**VERBATIM NOTES OF THE MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD IN THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON THURSDAY, 8TH JUNE 2017 AT 9.31 A.M.**

**Submittee: Republic of Fiji Military Forces**

In Attendance:

1. Brigadier Aziz Mohammed – Deputy Commander
2. Commander Lepani Vaniqi – Director Finance, Logistics & Acquisition
3. Ms. Talei Hicks – Chief Staff Officer Finance

**----------------------------------------------------------------------------------------------------------------**

MR. CHAIRMAN.- Good morning Honourable Members, members of the public, media, team from the Auditor-General’s Office and Ministry of Economy. Today we have for presentation this morning the team from the Republic of Fiji Military Forces, one of the essential arms of security for this country. They are here to assist us in an important task that we are taking on behalf of the Government and Parliament and that is to scrutinize their financials for 2015 and for that purpose today we have before us Brigadier Mohammed Aziz, Commander Lepani Vaniqi, Chief Staff Officer Ms. Hicks and we also note the apology of Rear Admiral Commander of the RFMF who is away in Kadavu, as I was advised by Brigadier Aziz. I welcome you gentlemen and lady before this Public Accounts Committee meeting.

We are scrutinizing the RFMF accounts as reported in the Auditor-General’s Office. On my left we have the team from the Auditor- General’s Office who are here to assist us with any questions. On my right we have the team from the Ministry of Economy. I believe you are familiar with the team of the Public Accounts Committee. On my left we have the two Opposition Members - Honourable Ratu Sela Nanovo and Honourable Aseri Radrodro and on my right Honourable Mohammed Abe Dean the Deputy Chairman of this Committee and we also note the absence of the Assistant Minister for Health, Honourable Alexander O’Connor who is away for ministerial duties.

So, without taking further time, I now request the team RFMF to make their presentation before we revert to questions. The format that we apply is that we go section by section and we put the questions after each section so that notes can be taken appropriately. Thank you Brigadier, you may now continue.

BRIGADIER A. MOHAMMED.- Mr. Chairman, Deputy Chairman, Honourable Members, my friends from the Ministry of Economy and the Auditor-General’s Office. Sir, with your concurrence what we are asking is the first part, Part A, is adequately addressed in Part B of the answers which we have prescribed. If we could just go into Part B because Part A is only of opinions in nature.

MR. CHAIRMAN.- Of course, we will take it that way.

BRIGADIER A. MOHAMMED.- Sir, may I firest draw your attention to….

MR. CHAIRMAN.- Yes, if there are any questions at the end of it, we will come back on that part.

BRIGADIER A. MOHAMMED.- There are two documents we have presented, one is the answers or clarifications and the other is the actual attachments that is associated to our answers. If we may address paragraph 19.5 first - Anomalies in the Operation of Engineers Project Trust Fund Account.

Sir, the Engineer Project Trust Fund Account is used to facilitate projects funded by the Prime Minister’s office. The funding that is provided was to accommodate the administrative contingency and the rations that are utilized by deployed troops.

Administrative Costs: These are costs related to troops’ welfare, mobilization to the sites and the procurement of skilled tools which are required for each project. The contingency costs are precautionary measures for any increase in estimates that may arise whilst undertaking the project and the ration as it states is to do with the provision for troops that are deployed. Sir, it should be noted that the PO for materials that were issued was directly from the PM’s Office to the hardware suppliers. Over time the ministries and NGOs also utilize the services of the engineers for their community based projects.

Funding was different from the PM’s Office projects in that it included material costs. Thus the RFMF engineers were required to issue POs for the procurement of materials and payments processed upon receiving this invoice. Once a project is completed any balance of money is returned to the sponsor with acquittals. The RFMR engineers’ project engagements are part of the Force’s social obligation and commitment to nation building with no profit dividend.

On the recommendations of OAG, the RFMF has taken steps to regularize the accounts and has undertaken the following:

1. It firstly conducts a reconciliation exercise on the account which has been completed to February of this year.
2. Bank reconciliations are completed and statements sent to Ministry of Economy on a monthly basis and that is evident through Annexure 1 of the documents that has been provided.
3. Funds for new projects are now receipted and operated on SLG84 pending the opening of a Trust Fund Account in FMIS.
4. Reconciliation statements for projects operating under SLG accounts are submitted to the ministry on a monthly basis.

That again is evident through the approval, it is noted at Annexure 2 of the documents that we have submitted.

RFMF has applied to the Ministry of Economy to operate Trust Fund Account and approval was granted in principal by the Ministry on 19th May this year. Again the approval is annexured in the documents that we have given.

As required, the RFMF is working on developing the financial guidelines that is a Charter for the Trust Fund that will now be operational and to look at the appointment of trustees that will oversee the signing of benefits for the procurements made for projects. This exercise we are hopeful will be finalized by the 31st of July this year and the funds will be recorded in the FMIS as a Trust Fund Account from then on.

Mr. Chairman, that is what I have in answer for paragraph 19.5.

MR. CHAIRMAN.- Honourable Members, any questions on 19.5 before we move on to the next section? So, what we will do Brigadier Mohammed is that we will allow you to continue with your submission towards the end and then we will take the questions from one end.

BRIGADIER A. MOHAMMED.- Thank you, Mr. Chairman. In regards to the issues that were raised in paragraph 19.6 - Anomalies noted in the Trading and Manufacturing Account (TMA). We note and agree that the RFMF will ensure that external auditors are invited to undertake an annual stock take. This was just an oversight and we will be regularizing that.

In terms of paragraph 19.7 - Operating Trust Fund Account as mentioned in the management comments, the initial reconciliation statement was compiled from 1st December General Ledger (GL) Report. This first reconciliation statement act as a guideline for adjustments for any mis-postings. The final operating trust account reconciliation for December 2015 with full details of balances was submitted to the Ministry on 11th February, 2016. The figures corresponded with the final GL Report. This is contained in Annexure 5 of the documents we have provided. The bottom line, all the accounts had fully reconciled.

Mr. Chairman, 19.8 - Items Not Taken on Charge. This is an ongoing issue for RFMF and it is attributed for the following reasons. We have a high turnover of staff due to peacekeeping deployments and training. There is a rapid turnover of stock especially with ration, uniform and personal kits. Having said that, we acknowledge these issues and have since posted civilian Accounts Officers to the Logistic Support Unit (LSU), to the Navy and to the Engineers to oversee the procurement and store process.

Further to management comments, the Force has recently revised the Standing Orders Volume II which covers Stores Management that was last revised in 1998. In time the inventory management cell of RFMF will verify and monitor our tally cards balance on a regular basis. Furthermore, the RFMF has strengthened its internal audit to cover more audit areas by employing two more qualified civilian auditors this year.

Sir, in front of me I have volumes of logistical and store process that we are going to implement very soon. These are the documents that have been compiled and it is currently under vetting to streamline and basically bring in better practices to the process.

MR. CHAIRMAN.- What are those documents Brigadier again?

BRIGADIER A. MOHAMMED.- For one this is the RFMF logs supplement 1, Sir. This will deal with the stores accounting. This will be the RFMF procurement, it gives guidelines of what is to be done. It is now adhering to the other regulations and guidelines that are present and we have incorporated that into these volumes. This is the RFMF Finance Manual, Sir, it goes on rations for catering, transport, medical and we have even considered the Naval Division.

MR. CHAIRMAN.- It is like a rule book.

BRIGADIER A. MOHAMMED.- Yes, Sir.

MR. CHAIRMAN.- Very impressive, that has really improves the store and management.

HON. A.M. RADRODRO.- Mr. Chair, just a question to the RFMF. Those rule books, how different are they from the Force Standing Orders?

BRIGADIER A. MOHAMMED.- Sir, the Force Standing Orders is an old document that was first incepted in 1975. These volumes now incorporate the Financial Regulations that has been recently legislated, financial administrations that all had been incorporated into these documents. These has now become the most recent volume. It incorporates all these things. Basically, this revises the Standing Orders.

HON. A.M. RADRODRO.- When was this effected?

BRIGADIER A. MOHAMMED.- This is currently being revised by the legal personnel, it has not come into full effect. Now it has been vetted currently.

HON. A.M. RADRODRO.- So currently whilst that is still being vetted, the Military still using the Force Standing Orders, is that correct?

BRIGADIER A. MOHAMMED.- Yes, Sir.

HON. RATU S.V. NANOVO.- Still on that, Honourable Chair, have you sent a copy of that to the Ministry of Economy to ensure that you work in line with what they have got?

BRIGADIER A. MOHAMMED.- Sir, in practice we will. Once we have vetted all these documents, it has gone through the scrutiny of our management , our legal personnel, et cetera, a copy will be provided to the Ministry. In the past we have given like the Finance Manual that was first incorporated two years ago, we did provide them with a copy. I believe that copy itself has become a guideline for other ministries to follow.

HON. A.M. RADRODRO.- Mr. Chair, in that particular audit issue on the items not taken on charge. The auditor’s identified the respective sections which has not taken on board the items that were procured in 2015. Supplies - $87,000, Logistic Support Unit - $649,000 so totalling of $854,241. The auditors have gone further to say that poor record keeping of stores was due to general lack of supervisory checks.

MR. CHAIRMAN.- We will come to the question,, first we just clarify this rule book. When he finishes the submission, then we will come back to the questions.

Brigadier, we will continue with the submission then we will ask pertinent questions at the end.

BRIGADIER A. MOHAMMED.- Thank you, Sir. So on 19.9 - Purchase Order not issued Prior to Service Delivery. In addition to the management comment, it should be noted that some of these transactions were made during the closing of account period whereby the issuing of POs were closed. However, due to the urgent needs items were received. Currently, monthly reminders are sent to all cost centres to regularly clear, purchase orders and liabilities before the end of each fiscal year whereby all open purchase orders are cancelled in the FMIS system.

Mr. Chairman, 19.10 - Unauthorised Procurement of Uniform Accessories. Sir, the Government approved the deployment of 500 troops to Syria in the year 2013. The first chalk of 130 troops were deployed in June of that year, the rest of the troops followed in batches. Due to the urgent and rapid deployment of troops stock available for personal issues were unable to cater for the total requirements. Three competitive quotes were obtained, the purchase of uniform accessories were made from the supplier because the items were required immediately. Items met all these specifications required and were in stock. The other two suppliers did not have stock availability. LPOs were issued on some of these items but were cancelled due to the financial year end exercise whereby all open purchase order in the FMIS system were cancelled before the end of 2013 fiscal year.

In 19.11 - Planned Capital Projects not Undertaken. The Life Extension Programme of the Naval vessels. The progress of the LEP project was however currently hampered by the departure of the project manager, Mr. Charles **Owen** , the Australian Project Consultant who had vast experience in PPBLEP.

Sir, the sanction by the Australian Government on all assistance rendered to the LEP project by all Australian commercial companies that the Fiji Navy was engaged, given that the vessel was built in Australia and had all the spare and maintenance part of the projects. So the Navy was finding it difficult to identify suppliers. The Fiji Navy was left with no choice but to seek other alternatives service providers locally to carry out the project. Given the magnitude of the project and the cost involved, proper due diligence had to be done apart from the extensive search from reputable naval architectural, engineering and associate technical expertise to be engaged for the project.

This process took the Navy approximately some months to establish and it took another extensive period of time to carry out their administrative work as preparing the scope of work, drawing up the MOU and vetting by the Solicitor-General’s Office took time. The timespan took to complete all these activities exceeded the Government financial year. It was unfortunate that funds cannot be rolled over for the next fiscal year. These are main circumstances and reasons the Fiji Navy did not fully utilise the budget funds for the LEP project. With the resumption of the military relations, the ADF has continued where they laid off on LEP and thus have sea lifted the *RFNS Kikau* to Australia this year for a LEP refit works.

Construction of the seawall at the Naval Training Base, a prerequisite requirement to the upgrade of seawall project was the geo-tech assessment work, environmental assessment and other similar assessment works by the relevant ministries that need to be carried out on site. This was not finalised in 2015 hence the non-commencement of the project by the firm that should undertake the upgrade work. The timespan took to complete all these activities exceeded the Government fiscal year and it was unfortunate that the funds could not be rolled over for the next fiscal year.

Black Rock Integrated Peacekeeping Centre: We have put a comprehensive statement in the comments to the Auditor- General, but adding on, Sir, RFMF has commenced on processing the invitation for tender of the Black Rock Project in early 2015 and all other obstacles which hindered the process such as, in late February 2015 Government policy changed by separating the tender process for the design of the project and the actual construction or building phase. This would mean an average of three months duration for processing bids to design before a successful bidder is selected.

Secondly, upon awarding the contract, the successful bidder would need an additional 45 weeks before the final design is ready for submission. From the time the tender was advertised till the final designed product is made available, it would take a total of 13 months to complete. So, therefore the final design would be available by the end of June 2016. It is totally impossible for the RFMF to utilise the money within the duration.

Thirdly, once the final design was available, the Force can commence with the tender process which is from July to December, 2016 for the construction or implementation phase of the project. Only then can the Force utilise the money again which was allocated for the project.

Overspending in projects undertaken by the Force Engineers: The RFMF Engineers who were committed to completing phase 1 of the project work as leaving phase 1 construction partially completed would have caused the existing work to deteriorate when subject to weather. We are talking about the hospital in Rotuma here, Sir. Furthermore, the cost of mobilising the troops and equipment to and from Rotuma would have been a more expensive exercise.

The Ministry of Health has reimbursed the overspent amount on 2nd June this year. To address the budget spending RFMF is in the process of appointing a civilian staff to oversee the managed project budgets. Sir, it is a very daunting task to get materials and equipment to Rotuma with the limited service that is available. The decision was made that if we had bought those equipment back and retaken them, it would have cost us more than what we had spent.

So, in good management practice, the personnel there decided to continue with the phase and complete the work that was required. Sir, finally the LPO raised only to regularise payments. We acknowledged observations by the OAG’s office and we will no longer raise POs to regularise payments and as mentioned in the management comment, we will ensure that proper procurement procedures are adhered to at all times and respective purchasing clerks had been informed accordingly. So, those are our comments and answers to the issues that were raised.

MR. CHAIRMAN.- Thank you very much Brigadier Aziz, the Deputy Commander of the RFMF for your presentation this morning. You explanations on the audit findings have been thorough, however, I believe the Honourable Members have some questions in regards to some of the aspects. What we will do is, we will take the questions from Part A, section by section and if there is anything that you wish to address later in writing or something that is confidential in nature due to the service that you provide, which is the security of the nation, you may then address that in writing to us.

So, the first set of questions would be on Part A – Financial Statement. We had noticed that you have received a qualified audit opinion and that was primarily due to the RFMF Engineers Project Fund which you have explained in detail in your submission. Honourable Members any questions in that regard?

HON. RATU S.V. NANOVO.- Mr. Chairman, I just want to take us back to that year, 2015. Those receipts that were not taken into account $1.9 million and $2.9 million; the total of that comes to almost $5 million ($4.9 million). I just want to know why was that not taken into account when you were working on your accounts for that year. Why were those two accounts not included? What was the situation then that led to that? Thank you.

MR. CHAIRMAN.- Sir, there are some comment on that on 19.5 of the submissions.

BRIGADIER A. MOHAMMED.- Sir, can I ask Madam Hicks to assist, please.

MS. T. HICKS.- Thank you, Mr. Chairman. It was $1.9 million in receipts and $2.9 million in payments. It was not a total of $5 million in receipts. Having said that, the query is that it was not reported under FMIS and that is what we are regularising now.

HON. A.M. RADRODRO.- I think just elaborating further on the question, why was it not done then? Why was the regularisation not done in 2015?

(Inaudible)

HON. A.M. RADRODRO.- Management comments but in terms of the administration within the RFMF for the recording of these receipts and payments in the FMIS General Ledger. Were you able to do it at that time and it was not done or what was it that made it not recorded?

MS. T. HICKS.- Sir, we acknowledge that this was account was not part of FMIS and that is why we had undergone this exercise to bring that account into FMIS.

HON. A.M. RADRODRO.- Auditor-General, this particular audit issue that you raised, you stated that is should be recorded in the FMIS whilst the RFMF has stated that it is not part of the FMIS.

AUDIT REP.- Yes, Mr. Chairman. It was not recorded in FMIS. It was part of Government fund from ministries to RFMF but the issue was that, they were not recording it in the FMIS.

HON. A.M. RADRODRO.- What should be the process?

AUDIT REP.- It should be captured in the FMIS. They were keeping their own ledgers but when it is not recorded in the FMIS, when the Consolidated Whole of Government account is prepared, that fund was left out.

HON. A.M RADRODRO.- (Inaudible)

AUDIT REP.- Yes. It would not form part of the Whole of Government Trust Account.

HON. RATU S.V. NANOVO.- Still on that Mr. Chairman, were they informed at that time of what you are telling us now.

AUDIT REP.- Yes, Mr. Chairman, it was raised and they are working on it in the 2017 accounts to be included.

MR. CHAIRMAN.- So, what is the current practice, currently it is recorded properly in FMIS?

AUDIT REP.- It should but it was not.

MR. CHAIRMAN.- At that time. If you are aware, what has been done now?

AUDIT REP.- In our last audit we had verified that they were working on it as per the comments to be included in the FMIS.

MR. CHAIRMAN.- All right. So, in future accounts we hope to see that in FMIS.

AUDIT REP.- Yes

MR. CHAIRMAN.- Honourable Members, anything on 19.2?

HON. A.M. RADRODRO.- Just in addition to that, Mr. Chairman, would it be safe to say that the total receipts and total expenditures by RFMF in this particular year were both understated in the FMIS?

MS. T. HICKS.- That is right, Sir.

HON. A.M. RADRODRO.- How you are going to regularise this understatement of payments and receipts that were utilised by RFMF but not recorded in the FMIS ledger? I think that is basically where the audit point is coming from. They spent the money and receipted but it is not recorded in the FMIS which is the Government ledger.

MS. T. HICKS.- That is what we are currently working on, Sir.

HON. A.M. RADRODRO.- (Inaudible) to these expenditures that were undertaken .…

MS. T. HICKS.- Our first step, Sir, is to put it into the FMIS to get approval. Yes, in principle we just have two issues that we will have to sought out and then ....

MR. CHAIRMAN.- So that means the actual records are in your general ledger?

MS. T. HICKS.- That is right.

MR. CHAIRMAN.- The records are in the physical documents?

MS. T. HICKS.- It is not in the FMIS, it is in our commitment ledgers.

MR. CHAIRMAN.- So commitment ledger will tally with the receipts and expenditure.

MS. T. HICKS.- That is right.

HON. RATU S.V. NANOVO.- Will that explanation for that year be acceptable to OAG?

OAG REP.- For that we will verify in our next audit.

HON. A.M. RADRODRO.- But the 2015 accounts has been closed so how will you regularise the 2015 expenditures to actually reflect the spending and receipts.

OAG REP.- Thank you, Honourable Chair. The expenditure that we are talking about here are recorded in the different Ministries expenditures when they paid for projects that were to be carried out by RFMF. What we could not verify was the spending by RFMF but in the Financial Management System, expenditure has been recorded from the ministries. When the money was paid to RFMF they recorded that as their expenditure but the issue here is that when RFMF spent the money they received from other departments, which is what we could not check.

HON. A.M. RADRODRO.- Ministry of Economy, in what sort of situation are funds being transacted but not recorded in the FMIS ledger especially for trust. Is there a situation that allows that or how was RFMF allowed to transact this without recording it?

MOE REP.- Thank you, Honourable Chair and Honourable Members. RFMF was not the only Ministry that had left out some of its trust fund recording in the FMIS. There were other ministries too that were found and had been advised to bring in their accounts into the system because that is the only way that is it reflected in the Government Accounts and thanks to the RFMF they are working on it now. For previous years, as the Honourable Ratu Nanovo was enquiring, we still have to discuss that with the Office of the Auditor-General. The last option we have is we might just have to refer it to equity, transferring the income and expenditure and record it in equity for those ministries that have yet to bring n their accounts into the system. Thank you.

HON. M.M.A. DEAN.- Honourable Chair, we have observed that the recording in the FMIS system is something that most of the ministries are facing as a problem. So, nonetheless we do agree that a similar situation must be faced by the Military as well. Just moving forward, a question to the officials of the Military, these new financial guidelines that you have designed and formulated, does this address these issues and problems?

BRIGADIER A. MOHAMMED.- Sir, the issues that are pertinent to this led us to write and seek guidance and also approvals for the creation of the trust account which we now have said we have got concurrence for. We have appended that in the documents we have supplied. There is a requirement of two things for us to do, they are quite big issues. One is to create a charter which is basically the guidelines although it is literally said as a guideline but it is a formal legal charter which will set the perimeters of the operation of the accounts which we have stated in our submissions are in the process of doing. But we are thankful for that approval, and we believe that we will regularise the issues that were raised by the OAG in the audit.

HON. A.M. RADRODRO.- Mr. Chair, just a question to the Ministry of Economy. In terms of trust accounts, who is responsible for the updating into the FMIS; is it the ministries and departments in this case RFMF or is it the Ministry of Economy?

MOE REP.- Honourable Member, it is the respective Ministries and Departments that operate the trust fund accounts. Once the trust fund account is activated in the system, they operate the processing of the payments or receiving of income from their end. By reflecting into the system otherwise if it is not set up in the system then it is out of the Government Financial system.

HON. RATU S.V. NANOVO.- On that, Honourable Chair, I would like to take you back into 2014 or 2015 regarding this account. Did you conduct any internal audit on the RFMF in order to rectify that based on the explanation that you are giving to us now?

MS. M. NAISARA.- Thank you, Mr. Chair. The last internal audit that was conducted for RFMF was for the period 2016. We did .…

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

MS. M. NAISARA.- Mr. Chair, there was not any audit conducted in 2015 but we did highlight this issue in our last audit for 2016.

HON. A.M. RADRODRO.- Why was there no internal audit prior to 2016?

MS. M. NAISARA.- Thank you, Mr. Chair. It was due to the lack of resources that we had in 2015. The audit was not conducted for the RFMF but we did conduct the audit in 2016 and we did highlight the issue that is in discussion now.

MR. CHAIRMAN.- The FMIS is a consolidated accounting system for the whole ministries. Individual ministries keep their respective accounts and when they post it on FMIS it becomes a same language that all the ministries speak for the Ministry of Economy to read through and see if they are proper. But not posting on FMIS, it does not necessarily mean that there has been a loss of money, but it is better and it is advisable to post it on FMIS so that all ministries are on the same wave length when it comes to accounting. So, I think the 2016 audit has pointed that out that RFMF should be posting on FMIS like all the other ministries.

HON. RATU S.V. NANOVO.- All these ministries such as Ministry of Economy, Office of the Auditor-General and the other ministries should work together in these areas. If they had worked together, all these things would not be coming up here.

MR. CHAIRMAN.- Let us move to 19.2 – Statement of Receipts and Expenditure. Three bullet points have explained that in detail, I do not have any questions on that.

19.3 – Appropriation Statement.

HON. A.M. RADRODRO.- Mr. Chairman, on 19.2 just a question to Deputy Commander, RFMF; is this also in terms of the expenditures? There were some news reported regarding some investigation undertaken by the RFMF.…

MR. CHAIRMAN.- That is being investigated at the moment.

HON. A.M. RADRODRO.- I have not finished my question.

MR. CHAIRMAN.- Yes, but the investigations are continuing we cannot.…

HON. A.M. RADRODRO.- Is this investigation relating to this particular financial period?

MR. CHAIRMAN.- If it is in this financial period you may answer, but if it is outside that then it is not an audit issue.

BRIGADIER A. MOHAMMED.- Mr. Chairman, I think what has been referred is not associated with this.

HON. RATU S.V. NANOVO.- On that 19.2, Mr. Chairman, one of the causes of the increase in expenditure is the increase in amount being paid to FNPF. Can we be advised as to how many established staff and wage earners there are in the establishment? How many staff altogether are in those two categories?

HON. M.M.A. DEAN.- I think the information is there on Part B.

HON. RATU S.V. NANOVO.- Part B where?

HON. M.M.A. DEAN.- The details.

HON. RATU S.V. NANOVO.- What does it say?

HON. M.M.A. DEAN.- The details.

MR. CHAIRMAN.- FNPF payment and number of staff.

HON. M.M.A. DEAN.- They have provided a very detailed….

HON. RATU S.V. NANOVO.- You got the number there, can you tell us the number of established staff and wage earners in 2015?

HON. M.M.A DEAN.- We have to count from the beginning.

HON. RATU S.V. NANOVO.- That is what we are saying, they will have it.

HON. M.M.A. DEAN.- But there is a lot of extensive details there.

HON. A.M. RADRODRO.- What is the number?

HON. RATU S.V. NANOVO.- Because that relates to why there is an increase.

MR. CHAIRMAN.- The question is the number of staff, that is not in the appendix. Commander are you able to answer that?

HON. RATU S.V. NANOVO.- If it is not there then you can answer us later because that can correlate to the increase in here.

MR. CHAIRMAN.- This is largely due to increase in employer contribution of FNPF from 8 per cent to 10 percent.

BRIGADIER A. MOHAMMED.- Sir, can we come back with the number. We know there are 33 GWEs, the actual staff we will come back with the details.

MR. CHAIRMAN.- It is not really necessary because it is not picked up but there is nothing sort of how many personnel are employed by RFMF.

HON. RATU S.V. NANOVO.- That will reflect the amount….

MR. CHAIRMAN.-We can do that if you are able to supply that information. Paragraph 19.3 - Appropriation Statement.

HON. RATU S.V. NANOVO.- I still have another question on 19.2, Mr. Chairman. Capital construction and capital purchases, the increase in those years was almost 300 percent and 100 percent respectively. Can we be explained as to why were those huge increases in those areas?

MR. CHAIRMAN.- There are some explanations there in bullet points due to capital projects which included Black Rock Mess Hall Project.

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

MR. CHAIRMAN.- It is really a RFMF policy issue on how many projects they wish to undertake.

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

MR. CHAIRMAN.- Are you able to answer that, Deputy Commander?

BRIGADIER A. MOHAMMED.- Sir, in terms of capital projects, you would note, I did mention that this is the deployment of Forces for peace operations. That is why the actual increase in the numbers and also the funds that were utilised for the LEP projects that were carried forward. My understanding is that this is just in terms of comparison, the actual utilisation which I had made in my submission was different. In terms of the capital construction, these were the projects that we undertook in terms of development of infrastructure within the year.

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

BRIGADIER A. MOHAMMED.- Sir, the projects that were undertaken, we have to note that these are the standing infrastructures within the establishment. In time these infrastructures have deteriorated to a state where they have become deprivable in a state it has to have urgent repairs. It could not be moved forward. There was issues of OHS and other pertaining issues that warranted the immediate maintenance of these infrastructures, including this is the infrastructures that housed the service personnel in all the camps including Labasa, Suva and the Western Division.

HON. A.M. RADRODRO.- Mr. Chairman, on the third capital purchase for communication equipment for the Naval Division and training warlike stores, the communication equipment for the Naval Division are these also for the vessels? What is this capital purchase for the Naval Division? Does it also include for the vessels that were used?

BRIGADIER A. MOHAMMED.- Sir, part of it is for the vessels, part of it is for the daily operations of the communication base in the camps and also the 3DP unit that inter relays the service requirement for inter vessels located in our waters. As you would note that the 3DP role was recently acquired prior to this period by the Naval Division hence the need for upgrading its equipment to better service the stevedoring vessels that use our waterways.

MR. CHAIRMAN.- Thank you for that Brigadier.

19.3 - Appropriation Statement. I just had one question on SEG 7 – Special Expenditures, there was a budget estimate of $1.4 million and the actual expenditure was $1.7 million. What was that special expenditure in regards to? It is Table 19.2 - SEG 7.

BRIGADIER A. MOHAMMED.- Sir, the two issues which comes to mind, one was the winter clothing for our service personnel who are deployed on peace operations. There was a need to outfit them for the operations in the Middle East and the second one was the conduct of the basic recruitment in the Forces.

MR. CHAIRMAN.- All right.

BRIGADIER A. MOHAMMED.- This again was in line with the commitment we had made to the United Nations and what they had put as a benchmark; the need for us to run a special recruit to meet the MQR set by them.

HON. A.M. RADRODRO.- Mr. Chairman, just a question, this Appropriation Statement is the relevant head. Who looks after Head 40 – Peacekeepers Head?

MS. T. HICKS.- The Military and the Police, it is not on the Head 19.

MR. CHAIRMAN.- It is not there in the table.

HON. M.M.A. DEAN.- It is a cost sharing exercise between the Military and the Police, Madam?

MS. T. HICKS.- No this is the budget that is shared between the Military and the Police for peacekeeping duties.

HON. M.M.A. DEAN.- All right.

HON. A.M. RADRODRO.- Which ministry/department does it come under? Does it come under RFMF or Ministry of Economy is looking after that?

MS. T. HICKS.- We share the responsibility under the two programmes.

HON. A.M. RADRODRO.- Accounting of the budget. Who is responsible?

MS. T. HICKS.- Both of us; Police do Programme 2 and RFMF handles Programme 1.

HON. MEMBER.- (Inaudible)

AUDIT REP.- Yes Honourable Member, it is separate from Head 19.

MR. CHAIRMAN.- 19.4 - Consolidated Training AND Manufacturing Account, that I think there is some explanation there.

HON. A.M. RADRODRO.- Mr. Chairman, just a question regarding this TMAs. How many TMAs does the Military operate?

MS. T. HICKS.- The Engineers Plant Pool and the Hydrographic Map.

HON. A.M. RADRODRO.- So, in terms of reporting, is the one that we alluded to earlier also reported here?

MS. T. HICKS.- The earlier ones, Sir, was operating outside. These are the two TMAs that are part of the RFMF.

HON. A.M. RADRODRO.- So they will increase the TMA operation to 3.

MS. T. HICKS.- No, Sir we will be operating the earlier one as a trust account not as a TMA.

MR. CHAIRMAN.- Part B - Audit Findings; Anomalies and Operation of Engineers Project Trust Fund Account. There was a detailed explanation given, any questions arising from that? There was some explanation that the RFMF’s was discussing with the Chief Accountant to have an account? No further questions on that?

HON. A.M. RADRODRO.- Mr. Chairman, just a question to the RFMF in terms of their responses. It states on 19.5 the RFMF Engineer’s project engagement is part of the Force’s social commitment to nation building with no profit. Can we just get an elaboration on this particular statement in terms of social commitment to national building?

BRIGADIER A. MOHAMMED.- Sir, it encompasses the roles that has been prescribed to the RFMF under Section 131. Basically it helps in the development of rural developments, infrastructures such as schools and medical facilities. They were at times looking at community halls and housing, because of the need in the first two priorities, the others have been restricted in some manner. We have also looked at the development of roads, developments of sporting facilities such as playgrounds and there are all sorts of work undertaken by these engineers. This is an extension of our work to the community at large, Sir. It also enhances the upskilling of individuals in these rural areas. We go into partnership with the rural or the villagers in terms of, at times providing a few skilled engineers to basically partner with the local villagers in the development of infrastructure. This also extends to the robust trade training school programme we have with the engineers in upskilling our youths to basically enable them to go back and assist in these developments. We see this as a way forward of enhancing the capabilities of our society, Sir.

MR. CHAIRMAN.- We note the work that RFMF is doing, Commander. Just on paragraph 19.5, once we have already discussed the issue of non-posting on FMIS which I think was explained properly. On bullet point 2 it states and I quote:

“*The Trust Fund Statement of Receipts and Payments for the Force Engineers Project Trust Fund account for the year ended 31/12/15 were not submitted for audit.*

*The bank reconciliations for January to December 2015 for Force Engineers Project Trust Fund account was not signed by the Staff Officer - TMA Project and checked and approved by the Chief Staff Officer Finance.”*

So there are two issues that arise there. Whilst it was not posted on FMIS, we note that, but had those receipts and payments been given to the audit, they would have been able to substantiate some of those amounts. So what was the reason that these receipts were not given? Trust fund statements of receipts and payment for the Force Engineers Project Trust Fund.

BRIGADIER A. MOHAMMED.- Sir, can we come back with an answer to that, we just need to verify certain issues.

MR. CHAIRMAN.- No worries, Sir, we can have that in writing later.

Bullet point 4 is it a good practice to submit reconciliations so that we can see what is at the bank and what is spent or earned as properly recorded. Now in this case for 2015, the Force Engineer’s Trust Fund account was not signed by the Staff Officer, the TMA project and checked and approved by the Chief Staff Officer Finance. Can there be some explanations on that?

BRIGADIER A. MOHAMMED.- Sir, it was more to do with the practice and the interpretation that exist in the operation of the systems within the plant room. We have realised what has been stated. In that respect we have submitted to fully enhance what has been raised, we have posted a civilian Financial Officer to oversee the functions of the process and these accounts. It is not only restricted to the engineers, we have taken the liberty of now having civilians in the Logistics Support Unit and the Navy which has similar operations.

MR. CHAIRMAN.- Some people who actually have the expertise.

BRIGADIER A. MOHAMMED.- Yes, Sir.

MR. CHAIRMAN.- Any questions in that regard?

HON. A.M. RADRODRO.- Mr. Chair, just on the operations of the TMA. There are some receipts on the hydrographic of $31,000. Where does these receipts come from? Sales?

MS. T. HICKS.- Sales of maps and charts, almanacs to the general public.

MR. CHAIRMAN.- To the general public?

MS. T. HICKS.- To the general public, that is right, Sir.

MR. CHAIRMAN.- 19.6 - Anomalies Noted in the Trading and Manufacturing Account. There is an issue on Board of Survey it says and I quote:

*“Annual board of survey must be conducted by 3 officers who are independent of the officer responsible for the custody of the assets.”*

But in this case the RFMF Board of Survey was carried by the officers who were actually involved in maintaining the stock, so there was no independent views. Is there any explanation on that as to why the board of survey was not carried out independently?

BRIGADIER A. MOHAMMED.- Sir, we note that. We had an internal auditor who oversaw that, but we take the comment that was raised and we have said that we are now in the process of inviting the Auditor-General when boards are conducted.

MR. CHAIRMAN.- So there are some improvements?

BRIGADIER A. MOHAMMED.- It was just an issue of interpretations of certain practices, Sir.

HON. A.M. RADRODRO.- What should be the process in terms of conduct the board of survey? Ministry of Economy?

MS. M. NAISARA.- Thank you, Mr. Chair. For the composition of the board of survey team, the team members should be independent from the operation or the officers in the RFMF. They have to ….

HON. A.M. RADRODRO.- Meaning independent from Finance or independent from RFMF; what is the qualifying criteria? They are not operating in finance, within the same ministry but can do accounting.

MS. M. NAISARA.- I think one member should be totally independent from RFMF and can be requested from another Ministry.

MR. CHAIRMAN.- Is it a normal practice for the officers of the OAG to be there for board of surveys in all ministries as observers?

AUDIT REP.- Thank you, Honourable Chair. The Office of the Auditor-General would like to be part of the, as in this case, TMA’s stocktake at the end of the year to verify the ending balance of stock .

MR. CHAIRMAN.- Is it normal practice for all ministries across the board?

AUDIT REP.- We do inform Ministries that we would like to be part of the team at the end of the year. Even though we do not cover the whole 100 percent of that TMA, but we would like to verify some, like where there are more stock, we would like to be part of that.

HON. MEMBER.- (Inaudible)

AUDIT REP.- Yes, the Financial Instructions says that that there has to be an independent person from those operating the TMA.

MR. CHAIRMAN.- So, what is those document that you check against the physical stock? What is that document called? There must be a list of properties somewhere.

AUDIT REP.- Yes Mr. Chairman, they would have tally cards which should tie with what is in the FMIS.

MR. CHAIRMAN.- That is why it is important for the storeman to keep their tally cards updated.

AUDIT REP.- Yes, Sir.

HON. RATU S.V. NANOVO.- Mr. Chairman, I think this is one of the problems that keeps on coming up in all the ministries by just saying that an independent person can be included; that is still very much open. Cannot the Office Auditor-General and the Ministry of Economy clearly specify to all the ministries whether you too can be part of the team so that they can just ask few people and they carry out the board of survey. When it is open like that they do not know who can assist them.

MR. CHAIRMAN.- Maybe after some discussion the rule books of the RFMF showed us .…

HON. RATU S.V. NANOVO.- Maybe it is already in their rule book

MOE REP.- Thank you Mr. Chairman and Honourable Members, this is a policy issue that the Ministry of Economy and the Office of the Auditor-General has to address whilst reviewing the Finance Manuals for Government Ministries and Departments.

HON. A.M. RADRODRO.- When will that review be concluded so everyone is on a .…

MOE REP.- The review is done every year, Honourable Member. Changes to Government procedures is done every year.

HON. A.M. RADRODRO.- Coming back to this audit issue, I think the issue here is not the accuracy, it is just the independence of the conduct of the stock take. As the auditors had noted that they were not able to determine the accuracy of the closing balance because they were not part of the stock take.

AUDIT REP.- Yes that is correct, Sir.

HON. A.M. RADRODRO.- How about the accuracy, you are just querying about the independence of the work.

AUDIT REP.- Yes, without an independent person in the team, we could not say that the stocktake was accurate.

HON. A.M. RADRODRO.- …. everything tallies.

AUDIT REP.- We need that assurance. An independent person to be part of the team to give us that assurance.

HON. A.M. RADRODRO.- And the issue there is whether the staff of the Office of the Auditor-General is able to attend the stocktake as and when it is performed, whether it is done on a Sunday, done at night after hours, done in the morning, are you able to attend as independent officers?

AUDIT REP.- Apologies, Honourable Member, can you just repeat your question

HON. A.M. RADRODRO.- Speaking of the conduct of the stock take whether it is done after hours, done early in the morning, done on Sundays and weekends, whether the Auditor-General is able to attend those timings.

AUDIT REP.- As for the timing, we will go along with the timing of the department.

MR. CHAIRMAN.- It is probably the annual review of the finance manual can take into account those timings; I think it is usually done on week days or working days so that everyone is there.

On 19.7 - Operating Trust Fund Account. There has been some explanation on that. What this Trust Fund Account consist of usually is the superannuation contribution; FNPF, Tax Arrears,/PAYE, Fines, Government Water Rates Charges, et cetera. .

Now, the issue here is that again some amount were expanded but the reconciliations were not done and the Accounts Officers should ensure that whatever is spent is reconciled with what is remaining at hand and the Force is liaising with the Ministry of Economy to rectify the anomaly. The correctness of the trust account could not be established because of this non-reconciliation. So, Commander what could be some of the reasons that the reconciliation did not take place at that time? Is it the lack of accounting staff?

MS. T. HICKS.- Mr. Chairman, the initial reconciliation was done from the first report. Usually in the closing of accounts, we get several reports until the final report is given. The first reconciliation was done on the first report that was given, then we had the final reconciliation which tallied with the GL FMIS figures and that was submitted in February of the following year. There would be two or three reconciliations until the final December financial year end figures are reported and the Auditor- General here is referring to the final figures in the GL and we did do the final reconciliation and this was submitted.

MR. CHAIRMAN.- OAG, were you satisfied with the final reconciliations submitted?

AUDIT REP.- I would like to get back on the submitted final reconciliation.

MR. CHAIRMAN.- If you look at the report that you presented in T able 19.8 – Variance in Force’s Reconciliation and FMIS Balance, FMIS operating trust fund balance was $3.5 million, the Force operating trust fund reconciliation was $5.7 million; there was a variance reported of $2.1 million. The reconciliation at different stages should have given a variance of zero. So, what actually happened? They are saying they submitted the reconciliations albeit in piece meal but the final should have resulted in a zero variance or very close to zero variance.

BRIGADIER A. MOHAMMED.- Sir, can I just refer to Annexure 4, that gives the details in the submissions we have made.

HON. RATU S.V. NANOVO.- Mr. Chairman just a question to the Ministry of Economy, have you got the reconciliation for 2015?

MOE REP.- Thank you Honourable Member and Mr. Chairman, yes we have the final copy of the reconciliation for the operating trust fund for RFMF. The reason the situation keeps occurring is because once we send out the GL reports for ministries and departments to table their reconciliations, it is subject to change as we do the closing of accounts posting. It can change two times or three times, I think that is because the first change when they submitted that might have been the report scrutinized by the Office of the Auditor-General. There also might be the possibility that there were two other reports that came later to reflect the changes that was not submitted to them.

MR. CHAIRMAN.- You got a question?

HON. A.M. RADRODRO.- Yes, just a confirmation with the Ministry of Economy, were these variances able to be reconciled?

MOE REP.- Yes, we have received the reconciliations from RFMF, they have managed to explain the variances in the reconciliation.

HON. A.M. RADRODRO.- When you receive the reconciliations from ministries and departments, what do you do with it? You just file it away?

MOE REP.- Thank you, Honourable Member. There is a procedure; first we tally the balance that is in their manual record and in the system and if that tallies, then we further scrutinize all the components of the reconciliations, receipts, payments, balance in the bank statements, balance in the GL. There are three reports to reconcile in the reconciliation, if that does not tally then we totally reject and they are sent back to the respective ministries and departments.

HON. A.M. RADRODRO.- How long does it take to do that process?

MOE REP.- Within a week, Honourable Member.

HON. A.M. RADRODRO.- In the Audit Report the Force was still liaising with the ministry to rectify the anomaly, so that is probably longer than a week.

MOE REP.- Once the anomaly is detected, it can take more than one week to rectify the issue.

HON. RATU S.V. NANOVO.- Once the reconciliation and everything is all right, did you advice the Ministry again that it is all right or you just left it there?

HON. A.M. RADRODRO.- Yes that is right. What is the process?

MOE REP.- Thank you Honourable Member. If the reconciliations are to our satisfaction then we do not get back to the Ministry.

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

MOE REP.- Thank you, Honourable Member, we will take that as a note.

MR. CHAIRMAN.- Honourable Members, 19.8 - Items Not Taken on Charge. Now, there was some explanation given by RFMF in their written submission, and I quote:

*“Audit noted that items worth $854,241 procured in 2015 by the respective stores such as Supplies, Logistic Support Unit (LSU), Engineers, Medical and Plant Pool stores were not taken on charge in the tally card by the respective quarter masters.”*

There is a table provided in 19.1, now what is also commented by OAG is that “poor record keeping of stores was due to general lack of supervisory checks to ensure items procured during the year are taken on charge when received and the tally cards are properly maintained.” This brings us back to that issue of tally cards that we discussed earlier.

*“Poor record of stores will deprive the Force of information pertaining to levels of stores held, procurement made during the year, the movement of stores. This could also lead to short delivery and missing stores due to theft or pilferage.”*

The issue here is, Commander that stocks were bought but were not taken properly on charge and the stock cards were not updated. What that could also mean is that sometimes you might have the stock in your stores but you procure more causing a loss. What could be done in that regard? How was it allowed to happen?

BRIGADIER A. MOHAMMED.- Mr. Chair, thank you. As I did say, this is noted there was in fact a lot of items received, I think, if we look at the list that was provided, it had to do with a lot of ration supply. We note that this was not actually put on the tally because of things that were happening. We have now tried to rectify that and do a weekly tally off these items. Again it had to do with the personnel who hold these positions, but we can assure you there is no stock that goes to waste. We are not in the process of procuring beyond our capabilities. In fact the provision does not meet the full requirement. So there is always a shortfall so there is never an issue of wastage or someone misappropriating it. It was just in terms of the accountability of these things; recording it. We are trying to rectify this, Sir, a lot of effort is being put into this. This is not just an issue in terms of one cell but it goes to as a function to all cost centres.

MR. CHAIRMAN.- There is another important issue that you have highlighted in your response was that there is a high turnover of staff due to peacekeeping duties on deployment overseas. Do you have a system there when a senior officer is outside or deployed, there is someone else like a succession plan on who takes over this stock keeping so that there is no vacuum left.

BRIGADIER A. MOHAMMED.- Sir, the Military is one that strategizes everything. It does not just happen on chance but having said that, the things eventuate so quickly that there is a need to move individuals or someone has to depart at very such short notices. All planning are sometimes thwarted by these movements of individuals. For example, someone may fall sick or there is suddenly a requirement from one of our troop contributing to deploy a couple of weeks earlier than intended; all these disrupts the planning process. There are some positions we can localise. When I say “localise” we get civilian staff to complement it. But most of it because of what is being remunerated, the package that comes with it, it is difficult to get individuals. So it is better to have service members occupying those positions. Hence, we are basically experiencing these issues.

MR. CHAIRMAN.- There is an internal training mechanism also with RFMF where you send your officers for further studies. Is that being considered as an option in terms of accounting at least.

BRIGADIER A. MOHAMMED.- Sir, it is not about skill sets, I think this goes beyond skill sets. In terms of the education level, I have more than enough qualified personnel in the institution. In fact I can share a lot around. It is more of the commitment there is at that particular time, there is more demanding needs for them to be somewhere else. So hence they were not able to complete the process. If you look at the documents that come in, the amount of rations that is bought - someone to see it and enter it in the tally card and correspond it with other ledgers. It is quite a laborious task. Hopefully in times someone will computerise it and we are able to do it electronically and ease a lot of this burden that we are encroached with.

MR. CHAIRMAN.- Appendix 19.1 is quite detailed in terms of what was purchased; capsicum, tomatoes, they have even gone to the extent of peeled cassava so it must be a huge task to record this.

HON. A.M. RADRODRO.- Mr. Chair, just looking through the table, Appendix 19.1, I see that there is a lot of cash crops involved. Why is the Military buying this when you have the farm in Naikaciwa?

BRIGADIER A. MOHAMMED.- We were told to stop the production in that farm.

MR. CHAIRMAN.- I think we had heard earlier from .…

BRIGADIER A. MOHAMMED.- You would recall, Sir, in this very forum, issues were raised through the OAG on the operation of that farm and the procurement. There were issues pertinent to the way we were functioning. We were in a predicament like a lot of issues that are being raised today. This predicament, Sir, had led us currently to suspend the function of that farm. Sir, the plans that are being formulated is basically to develop that into a producing farm that would export a lot of products. Currently, we are even experimenting on fruits such as dragon fruits that are very peculiar to Fiji and other very priced items. I do invite the Honourable Members to pay a visit and see what is been done there.

MR. CHAIRMAN.- We would like to know what dragon fruit is by the way.

HON. A.M. RADRODRO.- Just on the peacekeeping deployment, how many peacekeeping deployment that RFMF is currently engaged in?

BRIGADIER A. MOHAMMED.- We have got about 831 personnel currently deployed overseas. We have got deployment in Sinai, we have got deployment in United Nations Disengagement Observer (UNDOF) in Syria, we have got deployment in United Nations Interim Force in Lebanon (UNIFIL) and we have got deployment in United Nations Assistance Mission (UNAMI) that is in Iraq. We have got a guard unit of officers in Sudan and we have got two officers as observers in New Zealand.

MR. CHAIRMAN.- Thank you for that. In 19.9 - Purchase Orders not issued Prior to Service Delivery. It was noted that and I quote:

*“All invoices received in an accounting period should be paid in that accounting period. This will ensure that funds budgeted for the next accounting period will be utilised for that accounting period.”*

Your comments were that these were actually end of financial year invoices, that was why they were paid outside that period and that is satisfactory for that part. Any questions in that regard?

HON. A.M RADRODRO.- Mr. Chair, just regarding this particular issue. The OAG probably may have missed mentioning this in its recommendation - was there any disciplinary action taken for the people who were involved probably in this one and also in the previous one? Was there any disciplinary action instituted on the relevant staff who were involved in this process?

MR.CHAIRMAN.- For 19.9, those were recommendations for disciplinary action.

BRIGADIER A. MOHAMMED.- Sir, these two observations that has been our comments there was no malice intended by individuals to subvert the the financial process or to basically misappropriate or undermine the financial procedures. The actions were done in the interpretation of the current or existing regulations. Even in 19.9 where LPOs were issued, it was done in terms of on need basis. , as such, we did not see the requirement to institute any disciplinary proceedings against an individual.

MR. CHAIRMAN.- I do note that point, Sir.

BRIGADIER A. MOHAMMED.- The other issue, Sir, a lot of these issues boiled down to terms of interpretations and we are trying to verify that with the Auditor-General and the Ministry of what should be the practice. We still have different interpretations in a lot of these issues.

HON. A.M. RADRODRO.- I think the Auditor-General has rightly pointed out that each year the Appropriation Act and the Budget Estimates sets out details of the appropriation that Cabinet approved was spending by each agency and then it goes on to put out the noting that it has conducted during the audit where payments were made in 2015 for procurements in 2013 and 2014. Basically the Auditor-General’s indicated disregard for controls for procurement. So that in itself sounds a disregard of control and policies that are in place.

BRIGADIER A. MOHAMMED.- In practice what has been suggested is sound, it is very sound. But just consider we have deployment of troops in Rotuma, we come to the end of the fiscal year and the expectation is to clear everything. It takes a while for everything to be reconciled. Not everyone intends to transact to Rotuma because, one, they know it takes time to basically supply goods and it will take a couple of months to paying this. These are the issues that arise in terms of this and we acknowledge it. In principle what is said is right, but it is sound in practice.

MR. CHAIRMAN.- Can we have a short tea break for about 10 minutes and then resume with the remainder of the issues?

The Committee adjourned at 10.53 a.m.

The Committee resumed at 11.16 a.m.

MR. CHAIRMAN.- Thank you Honourable Members, let us start the second phase of our submissions today. Welcome again to the team from RFMF - Deputy Commander and Commander Vaniqi. Let us take it from 19.10 - Unauthorised Procurement of Uniform Accessories. What is noted there and I quote;

*“The Force purchased uniform accessories worth $139,182 from a supplier in 2014. Audit noted that the Force did not obtain competitive quotes for uniform accessories purchased amounting to $87,182.50.*

*In addition, purchase of uniform accessories worth $51,778 was made without purchase orders during 2014 for which payments were made in the year 2015.”*

*The recommendation was, and I quote:*

*“The Force should ensure that procurement procedures are followed whereby competitive quotations are obtained, local purchase orders are raised and all current year payment commitments are settled during the year.”*

Can we have some explanation on that, RFMF?

BRIGADIER A. MOHAMMED.- Sir, as we had mentioned this was done in times when we had to deploy in a rapid time to Golan. As some of the Honourable Members would have been informed, we were able to get together a composite force within three months ready to deploy to Syria well within the limits that was far beyond imagination of a lot of people. In fact, the United Nations themselves were surprised that we were able to put together a deployable force within that period in time.

When we did that, Sir, there was a requirement because the troops were arriving in the mission area such as;

1. An area that was very volatile so they need the personnel protection gears before they arrived in the mission area;
2. They were going at a time when the climate was changing to winter spells so there was a need to equip them with winter clothing;
3. To equip them with additional gears, things we thought would ensure their safety is well taken care of.

We had got certain approvals from Government for waiver, unfortunately few things were not complied with. These was for the reasons that we had to have them available within that short period so the troops could depart. We could not delay the flight of these individuals, Sir.

MR. CHAIRMAN.- I understand that the safety of the personnel is also paramount and they have to have the appropriate gear. Now, OAG you noted and I quote: “… Audit noted that the Force did not obtain competitive quotes for uniform accessories …” but the RFMF in their submission in column three stated that that three competitive quotes were obtained and the only reason why it was procured from one supplier because two did not have the stock. Can that be reconciled? Are you aware that the quotes were obtained?

AUDIT REP.- Thank you Mr. Chairman. From the comments that was provided at that time it was ….

MR. CHAIRMAN.- So, usually Brigadier when the accounts are done, a draft is sent to the respective department to further explain or provide documents of issues that are left unattended or unanswered. So, in this particular case, if the quotes were obtained, did you get a chance to respond to OAG that “no we have obtained the quotes.”

BRIGADIER A. MOHAMMED.- Sir, I think there were some issues that did arise. I do not know whether it was presented or not but we take note of what has been said and that is something we can improve on as things pursue, Sir.

MR. CHAIRMAN.- We do understand the emergency that was there to deploy troops but in the third paragraph of 19.10 it is noted that uniform accessories worth $51,778 was made without purchase orders during 2014. So, even if there is an emergency, is it not necessary to issue a purchase order even if it takes a day or so, so that there could be some regulatory documents done? It is usually that there is a purchase order, there is an invoice then there is a payment or delivery, and the final is the receipt. So, with the absence of the purchase order, all the other documents cannot be tallied.

BRIGADIER A. MOHAMMED.- Sir, we note that observation and we also note that it was not complied with. We are trying to rectify and ensure that that does not happen in the future.

MR. CHAIRMAN.- Future deployments and purchases, is that procedure now employed?

BRIGADIER A. MOHAMMED.- Yes, Sir. What we have done is we ensure that we have ample stock available to ensure that if there is a sudden surge in the numbers that will complement that deployment force. Secondly, we now have an understanding with the suppliers that they keep an additional stock for supply that will enable us to comply with the procedures in trying to procure those items.

MR. CHAIRMAN.- Those procurements would probably, if they follow the process, might save some money too.

BRIGADIER A. MOHAMMED.- Yes Sir

MR. CHAIRMAN.- You have a question in that regard, Honourable Radrodro?

HON. A.M. RADRODRO.- Mr. Chairman, for our information, who is the supplier here? Is it a local or overseas supplier?

BRIGADIER A. MOHAMMED.- It is a local supplier. All these items are procured from overseas but through a local agent. Some of these local agents hold a lot of these items on stock. They bring it knowing that someone may procure them but a lot of those that submit quotations actually do not have stocks and their items usually will arrive after four to six months.

HON. A.M. RADRODRO.- The second question is, I think the supplier that we are talking about here has been engaged with the RFMF for a very long time. So, is there any plans for RFMF to takeover this operation of purchasing rather than going through the local agent? That needs to be considered for the future.

(Inaudible)

MR. CHAIRMAN.- In your response, Force’s comment, Brigadier, the RFMF mentioned that and I quote: “… However in accordance with directives the RFMF will convene a Board of Inquiry (BOI) into the non-adherence to Procurement Regulations and take necessary actions on findings and recommendations of the Board.” Has that board been convened and if yes, has the results been implemented?

BRIGADIER A. MOHAMMED.- That was what we had intended at that time but when we had fully realised what had transpired we saw that this was not necessary. There was no evidence of any abuse or misappropriation or someone that had gone beyond the powers. This was done in good intentions, it was said that as I had said that we had to do things because of what was required at that time.

MR. CHAIRMAN.- Doctrine of necessity. When something that is too urgent and you bypass procedures and then regulate it afterwards.

In 19.11 - Planned Capital Projects not Undertaken. This is something that falls on from Honourable Ratu Nanovo’s earlier question that there were some projects taken that were not seen through in that particular year. What is noted here is that, and I quote:

*“The annual Budget Estimate for 2015 outlines capital projects that are to be carried out by the Fiji Military Forces.*

*An audit review of the capital projects revealed the following anomalies:*

* *The Force was allocated $2.3 million during 2015 to conduct extensive repair on Kiro Patrol Boat to increase its life expectancy and sea worthiness for another 25 years.*

*The Force has been requesting for funds to carry out the repair works since 2013 for which $2.3 million was provided in 2013, 2014 and 2015 budgets. However, the Force only used $1.8 million in 2013. The funds provided in 2014 and 2015 budgets were not used for the repair works on the Kiro Patrol Boat and were returned to Ministry of Economy.*

*According to the Force there was no expertise available locally to undertake the maintenance work. However, there was no evidence to indicate expertise from overseas was considered.”*

The issue here Commander is that there was a request made for three consecutive years for funds to repair *Kiro*, but when the funds were made available the job was not done.

BRIGADIER A. MOHAMMED.- That is true, Sir. What we had stated because of intervening circumstances, we could not strip apart all the three vessels at one particular time awaiting repair. We had to finish one vessel, make it sea worthy before we proceed on the other. There were intervening circumstances that were beyond our control.

MR. CHAIRMAN.- Like the Australian’s sanctions.

BRIGADIER A. MOHAMMED.- Yes, Sir. Those sanctions although we put it very politely but they were very serious. So much so that if the manager had proceeded and even staying and continuing that, he would forfeit all his properties in Australia; pretty serious. That had led him to abandon the project. That has taken us back.

The other issue was when we were ready to go on the slipway, unlike a motor vehicle, the repair is very simple; the vessels are very different. When we took it up on a slipway, we had to hire an architect, there was no one locally available so we had to get someone from Australia who came and inspected the vessel and basically did test to see what cracks had appeared, repairs were done. In fact the practices we are accustomed to, they recommended something different, like welding works that it does not get welded at one time more cracks will appear, and all these things. These all took time and when we had finished we had to wait for parts to arrive to be fitted in. If we had de-commissioned all the vessels, the whole Naval operation would have stopped and we could not afford that. Hence, we had to wait for the completion of each of those vessels in turn before Kiro came on board.

MR. CHAIRMAN.- There were three vessels, Commander?

BRIGADIER A. MOHAMMED.- Yes, Sir. We had *Kula*, *Kikau* and *Kiro*.

MR. CHAIRMAN.- These vessels are operational at the moment?

BRIGADIER A. MOHAMMED.- One is operational, one has gone to Australia for refit, *Kiro* ran aground.

MR. CHAIRMAN.- Honourable Radrodro, had some questions about *Kiro* in the earlier session.

HON. A.M. RADRODRO.- On the grounding of *Kiro* on Cakauyawa.

The question, Mr. Chair, that I would like to ask the Military since 2013 when they were requesting to grade the sea worthiness; 2014 and 2015 that is two years and then finally the funds were made available in 2013. The sea worthiness of the vessel *Kiro* in 2013, had it expired then but was still running? What was the situation then in terms of the sea worthiness when the time of the request was made of the *Kiro*.

BRIGADIER A. MOHAMMED.- Sir, we cannot answer that in one simple answer “yes” or “no”. The refix that are happening, it does not mean the life expectancy of that ship has expired hence the refit request. None of the ships’ life refit would have expired, if it had expired it would not be sailing. The programme that is put in, it overlaps and gives new life; there is an overlapping period.

MR. CHAIRMAN.- It is like a renewal before the expiry of the lease.

BRIGADIER A. MOHAMMED.- Yes, Sir. We do not wait for the last hour before we do these things; that does not happen. As I said, these are very sensitive equipments moreso when we have got Naval vessels with a lot of things on board; personnel and equipments.

HON. A.M. RADRODRO.- So this funding was just for the shipping operation; repairs and maintenance done on the slipway?

BRIGADIER A. MOHAMMED.- Yes. The programme, it gives new equipments there that are more updated, it does the hull testing and what needs to be repaired, engine is refitted and all those things.

HON. A.M. RADRODRO.- How often are the Naval vessels slipped on the slipway? The timetable; is it five yearly or three yearly?

BRIGADIER A. MOHAMMED.- Usually it is done annually.

HON. A.M. RADRODRO.- In 2013 the Force used $1.8 million for the repair, as alluded to by the Auditor-General’s Office. So if $2.3 million was not used in 2015, what was the funding of $1.8 million used for in 2013?

BRIGADIER A. MOHAMMED.- It would have been the upgrade of engines, hoist systems, navigational systems and other things that need to be changed. But it would not have been an extensive maintenance programme on it.

HON. A.M. RADRODRO.- So do these vessels get assisted by the Forcer programme, it is a foreign assistance.

BRIGADIER A. MOHAMMED.- No, at that time it had finished.

MR. CHAIRMAN.- Yes, the next one is the seawall. The notation was the seawall was not completed in that budget phase and you have explained that there was a requirement of geo-tech assessment environment impact assessment et cetera, and by the time that was done the financial year expired, so that budget was not fully utilised. Any questions in that regard? The notation was that no capital works have been carried out but is geo-tech and EIA not part of the capital works? Some of that budget was used for those purposes.

BRIGADIER A. MOHAMMED.- Sir, there was no funds utilised. The services that were rendered, that was just to the assistance of the Ministry of Infrastructure at that time. In this case the plans were drawn up, we had submitted it to FPO’s office, it was somehow sent back, they were not satisfied with the plans. So we had to send it back to the Ministry for re-evaluation of the plans.

MR. CHAIRMAN.- The Black Rock Integrated Peacekeeping Centre, a sum of $7.5 million. These funds are returned to the Ministry of Economy if they are not used?

BRIGADIER A. MOHAMMED.- Yes, Sir.

MR. CHAIRMAN.- So, if the seawall construction is to restart, then there will be another request for that fund.

BRIGADIER A. MOHAMMED.- Yes, Sir.

HON. A.M. RADRODRO.- The question regarding the capital expenditure for Black Rock. This capital expense was given based on the submission by the RFMF with all the preliminary works undertaken prior to submission for budget and when it was provided, what happened to all those preliminary works that were undertaken? That was the basis of the submission.

BRIGADIER A. MOHAMMED.- Can you elaborate further on that, when you said preliminary works what are you referring to?

HON. A.M. RADRODRO.- This work in terms of the amount that was requested for the Black Rock Project. The military would have done its preliminary work in terms of costing; how much is to be used where and what it is to be used for in the process of compiling this whole process. When it was submitted the Military would have substantial work and costing done to provide this report. The auditors highlighted that only $7,538 was used? What happened to the preliminary ground works done?

BRIGADIER A. MOHAMMED.- Sir, the funds that were requested for actually involved the preliminary you are referring to. The $7.4 million was more for the development, not of the buildings, but the road works, sewerage and water. Landscaping has been done, most of it has been done but there were requirements for a certain back fields for new infrastructure to go on top; electricity and the fence.

HON. A.M. RADRODRO.- That is all part of the $7.5 million?

BRIGADIER A. MOHAMMED.- Actually the amount would not have catered for more because there was more required. The actual amount was around $10.5 million, which was the submission we made - $7.4 million was allocated.

MR. CHAIRMAN.- At that time the tender was not awarded. None of the works actually commenced.

BRIGADIER A. MOHAMMED.- No. Because what was required and we could not fully complement the project, this was abandoned. No contractor will take half work because when we knew, we will ask for a tender, it will go beyond the $10 million mark. We could not go half way and stop and continue, we knew that would not be feasible. That will also affect the other developments on the camp site. Henceforth, we decided to ask Government to do the mess hall instead. So, if you do go to Black Rock you will see the development of the Mess Hall rather than the road works and other utilities that we had intended to do.

HON. A.M. RADRODRO.- A clarification, Black Rock is an existing military camp site before this project?

BRIGADIER A. MOHAMMED.- Black Rock is a new camp altogether, it is located in Votualevu. The earthworks were done, there is currently three accommodation blocks and the current building that is being constructed is the Mess Hall. The Mess Hall has multi role purpose for it. One, it was going to basically be a feeding area for all service members. Also it was going to be a station point in case of natural disaster. We all know that the western area is prone for most of the disasters when it eventuates. That camp was going to be the forward base of the relief effort for all Government institutions. We needed to have a forward base station where we could go out to render assistance. At the moment we were disjointed, it was paid everywhere. So we wanted to congregate everything together so we could have a consolidated effort when the things are ….

MR. CHAIRMAN.- So the base would serve multi-purpose?

BRIGADIER A. MOHAMMED.- Yes Sir.

MR. CHAIRMAN.- How far is it from the Nadi Airport?

BRIGADIER A. MOHAMMED.- About 5 to 7 minutes’ drive.

MR. CHAIRMAN. - Towards the Votualevu Roundabout, pass Novotel?

BRIGADIER A. MOHAMMED.- Pass Novotel, Sir.

MR. CHAIRMAN.- I have not been there, would like to go and visit that.

(Inaudible)

MR. CHAIRMAN.- All right.

HON. A.M. RADRODRO.- The grounding of Kiro, was there any disciplinary action taken on the personnel who was involved in the grounding of Kiro at Cakauyawa?

BRIGADIER A. MOHAMMED.- Sir, the Board of Inquiry has been completed. Currently it is with the legal team to check on the findings and what has been recommended by the Board for Inquiry.

MR. CHAIRMAN.- All right. Issue 19.12 - Overspending In Projects Undertaken by the Force Engineer. What was noted here, Brigadier, was that, and I quote:

*“Audit review of capital construction projects undertaken by the Force for other ministries and departments revealed cost overrun on a number of projects. For instance, although budget of $965,077 allocated for Rotuma Hospital Phase 1 Project, the actual expenditure incurred by the Force was $1,103,367 resulting in cost overrun by $138,289 or 14%.”*

You had actually explained some of that, that the logistics part of being on Rotuma is expensive. They have mentioned some other projects as well.

(Inaudible)

MR. CHAIRMAN.- Okay. Are there any questions on that? That money has come back to RFMF. No?

HON. A.M. RADRODRO.- To confirm that OAG, the comments by RFMF, “MOH has reimbursed the overspent money of $138,000.”

AUDIT REP.- We would like to confirm that in our current audit report.

MR. CHAIRMAN.- Yes. That was reimbursed after 2015 so it has ….

HON. MEMBER .- Only last week.

MR. CHAIRMAN.- Only last week. So that will come in the 2017Audit Report*.* It is not our concern at the moment, but the money was returned.

HON. A.M. RADRODRO.- Mr. Chairman, on this particular work undertaken by Force Engineers, how does the Military ensure that this particular issue of overspending is not repeated in future projects?

BRIGADIER A. MOHAMMED.- Sir, technically it is not an overspending, it was the utilisation of funds but deemed as overspending because it went beyond the allocation for that phase. As I had said, the considerations were made in terms of the cost that will be incurred firstly, to bring the equipment back to Suva and re-ship to Rotuma. Two, the deterioration of the state of the hospital, if you wait for that phase to come back, there would have been lapse of about 18 months before they come back to that stage.

All those considerations resulted in the decision that, that phase should be immediately implemented, like phase 3 to be brought forward and done together with phase 1. With the understanding that the Ministry would pay back that money to compensate for that phase, technically, it is not an overspending *per se* but just the utilisation of the funds brought forward to ensure that good practices are adopted.

HON. A.M. RADRODRO.- I note in the comments of the Ministry is the process of appointing civilian staff to address, oversee and manage projects. What is the general feedback in terms of this process, has it been implemented or yet to be implemented?

BRIGADIER A. MOHAMMED.- Sir, in terms of appointment of personnel, we now have 2 civilian staff overseeing projects that are undertaken by RFMF and also done within the institution. These were former senior personnel within the Ministry of Infrastructure, actually one of them is a qualified architect the other is a quantity surveyor and two other civilian staff who now assist in these programmes. But again, even to enhance their work we now are in the process of recruiting more civilians for audit purposes that will go and oversee that everything is done in accordance with what is required.

HON. A.M. RADRODRO.- Just out of curiosity in terms of the work involved by Force Engineers. There used to be some other area that they used to engage themselves in, previously it was in auxiliary services, such as buying and collection of crops and products from outer islands. Is that still on?

BRIGADIER A. MOHAMMED.- That stopped when we disbanded the old auxiliary unit. We are going back in time, Sir. The engineers were never engaged in auxiliary work . The auxiliary was the auxiliary unit that was concentrated in Walu Bay, initially started in Nasese then the Government decided to disband the unit so that was the end of it. The engineers have never adopted that function and rule.

MR. CHAIRMAN.- Thank you for that one. Issue 19.13 - Local Purchase Orders Raised Only to Regularise Payments. This is an issue that is a bit serious and the explanation we have noted that in future you will take regard to the Finance Instructions. What was happening here was that if you look at Tables 19.3 and 19.4 there were a number of goods purchased and the Purchase Orders were issued after the invoice date, even after the goods were supplied from various vendors. As I read earlier the usual procedure should be LPO invoice, delivery, payment and then receipt; payment by either EFT or otherwise by cheque and then receipt. How was that allowed to happen in those days, Commander?

BRIGADIER A. MOHAMMED.- Sir, if we look at that table, you would recollect earlier I had mentioned about the difficulty in procuring. These are all associated with project funds. It is not actually with the normal procurements arising out of the camps. Sir, as I said, there is some difficulty in implementing this, knowing the demographics of where they are allocated, communications, supply chains, all these things are become a factor. When I did mention that in practice, it is good practice to comply with the regulations. It is not normal when we have troops out where the normal chains are difficult for them to obtain their goods from.

MR. CHAIRMAN.- Where the procurement probably is urgent and necessary.

BRIGADIER A. MOHAMMED.- It becomes difficult for them. It is hard to explain unless we put ourselves in their shoes and we experience what they go through. For example, some of these remotes sites, you will have communication for good days and then it goes blank and if they are to demand, “we need some rice, flour” with all good planning still difficulties are encountered, Sir. We are not encouraging this practice. As I said, the Force does not condone these practices but we ask for understanding in this.

MR. CHAIRMAN.- If you look at Table 19.4 there are four instances of hire of truck, digger and excavator at Mokani Landfill Project. Where is this - Mokani Landfill Project?

HON. MEMBER.- In Nausori.

MR. CHAIRMAN.- Nausori? So the procurement of that excavator there happened from 15th December, 2014 to 9th December, 2015 about six months period. So was it not possible to procure that with the LPO?

BRIGADIER A. MOHAMMED.- Sir, the only explanation we were given, in our earlier submission we had raised the reservation by a lot of business entrepreneurs operating our Government LPOs. There is a lot of reservation merely coming to 2015, 2014 and 2013.

MR. CHAIRMAN.- We heard about that yesterday or the day before yesterday, some people actually refused to take Government LPOs.

BRIGADIER A. MOHAMMED.- We encountered similar problems and we were fortunate that some operators agreed to come and do the work. We were just in need of getting this work done so things could progress.

MR. CHAIRMAN.- I take that point. Any questions in that regard? If there are no further questions, that brings us to the end of this presentation.

Thank you, Deputy Commander of the RFMF, Brigadier Mohammed, Commander Vaniqi and the Chief Staff Officer, Ms. Hicks for your appearance before this Committee this morning and going to the afternoon. As I had mentioned earlier, the RFMF is an integral part of the security of the nation and it is a much disciplined force as you mentioned. The issues that have been highlighted, it will be very competent if the next report that comes to the Public Accounts Committee is an unqualified report especially this institution that we all look up to in terms of defence and security.

So going forward, we hope that there is collaboration between the OAG, Ministry of Economy and the RFMF in getting their accounts all organised. We do take the point that there are certain instances where things were beyond the RFMF’s control in terms of logistics, Rotuma Hospital being an example and also the Mokani Landfill. But then all effort should be put in so that when the reports comes in future, as I had mentioned earlier that I hope for a day when we just have introduction and conclusion, there are no audit issues raised for any Ministries, we are struggling to achieve that and we will definitely need your support in that area as well. Being a disciplined force the stakes are higher for your team, the Fiji Police Force and Corrections Service. I must comment that there is not very serious issues in this one, no abuse has been noted. There are some ministries that we have actually found malpractice. So before we conclude, any final comments from Deputy Commander or any of the staff members?

BRIGADIER A. MOHAMMED.- Sir, we thank, Mr. Chair and the Honourable Members for their time and we would like acknowledge the assistance of the Auditor-General’s Office and their members and the Ministry in rendering to the institution. We welcome the presence every time they come to audit us even the Ministry and all the help rendered.

MR. CHAIRMAN.- Thank you. It must be a very frightening task for OAG to come and audit you, but all in good faith. Thank you once again for your appearance and you are now released. Thank you very much.

The Committee adjourned at 11.53 a.m.