farm to the Mill by trucks. So those roads are referred to as Cane Access Roads.

They are identified by the cane growers themselves and they decide/determine the scope of work, what needs to be done and it is used to be managed by the Ministry of Regional Development until 10th July, 2012 when someone complained to the Honourable Prime Minister as he was tipping the first truckload of cane in Rarawai and he immediately called us, the Permanent Secretary (PS) who is now the Honourable Minister for Agriculture, to terminate and transfer the remaining funds to the Ministry of Sugar.

When it was transferred to us, of course, Mr. Chairman, the query that was picked up by the Auditor-General was the shortage of staff. When we moved to Lautoka in June 2011, there were only seven people.

In 2012, that was an additional task that was given to us when it was with the Ministry of Regional Development and it used to be looked after by, at least, five people. We got the Commissioner, the DPO, the PA, DO and Assistant DO, including the Clerks, but when it was given to us we had one person dedicated for this and what we did was, we set up a three tier structure.

First, the Roads Committee was made up of cane farmers and other road users, not necessarily cane farmers but they use it as an access and they identified the scope of works. They make submissions to the Sector Office of FSC.

The Sector Committee is the second tier. The second tier is when the FSC Field Officers and the SCGC Representatives get involved; they do the vetting, inspect the Cane Access Roads, look at the condition and they either agree or disagree and make amendments to the scope of works. Then they make a submission to us, the Ministry, and I Chair that Committee with the CEO of the SCGC, the General Manager Field Activities from FSC. From my table, it goes to PS for decision.

At the moment, Mr. Chairman and Honourable Members, we have about 2,884 Cane Access Roads measuring 3,700 kilometres. You will go around Viti Levu, I think, six times, and we are getting that kind of quantum. However, we measure our effectiveness by the number of tonnes of cane standover because of poor access.

There are the reasons for standover like when we have joint ownership for a particular lease, someone is here and someone is in New Zealand or elsewhere, when you do not agree, that is part of the reason why some of the cane stand over because of that. There are a lot of factors that affect it but for us, we always measure our performance on how well we have done it on the number of cane standing over because of poor access.

MR. CHAIRMAN.- So we have the highways, we have the feeder roads and we have the community roads which are cane access roads and are basically roads that are used to transport cane from the farm to the point where they drop off the cane.

MR. V. GUCAKE.- Yes, for rails

MR. CHAIRMAN.- Or for the trucks that have to connect to the main roads.

MR. V. GUCAKE.- Yes.

MR. CHAIRMAN.- It could cross farms, it could cross compounds and other boundaries as well, Cane Access Roads?

MR. V. GUCAKE.- They could cross borders but because the beneficiaries are the users, they do not kick up a fuss as to why they cross their property.

MR. CHAIRMAN.- How do you demarcate what falls in the jurisdiction of Fiji Roads Authority (FRA) and what falls in your jurisdiction?

MR. V. GUCAKE.- Thank you, Mr. Chairman. The FRA according to the definition that they gave us, the road that is operated by bus, public transport, which is FRA-maintained. Since 2012, we have identified 191 such roads and we have handed over the maintenance of those roads to them, so the number that I quoted, 2,800 measuring 3,700 kilometres are net of what we have given to FRA.

MR. CHAIRMAN.- Can we move on?

HON. A.M. RADRODRO.- Mr. Chairman, just a comment on the explanation by the Director, it is good to know that there are some other reasons for the delays in the cane carting process. On the purchase of cultivators, what actions have you taken regarding the initial purchase, have you taken action against the officer responsible why did he go to that length and then found out that it is not working?

MR. CHAIRMAN.- You mean, why Massey Ferguson tractors were bought, the tender process?

(Inaudible)

MR. V. GUCAKE.- Yes, that was what we were advised. Then we sought assistance from the technical people, in this case we referred to FSC and the SCGC.

I suppose, the human factor in terms of being lethargic and dragging one’s feet, I think that was the reason why this dragged on for so long and by the time they identified the right factors, the time with the Government Tender Board had run out, so we missed out on the use of that $600,000.

HON. A.M. RADRODRO.- That is why …… was also not renewed his contract?

MR. V. GUCAKE.- Mr. Chairman, I will refrain from answering that question.

MR. CHAIRMAN.- Yes, I do not think it is relevant to this.

HON. A.M. RADRODRO.- Donating monies and granting to these institutions, we also have a responsibility to ensure that funds are spent well.

MR. CHAIRMAN.- The Officers who are responsible for procuring these tractors, have they been taken to task, any actions taken against them for the delay?

MR. V. GUCAKE.- No, Mr. Chairman.

MR. CHAIRMAN.- Shall we move on, probably something will come about in the 2015 Report when we see it .

MR. S. KUMAR.- 33.6 - Grant Administration; according to the OAG, the acquittal report for the Sugarcane Development Programme was not provided to the Ministry by FSC and ineffective monitoring of the Sugarcane Development Programme by the Ministry.

What the Ministry did was to strengthen its monitoring and ensure that acquittals and progress reports are submitted before the funds are disbursed to the grant recipients. So what we do now, before we release the funds to them, we ask them for the acquittals and we do not disburse them by whole sum, so we just disburse them in quarterly. That is how we have managed to control in terms of ensuring that they submit the acquittal reports. Sir, we have also appointed our officer to monitor the progress of the development report which is in conjunction with FSC.

MR. CHAIRMAN.- So who is responsible for providing the acquittals, is it FSC or the individual farmer?

MR. S. KUMAR.- FSC.

MR. CHAIRMAN.- I understand from my experience in the industry, these funds are for the ploughing and planting. The FSC will know which farmer has planted what and how much money was given to him for grant. That acquittal, FSC is supposed to provide to the Ministry. Are you saying that FSC has not been doing that?

MR. S. KUMAR.- That was the year it was introduced.

MR. CHAIRMAN.- In 2014?

It says, and I quote:

“The audit noted that the grant recipient did not provide acquittal reports….”

So the grant recipient would be the FSC?

MR. S. KUMAR.- FSC in this case.

MR. CHAIRMAN.- So there is nowhere for the Ministry to find out how much money was actually utilised for the purpose it was created for, to plant 8,080 hectares.

MR. V. GUCAKE.- No, we have the report for those, Mr. Chairman, that were provided later by FSC.

MR. CHAIRMAN.- It was provided later?

MR. V. GUCAKE.- Yes.

MR. S. KUMAR.- Yes, basically the process was, the local sum was given to them and then come next year when they requested for funding, that is the time they provide the acquittals. Basically when the Auditor-General must have done the audit at that particular moment, it was not provided but coming to the following year when they requested for the funding, that is usually the time they submit the acquittals.

MR. CHAIRMAN.- Yes, probably because we have received complaints almost everyday that the FSC Field Officers are not actually going in and looking at the farm, not visiting the farm and they would not know who planted what. But they have despatched the monies, there should be enough grant for them to reimburse the acquittals to you.

MR. V. GUCAKE.- Mr. Chairman and Honourable Members, we agree this was an area that needed improvement at the time. Since last year, we have sort of directed FSC to open a separate bank account for this particular fund because it will help in the auditing purposes because they can provide bank statements that are relative to this.

Before when cheques were made out to them it went to the operating account and, of course, it will be quite a challenge to try and trace back which one was for cane planting, which one is for wages. So that is part of the new strategy that we have put in place in ensuring there is accountability and we make sure that the funds are used for the purpose for which they were approved.

MR. CHAIRMAN.- Exactly. The Auditor-General further notes, I quote:

“Although a list of farmers provided with assistance was submitted, this was not independently monitored by the Ministry.

The Ministry may not be effectively monitoring the utilisation of government grants for cane development programs, thus could not provide assurance that the $8.4 million was used for its authorised purposes.”

How has the Ministry independently monitored whether the grants were used for their purpose?

MR. V. GUCAKE.- Mr. Chairman and Honourable Members, I agree with the queries raised by the Auditors. I go back to what we have being saying because of lack of staff but now with the Project Officers whom we have appointed since 2014 and the new appointments that were made recently, we have started on cane monitoring for the last two weeks, including a member from us, a member from the FSC who is the Cane Development Manager and a Senior Executive Officer from the SCGC.

It has taken two weeks to do the first round and the sample is about 10 growers from each of the 30 Sectors. We have done the first round, they are doing their report which will be given to us but we agree with the audit query that this is one of the areas that was not properly organised to actually inspect what is on the ground in terms of the funds utilised for this purpose.

MR. CHAIRMAN.- That is exactly what I was going to suggest that maybe one of your officers could accompany the FSC staff and have a sample of farms, going down to respective cane planting areas and actually see whether the FSC officials are doing their job, whether the farmers had planted and whether the Ministry’s funds are utilised properly.

MR. V. GUCAKE.- That is what we have done this year, Mr. Chairman.

MR. CHAIRMAN.- Good. Honourable Radrodro?

HON. A.M. RADRODRO.- Mr. Chairman, just a question to the Director regarding this grant that has been given to FSC and the reporting process; you mentioned that FSC awaits the farmers. What about the reporting process between FSC and the Ministry, is the grant released on a periodic basis or it is released one-off or what is the accountable process that is there to ensure that FSC maintains its spending of the fund according to the purpose that it was given to them?

MR. V. GUCAKE.- Mr. Chairman and Honourable Members, this year we have released the funds in instalments - the $9 million. This year the grant of $2 million was given in January, $4 million in April, we have another $3 million left that will go in June but for every release, Honourable Member, that is when we get the acquittals from them and the details go down to the name, the farm number by Mill area and the amount it was spent so that is how detailed the report is when it comes to us.

HON. A.M. RADRODRO.- The issues raised by the Audit is the independence of the report that is provided. So how does the Ministry ensure that the report that is provided is independent and is actually presenting a true and accurate presentation of what is actually presented in the report?

MR. V. GUCAKE.- Thank you, Honourable Member.

Mr. Chairman and Honourable Members, I did say at the outset that this is a partnership thing. We expect FSC to do their bit, we will do our bit and in terms of the number of staff we have, we just cannot afford to go beyond unless and until after they have provided the Annual Audited Reports at the end of the financial year which is 31st May.

MR. CHAIRMAN.- Carry on.

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

MR. CHAIRMAN.-This money will not be reflected in FSC’s book as losses because this is the Government grant given to them. FSC is going to disburse it.

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

MR. CHAIRMAN.- The losses will occur on its own operations.

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

MR. V. GUCAKE.- Point taken, Mr. Chairman. As I have said, we have already started along that line from this year.

MR. CHAIRMAN.- Can we move on to 33.7?

MR. S. KUMAR.- 33.7 - Drawings Account Balance; as per OAG’s report, there was no Board of Survey carried out for upresented cheques balance at the year-end, hence the cheque amounting to $71,549 posted to the Ministry’s allocation was not identified.

MR. CHAIRMAN.- Some cheques were issued but there was no Board of Survey done to ascertain which cheques were unpresented, is it not? What is the explanation on that?

MR. V. GUCAKE.- Mr. Chairman, there was no Board of Survey done.

MR. CHAIRMAN.- Why was it not done that time?

MR. V. GUCAKE.- Our response was that the Accounts Section was virtually a one-woman section and it was not until to a state that she appointed a Clerical Officer to assist there.

If I could just go back to when we started, we made four submissions to the Public Service Commission to provide us with personnel but none of the proposal was acknowledged, not considered until there was a change in 2015. With the current Minister for Economy when we went for budget consultation, it was then that we requested if they could consider our request for 10 additional staff and backed by the reports of the Auditor-General that we need a number of staff for segregation of duties, it was only after that, that the Honourable Minister for Economy who is also the Minister for Civil Service agreed to give us additional staff, whom we have recruited some and some will be interviewed in two weeks’ time.

MR. CHAIRMAN.- So that explains the unidentified cheques. You were not able to identify the cheques that were un-presented due to lack of staff. What about the Board of Survey, why was no Board of Survey carried out anyway, is it because of the same people who were responsible? The Board of Survey should identify your assets, your debtors and everything.

MR. V. GUCAKE.- I think for one staff, Honourable Chairman, this was the constraint that we had.

MR. CHAIRMAN.- Just a side question; is the Board of Survey now being conducted?

MR. V. GUCAKE.- Yes, it is being done.

MR. CHAIRMAN.- That was the problem.

(Inaudible)

MR. V. GUCAKE.- Honourable Chairman, I am not able to provide a response to that.

HON. A.M. RADRODRO.- Do you have the information with you?

AUDIT REP.- The Board of Survey is specifically for the Drawings Account, not for assets, it is just for the Drawings Account that was not done in 2014. In terms of the unidentified cheques, when we reviewed the Drawings Account Reconciliation, even though the Ministry had made payments, they were not recorded/identified in the Cash book so they were recognised as unidentified cheques.

MR. CHAIRMAN.- What was noted here is that, if monthly reconciliations had been done, then that would have been referred earlier but the explanation by the Ministry that their staff was not adequate in order to do monthly reconciliations. But then the question arises that now it has been done, the cheques are still unidentified or in that stage they were identified. It might be from the Drawings Account, so what happens to those cheques, are they identified or if they go stale after six months, then the person holding the cheque will not be able to cash it, it will be unpresented?

AUDIT REP.- The cheque was actually paid out but it is just a matter of recording it in the system in the Cash Book. So when they did their reconciliation, those cheques were picked out that they were not showing so those were unidentified cheques. I guess the issue is with the FMIS system and there are many factors that contributed to those FMIS issues.

MR. CHAIRMAN.- Yes, I understand that. The Board of Survey was specifically in relation to unpresented cheques. So if the person that was supposed to receive the money does not present the cheque, then the Cash at Bank will be more than what the books will show because those cheques have not been presented. That money comes back to the account or it was not being drawn so that reconciliation will not happen. What is the way to find these unpresented cheques because those persons who have been given cheques have done some sort of work for which they were paid. They were presented with the cheques, six months later they come back to the Ministry for payment, so is there a possibility to pay them?

HON. M.M.A. DEAN.- Adding on to that, Honourable Chairman, we must also take note of some of the amounts, like on 4th November, 2014 it is more than $30,000. Then on the next date it is $17,600, so that is an issue of concern. The OAG had alluded that payments were made but not identified but the unidentified figure here is quite substantial.

AUDIT REP.– It is not identified in the sense that it is not recorded in their system Cash Book, FMIS. So that is an issue that has to be addressed by the FMIS MOE on how best we can ensure that all the cheques or payments made are appropriately recorded in the FMIS and reflected in the Cash Book.

MR. CHAIRMAN.- Director, where do you record the cheques? If they not recorded in the FMIS, where are those cheques recorded, the unidentified one, in the normal ledger?

MOE REP.- I really cannot confirm actually what happened because we had to go back to get the details but in some cases if they have raised manual cheques, then it would be captured in the FMIS system.

MR. CHAIRMAN. - So where will it be captured?

MOE REP. – That, of course, they have to post it manually through the journals.

MR. CHAIRMAN. - So from your side was it posted in the journals? Because your comments at that time to the OAG was; “No comments received.” That statement or expression being given would have been clear to us that the cheques were not identified only because it was not posted in FMIs but was posted in the normal ledger.

(Inaudible)

MR. S. KUMAR.- Sir, what we do we have a register for it so we record it.

MR. CHAIRMAN.- Can you just go back and check and then advise us so that we can have it in the report because there is no explanation given at that time to the OAG. I understand you were not there, but whenever FSC writes a cheque or when the Ministry writes a cheque, anything to do with sugar is very controversial. So we have to get this noted.

HON. RATU S.V. NANOVO.- Still on that, Honourable Chairman, do you not have supporting documents in preparing these cheques, vouchers, et cetera? Those should be in the system or in the files which indicate who the cheque was made out to.

MR. CHAIRMAN. - Must be for a big purchase or big hire, $36,300.

MR. S. KUMAR - Honourable Member, we will provide those information.

MR. CHAIRMAN.- If possible, we can also look at the cheque butts, there must be some notation there.

MR. S. KUMAR. - Yes, Sir.

MR. CHAIRMAN.- Any more question before we move to 2015?

HON. A.M. RADRODRO.- Mr. Chairman, just before we move to 2015, a question to the Director in terms of productivity and production of sugar; would you be able to advise the Committee on the trend of the TCTS over the last 10 years? Also, whether your Ministry is not only looking after the farmers but also the landowners in terms of their affairs, lease payments?

MR. V. GUCAKE.- Thank you, Honourable Chairman and Honourable Members, the ratio that Honourable Radrodro alluded to, the TCTS (Tonne of Cane to a Tonne of Sugar) is a measure of efficiency both, from the field in terms of the right cane variety high in sugar and efficiency in the mills in terms of extraction. There are various efficiency perimeters that they use but for Fiji, this is the one that we normally refer to, the TCTS. The worst scenario in the Industry was in 2010 when the ratio was 31.5 tonnes of cane to the tonne of sugar but that has improved. I think it was about 8.3 tonnes but since 1968 with the figures that are available with us, Fiji has done 7.5. So the lower the figure, the better it is because otherwise it is the other way round.

MR. CHAIRMAN.- How is it in other sugar-producing countries, what is the TCTS there, if you have any statistics on that?

MR. V. GUCAKE.– Well, most of them are in the seven, Honourable Chairman.

HON. A.M. RADRODRO.- Balancing of production of $2,500 as you had mentioned earlier, what will that amount be to this ratio?

MR. CHAIRMAN.- $2.5 million?

MR. V. GUCAKE.- According to the strategic plan by the FSC from 2018 to 2022, I think the average was about 8.5 to 9.

MR. CHAIRMAN.- Any final comments before we move to 2015?

MR. V. GUCAKE.- On landowners, Honourable Chairman and Honourable Members, in 1997, that is when the ALTA leases started expiring. If my memory serves me right, we are talking about $14,131 leases and that will go till 2028. But under the initiative that the Bainimarama Government put in place in 2008, the part of the provision for the ALTA legislation, the determination of the rent is based on the percentage of the Unimproved Capital Value (UCV). I think it was 4 percent to 6 percent of the UCV.

I believe there were a lot of stories to this. When the ALTA leases started expiring in 1999, the owners were reluctant to renew the leases because they believe they were not being given the market rate for what they should receive relative to the revenue that has been generated by the industry. So the Bainimarama-led Government in 2008 established this Committee called the Committee on the Better Utilisation of Land (CBUL). Through CBUL, with the submission that was made by the iTLTB to increase the UCV from 6 percent to 10 percent and for Government to subsidise that increase of 4 percent, that happened from 2008 until now. The resultant, in fact, in terms of impact on renewal, it has increased from 47 percent in 1997 to 81 percent at the end of last year. What the Cabinet decided at the time and which continued till now, that that subsidy of 4 percent under the rental subsidy, goes directly to the landowners and iTLTB is not to deduct poundage from that funding by Government but goes directly to the landowners.

As we speak, Mr. Chairman and Honourable Members, as far as land for the industry, we believe we have sufficient land. I think the leases that we have, the area under cane is about 70,000 hectares, of which only 42,000 hectares are under cane so the balance is where the challenge is. That is why we have been asking for the Cane Development Grant, to enable those who own leases in the cane belt and who have cane contracts to participate in this by giving them the grant to be able to plant and cultivate that unutilised portion of land.

Honourable Members, I think that is where the assessment by Government in terms of the rental subsidy to the landowners.

MR. CHAIRMAN.- If I understand correctly, Director, in 1997 when the leases started expiring, the renewal rate was 47 percent and it has gone to 81 percent until last year. This has been renewed and that was based on the Government’s CBUL incentive that has put the UCV which used to be 4 percent to 6 percent and has now gone up to 10 percent. Government subsidises the remaining 4 percent UCV and that 4 percent straightaway goes to the landowner.

MR. V. GUCAKE.- … poundage and deducted by iTLTB.

The iTLTB makes a submission to the Ministry of Rural and Maritime because that is where the Chairman of the CBUL is. The PS Rural and Maritime is the Chairman of CBUL so iTLTB provides every six months every year for budget purposes, the number of leases that will be assisted and they have got their own criteria on how they arrived at the figure. That is submitted to the PS and then they come to Government through that.

MR. CHAIRMAN.- For 70,000 hectares of land that is suitable for cane, currently only 42,000 hectares is available, the challenge is to get that remaining 28,000 hectares, that will help you meet your target of 4.3 million. Any more remarks before we move to 2015?

MR. V. GUCAKE.- Could I just throw some light on CBUL in terms of renewal of leases; Mr. Chairman and Honourable Members, this has been a success but the expectation in terms of productivity, that is not the case. The renewal of leases has gone up from 47 percent to 81 percent but in terms of production, it has gone the other way. Part of the reason, Mr. Chairman, is that in August 2000, the Interim Administration by Mr. Qarase, put in place a system of assistance for those ALTA tenants who had exited because of non-renewal of lease and also those incoming tenants. So the Ministry of Agriculture established the scheme which they call the Farming Assistance Scheme (FAS).

It was $10,000 per applicant for the exiting ALTA tenants and for the incoming tenants. When CBUL was set up, the four Taskforces that were set up to go to the landowners tried and allay the fears that their leases will be taken by Government, et cetera. So the feedback came that the $10,000 was not enough. They would merely need the requirements required by iTLTB in terms of getting the lease, and there was hardly any money left for them to meet the farm input costs. So Cabinet, I think it was in March 2008, increased that allocation from $10,000 to $15,000 so that would allow the incoming tenant to pay for the lease and also give him sufficient funds to plant, at least, two hectares of cane. But that assistance, Mr. Chairman and Honourable Members, was discontinued in November, 2011.

As I said, it started with the Ministry of Agriculture but in November 2010, it was transferred from the Ministry of Agriculture to the Ministry of Rural Development but by the time we made a submission to Government in our submission of 2011 for a budget for that to continue, the advice from the Ministry of Finance and Planning at the time was that, they needed an impact assessment whether it was working or not. So I think the Honourable Prime Minister who was the Minister of Finance at the time, put a stop to it.

However, the Ministry of Agriculture through CBUL eventually did an impact assessment in August 2013. When I saw the report, it was not very convincing, in the sense that there was hardly any positive vibes reported by the people who did the review and so that saw the end of it. Leases had been renewed, tenants do not have the funds to work the land so that is why the Cane Development Grant would help them, not all, hopefully there will be some funding coming from next year, the incoming entrants to the industry.

MR. CHAIRMAN.- Under the FAS by the Interim Government, $10,000 was given to the incoming farmer or to the landowner or to the outgoing farmer?

MR. V. GUCAKE.- To the exited tenant whose lease was not renewed and the incoming, no. FAS used to be managed by the Ministry of Agriculture when they separated the ALTA Unit in Nabua in August 2000. That was part of that but it was discontinued in 2010 because there was no impact assessment done by the Ministry of Agriculture, that the Honourable Prime Minister decided to put a stop to it until an impact assessment was done in August 2013 but the report was not convincing.

MR. CHAIRMAN.- What could be some of the reasons that even after the renewal of the leases, the farmers are not planting enough cane, is it because of the lack of funds or lack of interest?

MR. V. GUCAKE.- We did try to find out, Mr. Chairman, in 2010 and 2011 through questionnaires. Out of the 26 areas contributing to their non-participation, the top was the lack of capital. Secondly, was the lack of machines in terms of tractors for land preparation and thirdly, was the lack of trucks to provide in terms of harvesting. Those were the top three. That was the reason why because I was representing the Ministry in CBUL, I was pushing for the re-establishment of FAS because of the new entrants who have leased but they do not have the funds to plant. It is all very well to say, “Go to FDB”, I mean, Honourable Ratu Sela Nanovo and myself worked in FDB. When you talk to farmers to go to FDB over a loan, it is like a noose over their neck, they do not go there. We want a grant to start off with. If you want to expand, you establish yourself, then you go to the bank or the SCGF. I think they need some assistance, they need funding, especially the new entrants to the industry. They have got the leases but they do not have the funds to start off with.

MR. CHAIRMAN.- Can we now move to 2015?

Thank you for addressing the issues of 2014. We can now look at 2015 or do we should take a break before we start 2015?

Alright, let us have 15 minutes break, Directors and Madam, then we will start at 11 o’clock.

The Committee adjourned at 10.41 a.m.

The Committee resumed at 11.13 a.m.

MR. CHAIRMAN.- Thank you, ladies, gentlemen and Honourable Members, I welcome you back to this session and we are now ready to commence the presentation of the Ministry of Sugar on the 2015 Annual Accounts.

I now request the team from the Ministry of Sugar to make their presentation on the 2015 Annual Accounts and using the same procedure, we will go along asking questions as they arise along the way.

MR. S. KUMAR.- I will be presenting the 2015 Audited Report. It has stemmed from unqualified to qualified, in 2015.

MR. CHAIRMAN.- Are you sure the Board of Survey has already been raised, it was not carried out?

MR. S. KUMAR.- Yes, Sir.

Part A: Financial Statement, 35.1 – Audit Opinion; our Ministry has been qualified due to the incomplete Board of Survey and correctness of Statement of Losses submitted by the Ministry could not be verified and the Ministry has improved on this to ensure that the Board of Surveys are completed as we have highlighted in our 2014 Audit Statement.

HON. RATU S.V. NANOVO.- Just a question, Mr. Chairman, I think in 2014, it was unqualified; 2015, it went down to qualified.

MR. CHAIRMAN.- That was what he said.

MR. S. KUMAR.- Because of the incomplete Board of Survey.

MR. CHAIRMAN.- The reason for not having a Board of Survey was again because there was lack of staff?

MR. S. KUMAR.- Due to the shortage of staff, we had only one person doing the accounts duty.

HON. RATU S.V. NANOVO.- Was your number of staff in 2014 equal to the one in 2015?

MR. S. KUMAR.- Yes.

HON. RATU S.V. NANOVO.- Then why was no Board of Survey done because you did that in 2014 but not in 2015?

MR. S. KUMAR.- There was only one staff still in 2015.

HON. A.M. RADRODRO.- A question to the MOE, have you done any internal auditing at the Ministry, and if not, why not?

MOE REP.- Mr. Chairman, the last audit that the MOE did for the Ministry of Sugar was in 2013. We did not do any audit for 2014 and 2015 due to the insufficient resources, however, we would like to highlight that the Board of Survey was an issue that was picked up in the 2013 audit and we have also checked with our Admin and we have yet to receive the Board of Survey Report for the 2016 Financial Year.

For the Drawings, we also checked with FMIS for the past six months, Drawings Reconciliations have yet to be submitted to our FMIS Section.

MR. CHAIRMAN.- For the past six months, they have been submitted.

MOE REP.- Have not been submitted.

MR. CHAIRMAN.- From this Ministry?

MR. S. KUMAR.- The Drawing Accounts.

HON. A.M. RADRODRO.- What have you done regarding the unsubmitted reconciliation?

MR. S. KUMAR.- We provided trainings for new staff. I think they have recruited some new staff so they came in the last two weeks to the MOE (FMIS) for the trainings. I think they went back and they are working on it now.

MR. CHAIRMAN.- This is just a general question, Director; the two staff that you have in your Accounts Section, are they qualified in the accounting field or are they from elsewhere?

MR. S. KUMAR.- Sir, these two staff members are basically registered as clerical officers and they are qualified based on their positions. One is a diploma graduate and the other has relevant experience working in the Accounts Section.

MR. CHAIRMAN.- They would know about FMIS, would they be aware of FMIS systems and workings?

MR. S. KUMAR.- Yes, they are well-versed with the FMIS system.

MR. CHAIRMAN.- It is not an audit query, I am just asking whether they are able to do their job right.

HON. RATU S.V. NANOVO.- Still on that, Mr. Chairman, I think in all the presentations from what the Ministry has done so far, when they talk about their budget, there is always savings at the end of the day within the Ministry and yet we hear that the short of staff is almost coming up every now and then. Why can those savings not be used in employing the additional staff that you require?

MR. S. KUMAR.- I think the issue here is that the recruitment is on hold because of the Civil Service Reforms. Although they have savings, they cannot just use that to recruit because they have to raise it with the MOE and the Civil Service on that before they can do any recruitment. So I think that is what they were saying, they were going to and fro to get the posts. I think that is the issue for all the Ministries.

MOE REP.- Also, Mr. Chairman, if I can add, we have mentioned this in our prior submissions. We can vire out but you cannot vire in SEGs 1 and 2, so the savings that we have from the other allocations, we cannot use that to employ additional staff.

HON. RATU S.V. NANOVO.- Talking about that, when you foresee that you are going to have savings at the end of the day, at least, look back at what you were lacking in before the end of the year, try and request for additional staff when the money is still there before it is returned.

MR. CHAIRMAN.- I think you have explained that in the last report of 2014, the savings were actually from the cane planting grant and it was an unforeseen circumstance. You could not have envisaged that earlier, is that right?

MR. S. KUMAR.- Yes.

MR. CHAIRMAN.- The MOE cannot move that money back to staffing, vire out, vire in, that is the problem. Yes, you may move on.

MR. S. KUMAR.- 35.2 - Statement of Receipts and Expenditure; the Ministry’s Budget has decreased by 43 percent and this was due to the transfer of SPF Grant from the Ministry’s Budget to the MOE under Head 15.

MR. CHAIRMAN.- The Grant was shifted from where to where?

MR. S. KUMAR.- From the Ministry under Head 35, it shifted to Head 50 under the MOE’s Budget.

MR. CHAIRMAN.- Who is responsible for SPF?

MR. S. KUMAR.- The responsibility remains with the Ministry of Sugar.

MR. CHAIRMAN.- Are you saying that the Grant for SPF is with the MOE now?

MR. S. KUMAR.- No, Sir, in 2015, it was transferred to the MOE and then in 2016, it came back.

MR. CHAIRMAN.- Transferred back?

MR. S. KUMAR.- Yes.

HON. A.M. RADRODRO.- A question regarding the allocation for SPF, in 2015 it was $9.15 million, meaning in 2014 it was $5.5 million. What is the reason for the huge jump, in terms of grant?

MR. CHAIRMAN.- Which table are you referring to, I cannot figure that?

HON. A.M. RADRODRO.- That was not for SPF only, the entire capital grant was reduced. The reason was the cessation of subsidy to SPF.

MR. CHAIRMAN.- Can you give some explanation on that?

MR. V. GUCAKE.- Mr. Chairman, the allocation for the request for budget for SPF is always based on the projected crop for the following year, so I think for 2013-2014, it was low whereas there was an expectation of an increased crop production and that was the reason. In fact, the request has always been $9.8 million but the funding provided by MOE was cut to $5.5 million (I think) for two years, and then it went up again to $9.7 million. The reason why it went to Head 50 in this particular year was that, it was converted into a loan, it was not a grant.

MR. CHAIRMAN.- I see the sense because the production also went down in those two years so there would be less fertilizer needed, hence the reduced subsidy.

MR. S. KUMAR.- 35.3 - Appropriations Statement; the Ministry incurred expenditure totalling $10.5 million in 2015 against a revised budget of $11.7 million, resulting in the underspending of 10 percent which is equivalent to $1.1 million. Basically the next slide will show you the details of the expenditure that is compared with the budget and the revised budget.

35.4 - Statement of Losses; the Ministry, again, has no losses on the assets as reported in the Report as at 31st December, 2015.

MR. CHAIRMAN.- Is that because of the absence of the Board of Survey? There was no Board of Survey so there was no way to identify that there was a loss of asset. OAG, is that the reason?

MR. V. GUCAKE.- Yes, because the Board of Survey was not done.

MR. S. KUMAR.- 2014 was unqualified.

MR. CHAIRMAN.- The reason there is no loss identified because there was no Board of Survey and that became a point in giving a qualified report to this Ministry, is it not? The reason that the Ministry had a qualified report was the absence of the Board of Survey and in the absence of the Board of Survey, you cannot ascertain whether there was loss of assets or not.

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

MR. CHAIRMAN.- They were saying; “There was no loss of money or assets recorded…” so those are the key words there. There could not be a recording of loss if there is none. There should be a disclaimer there as well. Let us move on to Audit Findings.

MR. S. KUMAR.- Part B - Audit Findings, 35.5 - Underline Accounts Reconciliation not being Prepared; the Ministry did not prepare the monthly reconciliation for three of the seven Operating Trust Accounts from January to December 2015. That is because the Ministry did not prepare monthly reconciliations for four of the seven Operating Trust Accounts from January to June.

In this regard, the Ministry has improved on that by reporting account reconciliation on monthly basis for all the seven Trust Accounts in 2016 and this was received in consultation with the MOE and we have also recruited a new Accounts Officer very recently.

MR. CHAIRMAN.- Those seven Operating Trust Accounts that you have mentioned what are they used for? What sort of money is kept in there, FNPF?

AUDIT REP.- Mr. Chairman, yes, these are payroll deductions where monies are put in Trust and paid out to the various institutions or bodies.

MR. CHAIRMAN.- Like, FNPF, Life Insurance, et cetera?

AUDIT REP.- Yes, that is correct.

MR. CHAIRMAN.- So why not provide a monthly reconciliation? What sort of risks are we facing?

The notation by OAG is that, and I quote:

“The audit noted that the Ministry did not prepare monthly reconciliations for three of the seven Operating Trust Accounts for the year 2015. For the remaining four accounts, the Ministry prepared reconciliations for months of July to December 2015 only. Thus, reconciliations for these Operating Trust Accounts were not prepared for the months of January to June 2015.

The audit also noted that the Ministry did not prepare any reconciliation in 2015 for Revolving Fund Account and IDC account. Refer to Table 35.3.”

What are these two accounts Revolving Fund and ITC?

AUDIT REP.- Thank you, Mr. Chairman. Revolving Fund Accounts are accounts that do not have a budget provision like a suspense account. These could include, Impress Account and Petty Cash Accounts that do not have a budgetary provision.

MR. CHAIRMAN.- Why is it important to prepare monthly reconciliations for these accounts?

AUDIT REP.- Thank you, Mr. Chairman. Monthly reconciliation would enable the Department or the Ministry to see if there are any errors or to some extent, fraud. That is why we are supposed to have monthly reconciliations done.

MR. CHAIRMAN.- But what we have saw in the Ministry of Education and Ministry of Works, reconciliations were not done in time so it leaves room for abuse. People can suck money out of those accounts. So is the Ministry of Sugar now up-to-date with their reconciliations with the appointment of their new accountants?

MOE REP.- Their operating accounts are up-to-date till April, but as we have mentioned earlier, there are Drawings and RFA reconciliation which they have not submitted from April until now.

MR. CHAIRMAN.- The Ministry, what are your comments on that, you have a new Accounts Officer there?

MR. S. KUMAR.- Yes, Sir. Just recently, our Assistant Accounts Officer was trained so she will be submitting it to the MOE.

HON. RATU S.V. NANOVO.- Still on reconciliation, Mr. Chairman, just a question to the MOE; once the Ministry’s reconciliation paper has reached your Ministry, what do you do with that? What are your obliged to do with that reconciliation paper or report that has reached your table and it comes to you? For example, the Ministry of Sugar submits their reconciliation after a month to you, what do you do with that reconciliation or what should you do with that reconciliation report that is in front of you, do you go through it?

MOE REP.- As soon as we receive the reconciliations, we check and verify. First of all it is done according to the format we are supposed to use, also their balances, normally Operating Trust balances, those accounts that should be debited, be debited and those accounts which should be credited, be credited. When we have IDC accounts or SEG accounts, make sure that the balances are cleared by the end of the year and, of course, it needs to be zero so we monitor the balances. We just do not keep the reconciliation, of course, we receive it, check and verify transactions.

HON. RATU S.V. NANOVO.- If that was done periodically on monthly basis, then there should not be any variance appearing.

MOE REP.- Again, if they do not submit the reconciliation then, of course, we …

HON. RATU S.V. NANOVO.- When they do not submit, do you follow up with them?

MOE REP.- Of course, we do follow ups.

HON. RATU S.V. NANOVO.- If you have been following up, then there should not be any outstanding.

MOE REP.- It is our following up but it depends on them if they do it or not.

MR. CHAIRMAN.- The comment by the Ministry at the bottom says, and I quote:

“The Ministry had been preparing reconciliations but was never updated due to changes in figures from FMIS reports. The Ministry will ensure that all underline accounts are reconciled and improved in future.”

What does that mean, “figures from FMIS? Ministry, if you can answer that? You are saying that the changes in figures from FMIS, that is the only reason why the accounts were not updated. From manual posting to FMIS does not change in the figures.

MOE REP.- Normally, what happens each month, FMIS provides a report to each Ministry then they do their reconciliations. So what they are saying here is, some of the balances maybe what was in the report and when they were trying to prepare the reconciliation, the balance has changed again. Of course, it normally happens at month ends because of some additional postings. Of course, , if they see any balances have changed like, they have the hard copy of the report and, of course, they have the system in front of them, they can always reconcile from the system.

MR. CHAIRMAN.- This FMIS seems to be a problem, is it not? I mean, we have been noting from the previous submissions as well, it does not adequately address cash sales or cash transactions. It is sufficient partially, and then there has been a lot of problems in almost all Ministries migrating from the old system to FMIS - misposting. You are the expert in FMIS, do you need a new system? Is it training or it is the actual software?

MOE REP.- The system is alright, it has been used for the past 10 years. It is the inputting, the human error.

HON. RATU S.V. NANOVO.- So that is where training comes in?

MOE REP.- Of course, we provide training each year, not only in Suva but we also go to the Western and Northern Divisions to provide trainings. Of course, there have been a lot of changes too in staff, people have retired, people have moved and new people have come in.

MR. CHAIRMAN.- So what the Ministry of Sugar and FSC do every year before they start off crushing, they do an induction. They tell every truck driver, everyone there, every farmer on how to do things, how to come, which door to enter, where to go out. Maybe, you could probably start off in the budget financial year, you should do an induction for these new staff.

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

MOE REP.- Before, I think PSC was doing induction. Normally, Ministries they should do their planning, like if someone is leaving, they should hand over, they have SOPs that needs to be followed. The handing over is necessary because in FMIS, we also have limited people and there are so many Ministries and Departments so each year, we cannot just train everyone.

MR. CHAIRMAN.- You must have noticed this migration to FMIS has been a problem - mispostings which is mostly human error, so that has caused a lot of accounts to have qualified tag there.

Yes, we can move forward to the next one.

HON. A.M. RADRODRO.- Regarding the recommendation, what is the status of the Ministry’s position on the recommendation that has been recommended by Auditor-General?

MR. CHAIRMAN.- Investigate the matter, ensure monthly reconciliation.

MR. S. KUMAR.- As I have said, the Ministry have started off with three of the seven that we had already submitted on that. We will be submitting the others because the Assistant Accounts Officer has recently been trained on that. Basically on that understanding, I think those same information would also be passed on to the two Clerical Officers who are there. I think from now onwards, there should not be any problem of this report not being submitted to MOE.

HON. RATU S.V. NANOVO. - Still on those recommendations, if the recommendation is given for disciplinary action to be taken and it is not taken, just imagine what will the officer who was supposed to be disciplined do. He knows; “I can just do this again because I will not disciplined.” Once discipline has been recommended, at least, some sort of discipline must be done so they can feel it.

MR. V. GUCAKE.- Just to provide an update on the recommendation ,I think the previous Accounts Officer who was there from 2014 and 2015, even 2016 his contract has not been renewed, so he has gone.

MR. CHAIRMAN. - That is probably another way of disciplining. Can we move on to 35.6 - Board of Survey, that is the crucial part?

MR. S. KUMAR. - 35.6 - Board of Survey; the Audit noted that Ministry did not carry out the Board of Survey for assets. The correctness of the Statement of Losses could not be verified. As of 2016, proper and timely Board of Surveys were done for all assets.

MR. CHAIRMAN. - So, what could be one of the reasons why it was not done in 2014 and 2015?

MR. S. KUMAR. - Sir, as I had said when responding to the 2014 Report, there was shortage of staff and in late 2015, we recruited the staff. Then in 2016, we managed to complete it because the officer was recruited in late 2015 and the benefit of recruiting the officer was realised in 2016.

MR. CHAIRMAN.- Because if it was done in 2014, you should have immediately rung an alarm bell with the PS that there is something amiss, that is why it is not done. Also, it would not have been repeated in 2015 but that was done. As soon as he fixed the problem, 2016 is alright, so that means one year of inaction.

MR. S. KUMAR. - Yes, we agree with that, but we have improved.

MR. CHAIRMAN.- Improvement is always welcome, as long as there is some. I hope that will not get repeated in the 2016 Report. Let us go further.

MR. S. KUMAR.- 35.7 - Variances in Drawings Account was due to the;

1. Ministry in not providing explanations for the variances in the Drawings Account;
2. Absence of adequate supervisory checks in the Accounts Section; and
3. Ministry having only one staff in the Accounts Section which was also realised and staff was recruited late in 2015, so that there is adequate supervisory checks. So because of this recruitment, now we have a Clerical Officer and one Accounts Officer with us. The work is being done by the Clerical Officer and was verified and checked by the Accounts Officer.

MR. CHAIRMAN. – Usually, when the Ministry makes a payment out, even if there is only one Accounts Officer he/she should be able to verify, seeing from any purchase orders, any invoice, any receipts, delivery notes, delivery dockets, that would show or indicate, at least, some form of expense incurred and they tally it with the amount at bank. The reconciliation should not just rely on that one staff but there is a whole series of things happening. The importance is that if you miss the reconciliation, anyone using those monies for personal benefit, abuse, et cetera, will not be caught. Does it really boil down to that one particular staff or there are some other issues as well? The recordkeeping is not proper or people not giving Accounts all the documents on time?

MR. V. GUCAKE. - I think, Honourable Chairman, because of just one staff handling it then.

MR. CHAIRMAN. - Yes, you can go further.

MR. S. KUMAR. - 35.8 - Unexplained Account Balances; unexplained balances totaling $3,975,515 in the FMIS general ledger under APP Surplus and Deficit Account. The Ministry is working closely with MOE to ensure that all FMIS general ledgers are checked on a monthly basis. Any unexplained account balances would be rectified at the end of each month. Sir, again, this issue was just because we have been having only staff back then and we have improved on this.

MR. CHAIRMAN.- This amount of $3.975 million unexplained, is that a surplus or a debit in your account?

It says, and I quote; “The audit noted that the Ministry had unexplained balances…”, which means there were some money in your account which is not bad, but is unexplained how it got there. Had that amount been missing from the account, it would have been a big problem. There were some variance from 2014, it increased to $56,000. Any explanation from MOE?

AUDIT REP. - This account is the equity account, 91. It is part of the balance sheet but I think the issue here which they have highlighted is the variance and the ……has increased, so I think that is the issue they were raising.

MR. CHAIRMAN.- Because in your own explanation it says, I quote:

“The Ministry of Economy explained that the balances were the net reflection of the balance sheet items under the Ministry’s general ledger. However, this could not be substantiated. This issue was also raised in the 2014 Audit Report but recommendations made are yet to be implemented.

In the absence of proper records/explanations, it is difficult or authenticate the accuracy of the balances appearing under the above allocation in the FMIS general ledger.”

So what money does that balance represent, what is it about? Usually, if it is an APP Account surplus, what sort of money is kept in there? For special projects, Ministry of Sugar?

AUDIT REP. - Can we come back on that? Normally, as I have said, it is part of the balance sheet.

MR. CHAIRMAN. - It is not to buy a vessel to transport sugar from here to Europe? That is a huge amount of money.

AUDIT REP.- Honourable Chairman, can we just explain this Equity Account. This allocation is actually where at the end of the financial year, the MOE closes off its books. So in terms of the net deficit for the Ministry, it is posted to that Equity Account so we can balance or close off the Government books.

Also in cases where write-offs are made, it is made into that allocation, so the accumulative balance is carried forward from the previous year. When any posting is done in the current year, so that is the net balance, but for that difference of $56,243, this was not properly explained. It was not provided to the auditors what is made up those.

MR. CHAIRMAN.- So it says surplus and deficit that means if there is money saved by the Ministry every year that accumulates in that account?

AUDIT REP.- Yes.

MR. CHAIRMAN.- Surplus Account?

AUDIT REP. – No. Normally, for Ministries and Departments, it is always a net deficit because their expenditure is always more than the revenue collected. You will see that this Equity Account always has a debit balance when in nature, it should have a credit balance.

MR. CHAIRMAN. - So that $3,975,515 here, is it a debit or credit balance?

AUDIT REP. - It is a debit, because it is a deficit.

MR. CHAIRMAN. - So that is accumulated deficit over the years?

AUDIT REP.- Yes.

MR. CHAIRMAN.- Alright, so that is not an actual amount of money sitting in your hands, it is just a number.

MOE REP.- That is correct.

HON. M.M.A. DEAN. - Just on that, the OAG had noted that any unexplained account balances are rectified at the end of each month. Is this statement agreeable now, that those have all been rectified according to the latest report they have submitted?

I am on 35.8, the last comment from the Ministry of Sugar where they said that any unexplained account balances are rectified at the end of each month.

MR. CHAIRMAN.- What was the question again? Are you saying that this amount, unexplained amount of $3.975 million… as explained by the Ministry….

HON. M.M.A. DEAN.- No, the Ministry of Sugar said that they are rectifying it every month, so do you agree with that, looking at the reconciliation?

AUDIT REP.- For this particular account, the Ministry of Sugar does not do any posting in it. It is the MOE, it does the posting when it closes off the Government’s books.

MR. CHAIRMAN.- MOE, are you satisfied?

HON. M.M.A. DEAN.- So it is all in order now?

MOE REP.- Yes.

MR. CHAIRMAN.- It is in order. Now you can identify whether that deficit, how it is accumulated and what it represents?

MOE REP.- Mr. Chairman, if we can just please seek clarification from the OAG on the second paragraph; I am just saying that there is an unexplained balance of $4 million whereas there is an issue on the variance of $56,000, so is the issue on the $56,000 or ….?

MR. CHAIRMAN.- The issue is, in fact, all of it because it says, “unexplained balances totalling”, so there is an unexplained balance, which is the first issue. Then that balance has increased from 2014 to 2015 which made some variance. So because it was not reconciled we cannot identify the variance and to start off we do not even know what that amount represents. OAG has explained to us that it is like a deficit account where accrued deficits from years are totalled but that is what we are assuming. We cannot see where it came from.

HON. M.M.A. DEAN.- Exactly!

MR. CHAIRMAN.- So if you can tell us….

MOE REP.- On the $56,000?

MR. CHAIRMAN.- Both the amounts, because obviously, that account is increasing over the years. OAG explained to us that it is probably the deficit account. In Ministries, usually when their expenses is more than the income, there will always be deficit so the deficits are accumulated. This is something new that I have seen in the accounts, previous Ministries do not have that. So what is that $3.975 million and how was it accumulated because if it is between 2014 and 2015, there is another amount of $56,243 added to it.

MOE REP. - I will come back to the Committee on that, Mr. Chairman.

MR. CHAIRMAN.- Yes.

HON. M.M.A. DEAN.- It is a very important information because from the Committee’s point of view, we have to do reporting. This statement is very general. If it would have said, “any unexplained account balances have been rectified”, probably we would have agreed.

MR. CHAIRMAN.- Yes, because in the Ministry’s comment, it says that the Ministry does not have access to the account and it forwarded the issue to the MOE for clarification because if we do not report on this, Members of Parliament can ask us that there was something amiss here and we have not rectified that. So please, if you can go back and then come back to us. The Ministry has already washed its hands off, so this is with you now. Considering sugar, it is not always sweet.

Director can we move on to the next item then?

MR. S. KUMAR.- 35.9 - Anomalies in Payments Processes; a few issues that have been picked up, one is the double payment of the bills. The Ministry agrees there was fund payment that has been paid double time but what we have done in order to rectify this was, the Ministry had liaised with the supplier which was Vodafone and the amount for the double payment was forfeited by the supplier. It has been corrected.

Payment made from the incorrect allocations, the Ministry had a shortage of staff, hence the Ministry has improved on the supervisory and check measures to ensure that the Ministry was provided additional budget and we also want to…

(Inaudible)

MR. S. KUMAR.- What happened was, we cannot check for the correctness of the statement because we did not have staff at that time so having a few additional staff, it would have improved now, to ensure that payments are made from the correct allocations.

The last one, three quotations not obtained for the cane access road procurement of less than $50,000, in some areas, like for the contractors, we have only one and two suppliers and in some areas, there is only one supplier so we cannot get the quotations. For example, if the area is in Ba and if there is only one supplier in that particular area who wants to upgrade the road, we cannot obtain the quotations from the other contractor in Lautoka or other areas because……

HON. A.M. RADRODRO.- That is a generalised statement, this is a specific area that has been mentioned here.

MR. S. KUMAR.- For the cane access road?

HON. A.M. RADRODRO.- Yes.

MR. S. KUMAR.- Sir, as I have said, the cane access roads are scattered around the….

(Inaudible)

MR. S. KUMAR.- Sir, there are only two suppliers. We will come back to you on that.

MR. CHAIRMAN.- Ba is my area so it is probably, more of a problem for me. I am just wondering, when the cane access roads are done around the country you might have a reasonable figure. The contractors, whilst they are from different parts of Fiji, the amount they charge for upgrading say, per kilometre or per unit must be comparative around the country, is it not?

MR. S. KUMAR.- Yes Sir.

MR. CHAIRMAN.- So when you call tenders, for example, in a place like Labasa, you might be able to easily obtain three or four tenders but in Ba, you might have only one. Do you check that that tender that have been submitted is actually comparatively close to the amount around the country, rate around the country?

MR. S. KUMAR.- Sir, what we have done is we have requested the Government Tender Board and they have approved the pool of contractors. So in terms of that, we are only seeking quotations from the approved contractors to ensure that it is in line with the Procurement Regulation.

MR. CHAIRMAN.- The reputable ones.

MR. S. KUMAR.- Yes Sir.

HON. M.M.A. DEAN.- MOE, I think we got the information that the pool of contractors system is out, the last time we discussed in this Committee whilst we were discussing about the Government quarters issue. I think it was because of conflict of interest, that is why the Ministry alluded to us that now they no longer have this what so-called Committee, but they are saying that you had approved?

MR. S. KUMAR.- Allow me, Sir, to explain when these pool of contractors were approved it was approved for, I think three years, so we were still getting the quotations from them.

HON. M.M.A. DEAN.- What is the update now? Do you still have those pool of contractors, committee?

MR. CHAIRMAN.- What he says is that, the actual issue was that only one or two quotes were obtained.

(Inaudible)

HON. M.M.A. DEAN.- Exactly, yes.

MR. CHAIRMAN.- I can tell you what, in Tagitagi there is hardly any contractor in that area.

MR. S. KUMAR.- Yes, Sir, just for clarification to the Committee, what we can do is we can provide you with the approval from the Government Tender Board on the pool of contractors. I think that will clarify the issue.

MR. CHAIRMAN.- Yes, because if you look at your explanation during that time, it says, and I quote:

“The Ministry agreed to the comments, for not providing three quotations. Moreover the program for Upgrading of Cane Access Road went through a process of Express of Interest, where the Tender Board approved a list of Contractors to work in the specific sector.

The Ministry will ensure to be in compliance with the procurement procedures.”

So the issue that the OAG raised here was that, at least, three quotations were obtained for all purchases below $50,000. But in cases where there was only one or two quotes obtained, we must have an explanation like what you said now. There were limited interests so you had to go back to the pool of contractors.

MR. S. KUMAR.- Yes, Sir.

MR. CHAIRMAN.- Something along that line and then please, let us have that information which says that there was only one interest probably, that is one quote.

MR. S. KUMAR.- Sometimes, Sir, it is like this; the contractors do not want to give the quotation and given the urgency of the work, especially in the crushing season and we cannot be waiting for the contractor to submit and we cannot even force them to submit the quotation. So based on that and given the urgency of the work that needed to be carried out before the crushing season and with the very limited time, we had to ensure that work is achieved rather than being tied up with this bureaucracy of getting the three quotations.

MR. CHAIRMAN.- Then you have to be careful with the contractor you go with because there have been cases where someone was given that contract to build the Nausori Highlands Road and dwindled $4 million from the Government.

MR. S. KUMAR.- In those cases, where there is a complaint by the contractor, we blacklist them and we do not provide any work for them.

MR. CHAIRMAN.- Good practice! That is probably why we are very few, the very genuine ones left, everyone else was blacklisted.

HON. RATU S.V. NANOVO.- A supplementary question on the anomalies in payments to the Ministry; we were advised that only one was in charge of payment within your Ministry. Is there anyone within the Ministry who again, checks his/her work to ensure that…

MR. CHAIRMAN.- …there is no double payment, et cetera.

HON. RATU S.V. NANOVO.- …no mismanagement or anything like that?

MR. V. GUCAKE.- Mr. Chairman, I think what happened in this case was that, the first payment was made on the bill. The second payment was made by another officer on the statement. The lesson is, you pay on the bill, not on the statement and as a result of that, the clerical officer has been given this duty to make payment on all utilities. I think what happened in this case, $165.28 was paid on the bill by the clerical officer and on this particular day (I think) she was absent and the accounts officer upon receiving the statement, made another payment which has since been rectified.

Further to what my successor had explained on the payment made from incorrect allocation, Mr. Chairman, this payment for Cane Access Roads of $1,900 was taken out of SEG 4 which is the training vote. The reason was that the work was quite urgent but the RIE) for the Cane Access Roads was not released which is SEG 8. I think what was overlooked was the raising of the journal to correct this until it was picked up by the OAG when they did the audit.

MR. CHAIRMAN.- We move on to 35.10.

MR. S. KUMAR.- 35.10 - Audited Acquittals of Grant to Sugar Research Institute of Fiji not Provided; the OAG picked up that SRIF’s audited financial reports were not provided to the Ministry before the funds were disbursed.

I just want to inform the Committee that they are now complying with it and their auditor is, I think, Ernst & Young.

MR. CHAIRMAN.- This is a general question; SRIF has now been dissolved, it is not part of FSC?

MR. V. GUCAKE.- It is still intact, Mr. Chairman, even though the suggestion to move it to FSC is part of Bill No. 19, it still has the Board, it still has an Acting CEO and still existing as an entity.

MR. CHAIRMAN.- You are also part of that board, I believe.

MR. V. GUCAKE.- I have been removed in the last three years.

MR. CHAIRMAN.- So on the acquittals, if the Board is there as well as the CEO is there, then why there no acquittals provided?

MR. S. KUMAR.- The issue is the audited statements. From now onwards, we only release the funds if they provide the audited statements.

MR. CHAIRMAN.- Are they doing that now?

MR. S. KUMAR.- Yes, Sir.

MR. CHAIRMAN.- What could be a reason they were not auditing it for three years? Since your transfer, they were not doing it?

MR. V. GUCAKE.- Mr. Chairman, to be honest, I just do not know how this payment was made without the consideration through the provision of the audited financial statements to the Ministry. .

MR. CHAIRMAN.- Because there was an agreement in place which said under section 7.2 of the Agreement that they were supposed to provide audited financials. It says, “The finding shows the laxity of the Ministry in not enforcing the provision of the agreement to submit audited financial acquittals prior to release of grant monies.”

Recently, the CEO was also discharged, was he not?

MR. V. GUCAKE.- He has been sent on leave, Mr. Chairman.

MR. CHAIRMAN.- Probably, one of those reasons.

MR. V. GUCAKE.- Pending investigations.

MR. CHAIRMAN.- Under his command, the acquittals were not provided and the total of $3.6 million was given to them over the four-year period. They were not providing acquittals and it is a very important function that SRIF does, as you had mentioned it earlier, Director. I do not know whether they are doing their part right or not, but they are not providing acquittals.

This institution is the one that recognises or tests the breed of sugarcane that is supposed to be planted, fertilizers, soil testing, they also probably test the sugar content, particular breed, the drought resistance, et cetera, and it is an important arm of the sugar industry. So if they are not having their house in order themselves, we cannot expect much from them., But now you are saying it is in order, probably the new CEO came in, has “cracked the whip” a bit, has he been there for long?

MR. V. GUCAKE.- Yes.

MR. CHAIRMAN.- Any questions in that regard, Honourable Members?

The recommendation by the OAG was, and I quote:

“The Ministry should ensure that provision of section 7.2 of the agreement for audited financial statements to be provided by SRIF is adhered to”.

I think they are doing it. The Ministry has now enforced that agreement, with two additional staff.

What is AAO and CO?

MR. S. KUMAR.- Clerical Officer is CO and AAO is Assistant Accounts Officer.

MR. CHAIRMAN.- Honourable Members, that brings us to the end of the 2015 Accounts of the Ministry. Any further questions or comments? There being none, any final comments from both the Directors and lady, if you wish to make any?

MR. V. GUCAKE.- Mr. Chairman, Honourable Members and colleagues from the OAG and MOE, I would like to echo our appreciation for the opportunity given to us to appear before this august Committee this morning. We will certainly update and brief our PS on the proceedings this morning and as I shared with you during tea, I am glad that my two Directors who would look after the industry after I leave, have been exposed to the kind of questions and the deliberations of this august Committee. I am sure they will take on board the learning points from this morning’s deliberations.

We will certainly get back to the Secretariat on those issues that we need to provide in writing soon and on behalf of our Permanent Secretary and my team, I would like to say, thank you very much for the opportunity this morning and the cordial exchange we have this morning. *Vinaka vakalevu*.

MR. CHAIRMAN.- *Vinaka vakalevu*, team from the Ministry of Sugar headed by the Director, Mr. Viliame Gucake; Director Reshmi Kumar and Director Sanjay Kumar for your appearance this morning and afternoon. Thank you for the open deliberations and you were frank enough to admit where the errors were and I hope in the future reports that we will handle, it will all be clean and clear, we will not have any further problems.

There were very few, in fact, you were one of the Ministries where there are very few pages that we had to deal with and you have provided a lot of background also on the industry that has helped us, and I think that has helped my colleagues, the Honourable Opposition Members as well in their coming to Parliamentary sitting.

I wish you all the best, Mr. Kumar and Ms. Kumari; also the best of luck for your retirement, Mr. Gucake, and hope you have a pleasant time with your grandchildren in your retirement.

MR. V. GUCAKE.- *Vinaka*, Mr. Chairman, thank you very much.

MR. CHAIRMAN.- Thank you very much.

The Committee adjourned at 12.05 p.m.