

**VERBATIM NOTES OF THE MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD IN THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON TUESDAY, 28<sup>TH</sup> NOVEMBER 2017 AT 9.41 A.M.**

**Submittee: Ministry of Economy**

**In Attendance:**

Mr. Pankaj Singh	-	Head of Treasury
Mr. Ashneel Prasad	-	Assistant Manager Treasury
Mr. Isikeli Voceduadua	-	Director -Debt and Management Unit
Mr. Atin Chand	-	Assistant Manager Treasury
Mr Shiri Goundar	-	Head of Fiscal Policy
Mr. Nemia Dawai	-	Team Leader- AMMU
Mr. Isoa Talemaibau	-	Head of Budget
Ms. Asinate Taukeinikoro	-	Director FMIS
Ms. Mereani Naisara	-	Director Internal Audit
Ms. Lanieta Senibulu	-	Principal Internal Auditor

---

MR. CHAIRMAN.- A very good morning to everyone who is present here. Honourable Members, members of the media, secretariat and staff. A special welcome to the team from the Ministry of Economy headed by Head of Treasury, Mr. Pankaj Singh. A treasury as you probably know is the most important section of the Government. Mr. Ashneel Prasad, Isikeli Voceduadua, Atin, Shiri, Nemia, Isoa and Asinate who have turned up from the Ministry of Economy to address the Committee on the remaining issues from the whole of Government finances.

We also have assistance today from the Ministry of Economy internal audit team, Mereani Naisara and Lanieta Senibulu, the Internal Director Audit and Principal Internal Auditor respectively and we are also assisted by the Office of the Auditor General, Director Abel Sonivalu, Mohammed Feroz, Manish Dewan, Samuela Tupou and Korowara Tuisawau, Director.

I welcome you once again to today's session. It is going to be a long session because we have got three documents before us that is whole of:

- i) Government Finances Volume 1 of 2014;
- ii) Government Finances Volume 1 of 2015; and
- iii) The Public Debt Reporting.

I understand that you have prepared written submissions for us. We will go through with you Head by Head for completeness of the report. We note that you had previously responded to the questions that was sent to you. Those were the general questions that were drafted by the team for the Committee from the reports but I request Mr. Singh to take us through heading by heading of those issues that have been highlighted by the OAG. As questions arise we will ask you along the way for completeness. I request the Members to keep the questions short and to the point because of the voluminous task that we have ahead of us. With that, thank you very much.

MR. P. SINGH.- Thank you, Mr. Chair and Honourable Members, before I start I just like to convey the apologies from the Permanent Secretary for Economy. I understand that she has conveyed the same to you.

Mr. Chair, as you have requested, we will go issues by issues as highlighted in the Audit Reports. Mr. Chair, firstly, I suggest before we go into that, I just like to again reiterate that we have given our written submission and some of the points we may, again, refer to.

Qualification for 2014.

i) Cash Balances

Mr. Chair, as highlighted in our last Public Accounts Committee meeting, we have made marked improvements there. For 2015, the accounts were unqualified and the amount was hovering around \$18.7 million in 2014 and that has been reduced to \$6.7 million. We have taken a very meticulous stance towards it because most of it relates to a historical period; it relates to TMA and trusts so we are liaising with all the agencies.

Now as highlighted in the last PAC meeting, our FMIS section has got a monitoring team. We are still building that team because what we have noted, there are capacity issues with some of the agencies. This is the whole of Government Report that emanates from other agencies are reflected here and are consolidated with the whole of Government finances. So, I have got the Director FMIS here with me. We have got a monitoring team there which is assisting all agencies.

Mr. Chair, also I would like to highlight at this stage that the Pacific Financial Technical Assistance Centre (PFTAC) has assisted us with training as highlighted in our last PAC meeting from 23<sup>rd</sup> to 27<sup>th</sup> of October.. We are taking a whole of government approach where we had more than 40 accounting heads who were trained on the International Public Sector Accounting Standard (IPSAS) based on reporting at agency level. That is what we intend to do at a later stage, as far as IPSAS is concerned.

The next stage, we want to develop an IPSAS guideline for reporting, and we intend to do this in the last two weeks of December. That is what we have secured IPSAS support for.

Going Forward.

We also want to start with reporting what I also highlighted at our last PAC meeting because we have noted that some of the issues there are picked up at the end of the financial year. If we start doing monthly financial report, first of all we want to start quarterly with the agencies, so, we can pick some of these issues during the quarterly reporting stage.

MR.CHAIRMAN.- Hopefully earlier on.

So, Mr. Singh the OAG mentioned that the Government is using cash based system as opposed to accrual system. Is that the same for respective agencies as well?

MR. P. SINGH.- Yes, Mr. Chair.

MR. CHAIRMAN.- Everyone is using cash base.

MR. P. SINGH.- Yes, it is a modified cash based system and we have been having a very intense discussion with PFTAC on this: how can we transit to accrual, and there are a number of things that needs to be done:

i) Review the Chart of Accounts

That has started. Our FMIS team is actually the focal point of that as far as the review of Chart of Account is concerned.

ii) Developing of a fixed asset register.

We have Mr. Voceduarda. His team is looking into the fixed assets register. This is very important to us because we should know how much fixed assets we have. So, all those are fundamentals and we need to fix it before we do the transition phase to accrual. We cannot just go and adopt IPSAS.

The other thing you may have noted, Mr. Chair, as far as consolidation is concerned we cannot do any consolidation because our first focus is on budget sector agencies. With consolidation, you also have to consolidate the control entities like SOEs and statutory bodies.

Firstly, our focus is to fix all our budget sector agencies. We intend to do that in the next two years, then once we adopt the accrual base of IPSAS, we have to do consolidation as well.

That is the next phase of training. We are taking a phased approach and we are taking a whole of Government approach. So, Mr Chair that was the first qualification.

MR. CHAIRMAN.- So, on that point, Mr. Singh, we will be correct in saying that that accrual system is the ideal system? That is the reason why are we moving from cash accrual.

MR. P. SINGH.- Both 'yes' and 'no' to your question, Mr Chair.

MR. CHAIRMAN.- All right.

MR. P. SINGH.- We have been having discussions with our development partners on that as far as the experience of accrual is concerned, because accrual gives you a comprehensive picture.

MR. CHAIRMAN.- Yes.

MR. P. SINGH.- In terms of fixed assets we also record liabilities here but in terms of fixed assets, payables, receivables so it gives us a more complete picture.

MR. CHAIRMAN.- All right.

MR. P. SINGH.- But of course there need to be adequate capacity. That is very important. You may have noted that some of our government agencies they cannot do proper cash basis of reporting, although a marked improvement has been made.

MR. CHAIRMAN.- Yes.

MR. P. SINGH.- You have seen in 2015 a marked improvement but we need to keep on the momentum because that is the discussion we had with PFTAC too. PFTAC has been doing a lot of trainings and they want to see a marked improvement, too, because they are also investing a lot.

MR. CHAIRMAN.- There are two things that we have heard from almost all agencies. Every agency that comes here says the same thing with regard to reconciliation. There is a disparity in reconciliation because they find difficulty in migrating to IFRS, or they have a problem with migrating from cash to accrual system and they said that the IFRS system does not really help them because they are using cash system or something along that line. These were some of the issues that we have heard so far.

MR. P. SINGH.- Mr. Chair, I think that is not correct.

MR. CHAIRMAN.- All right.

MR. P. SINGH.- We are not on IFRS, in fact, we are still on cash basis IPSAS. Drawings account is your bank reconciliation. So you do not need IFRS for that. It is simply your bank statement showing your drawings account.

MR. CHAIRMAN.- Even the smallest corner shop knows that.

MR. P. SINGH.- Yes, and the issue, Mr. Chair is this. Mostly, at the end or last day of the financial year if you do transactions by doing Electronic Fund Transfers (EFT). So, that becomes a payment in transit. Sometimes it will not be reflected on the same day of your bank statement because bank will process it on the working day of next month.

MR. CHAIRMAN.- All right.

MR. P. SINGH.- That is after too because generally that is what happens. So, the Accounting Heads need to be very meticulous, needs to know what payment is in transit and what the other un-presented cheques are. That is the problem. I think, Mr. Chair, once we move to quarterly reporting, this would become clearer.

It is also very important that the respective permanent secretaries have an input in it. They need to at least request for quarterly reports because the Permanent Secretary needs to know how much expenditure has been incurred to date, whether all the reconciliation is up to date. This is very, very important and we have highlighted this issue to our Permanent Secretary to take it up to the Permanent Secretaries Forum.

MR. CHAIRMAN.- Yes, because the ultimate responsibility lies with the Permanent Secretary. In the reconciliation you say it should be done daily or weekly.

MR. P. SINGH.- Mr. Chair, the ideal way is daily but it stipulates one because you could receive the bank statement on the next working day.

MR. CHAIRMAN.- That is today and you get it tomorrow?

MR. P. SINGH.- Next working day. For example, for Friday, if it is a working day, you will receive it on Monday and you do the reconciliation on Monday.

MR. CHAIRMAN.- Yes, please continue to the next one. There is a question here from Honourable Lalabalavu.

HON. RATU N.T. LALABALAVU. - Yes, Honourable Chair, through you, Sir, you have been charged with the responsibility of looking after the Treasury of Government?

MR. P. SINGH.- Yes, Sir.

HON. RATU N.T. LALABALAVU. - In doing so you have highlighted in one of your earlier comments that your Department has made some marked improvement. Can you guide this Committee on what actual marked improvements have you made, because just a while ago, you were saying something about accrual accounting and then going back to the cash based one and it seems that you are going forward and then backwards again. I remember during our time in Government, we fully endorsed the Accrual Accounting System. Now you are back to cash, and it is a marked improvement as you have just indicated. What really have you said because you seem to be generalising here? Thank you.

MR. P. SINGH.- Thank you, Mr. Chairman. If I may clarify that. The marked improvement, Chair is that we had a qualified audit opinion in 2014. In 2015 it is unqualified and you see why in terms of the errors and omissions, it was \$18.7 million in 2014 and it has come down to \$6.7 million at the end of 31st July, 2017. So we have managed to reduce that, and these are related to the historical periods. So we have managed to improve on those errors and omissions that were recorded in previous periods with the line agencies.

Our monitoring unit has been assisting with the respective Accounting Heads in terms of how to do proper reconciliation. We have been developing reconciliation templates and we have been loading on our website, so that is what we have done from our side. We have been training Accounting Heads at the Ministry of Economy. So in terms of capacity building, we are putting a lot of emphasis on that. So errors and omissions have come down.

Sir, your question on accrual, we have never been on accrual basis of accounting. Government has always been on modified cash basis of accounting although the intention is to go to accrual basis of accounting. We do not have fixes and register and that is what we are developing now. Accrual basis of accounting we need to have fixes and asset register, then we need to have a consolidated report, IPSAS accrual, so in order to go to full IPSAS accrual, you first have to go to IPSAS cash then you transit it to IPSAS accrual. So we have done IPSAS cash at the whole of the Government level and now we need to train the Accounting Heads of the respective agencies because respective agencies need to know how to DIPSAS cash. So that is what we have done from 23rd to 27th.

MR. CHAIRMAN.- One of my questions Mr. Singh is that we have had people turning up here, as I have already highlighted, and as we understand it, they appear not to

know what they are actually doing. Not in all Ministries, but a lot of agencies have turned up here, and they have their processes wrong so we have asked the Internal Audit team to look into some of these areas. So when you conduct this training for Heads of Accounts for each agency like Principal Accounts Officers, they should all be taught the basics to ensure they are on the same wavelength instead of appearing before the PAC and telling us that their Ministry does it differently from the other one.

MR. P. SINGH.- Thank you Mr. Chairman, good points here. That is why we have developed a template so that everyone follows the same standard. Now we are discussing the terms and notes with all our agencies.

MR. CHAIRMAN.- Notes?

MR. P. SINGH.- Notes as far as the Fiji Sugar Corporation is concerned. We are discussing with all agencies that there is a need to have standard notes. The other thing that we have been discussing is that as far as the DAM (Draft Audit Memorandum) report is concerned, they need to seriously scrutinise this dam report, instead of, as was the practice, to just look at the reconciliation and the comment on the DAM report was done by one low ranking officer. We want to move away from that.

MR. CHAIRMAN.- Someone who was not responsible for anything would just sign it off and clear it?

MR. P. SINGH.- Yes. So I have highlighted this and taken the whole of the Government approach. So PIFTAC training was for all accountants of the whole of Government, all accountants. We have done that, we will be doing a guideline, we have done the template and it is on the Ministry of Economy website. We have a monitoring team so the onus is on the respective Ministries. If they ask for advice, we are always ready to assist them, and they are urged to do so. As I have highlighted earlier, it is very important that the respective PS also takes charge of this.

In terms of improvement, as I have stated earlier, the unqualified amount as reported was \$18.7 million in 2014, in 2015 it came down to \$6.3. In 2017, the figure is around the same because this value is the historical period and we cannot just go and write it off, but we have to be very meticulous about it. Going forward we do not want to have any issues of write offs because these were legacy issues. So we need to clean our books now and move forward.

MR. CHAIRMAN.- Another point we have noted Mr. Singh is that there are a lot of, not in all Ministries, but there are a lot of incompetent people holding positions where they should not be. So have you given any directive to the Permanent Secretaries or the open merit system is being used in terms of helping the departments in recruiting the right person for the right job because we have seen people who have come before us, at least in the three years that I have spent in this chair, lot of problems have accrued because either people do not know what they are doing, they do not want to do it or they just want to syphon some money out of the Government system?

MR. P. SINGH.- Thank you Mr. Chairman. First of all I do not have the powers to instruct Permanent Secretaries that your particular Accounting Head is not competent. Having said that yes, I do advise them.

MR. CHAIRMAN.- All right.

MR. P. SINGH.- Now we are writing directly to all the Permanent Secretaries. So what happens is that once the monitoring team verifies the reconciliation, if they see issues, they are write to the respective agencies because as far as the reconciliation is concerned it needs to be done on a monthly basis. If the Committee wants the evidences we can give you all the evidences; the Committee can visit our office; if you want to see in terms of how we have changed the institutional structure, the Committee is most welcome and we will discuss in depth; how we have got a new system, the Horizon Software from the Commonwealth Secretariat.

Before we just used to have the CSDRMS which is just the recording software but now we have the analytical software. So, in terms of the debt matrix, we can know what is the average term to maturity, and all those other matrix which is very important. We were advised by the World Bank and by the Commonwealth Secretariat and we have complied.

MR. CHAIRMAN.- When you write to these Permanent Secretaries, what are the chances that they will take your advice? Is there any powers beyond or above you who can actually tell them that this is what you should be doing?

MR. P. SINGH.- We write through our PS and the letters are signed by the Permanent Secretaries.

(Inaudible).

As far as budget is concerned, the responsible Permanent Secretary is the responsible agency head. He is accountable to this. In the whole of Government, our job is to consolidate. So once they finish the AFS, they lock the figures so our job is to prepare the whole of Government accounts and we are doing this on a monthly basis.

We have been writing to all the Permanent Secretaries in terms of the issues they are having in their reconciliations. So we are taking proactive measures, but as I have said earlier the onus is on the respective PS. So we will give you the copies of the letters that we have issued to some of the agencies and if they come before this Committee to make their representation, you can see they have issues with their reconciliation.

MR. CHAIRMAN. - We will keep the letters. We know that you are doing your part, we do not need the evidence to show that you are doing your part. It is just that what is the flow-on effect? Are they accepting your recommendations because Permanent Secretaries we know are on the top, they are the ultimate Accounts Officers, they should know each and every movement of dollars and cents? It is the chain down below who do not do it and then they are held responsible and the entire responsibility comes back to you as the person who is consolidating the accounts, one fall there reflects badly on your account?

MR. P. SINGH.- Yes, you are right Mr. Chairman. On a very positive note Sir, what I have noted is that 60 to 70 percent are very receptive to my advice, but I will see that in the agency FS, that will be done for this financial year, 16th October was the deadline for submission to the Auditor General's Office. So once that is done, we will be doing the whole of the Government accounts. That will be reflected in 2016 and 2017 accounts.

MR. CHAIRMAN. - We have seen an improvement in trends, there was marked improvement from 2014, 2015 and 2016 but then when 2016 came there were lot of issues.

MR. P. SINGH.- ... to get our consultancy because there were some issues as far as the closing of accounts because that was unexpected as we had to close off accounts on 31<sup>st</sup> July 2016. But that has all been addressed and resolved and that issue should not be repeated. I think agencies should not raise that issue because that has been duly addressed.

MR. CHAIRMAN.- Any comments from Internal Audit section in terms of the respective agencies adhering to your recommendation and perhaps the Ministry of Economy's recommendation of how things should be done properly. What are your issues on that? Are the agencies following your recommendations?

AUDIT REP.- Sir, we normally do follow ups and inform the Permanent Secretaries on the number of recommendation that have been implemented, those that are still in progress and those that are yet to be implemented. So, we inform the Permanent Secretaries.

MR. CHAIRMAN.- So, you regularly discuss and the ultimate response should be to the PS because that will reflect on their performance evaluation as well?

AUDIT REP.- Yes, that should be the case

HON. RATU N.T. LALABALAVU.- Mr. Chairman, I did mention that you, Mr Pankaj Singh are being charged with the responsibility of looking after the Treasury and what I am trying to get at here is, you also indicated that you do not have the powers yet with the consolidated performance although you are being tasked to look through that and report on the various aspects of whether the performance was good or bad.

What would be the view of your office? Like for me, personally, I feel that the office of the Auditor General needs to be provided with some immunity in the aspects of their performance of their duty and be given powers to be able to freely flex their wings, in exercising their powers.

On this one here, you are in charge of Treasury, the consolidate performance report comes to you for vetting or screening and yet the Permanent Secretaries are accountable to their respective ministries, but you are being charged with that. What would be the views of your ministry regarding this? Shall we provide more powers because this is beyond you? This is where the will of government comes in.

MR. CHAIRMAN.- Just adding on to that I think this is a policy question. So, perhaps a supplementary question to that would be if someone representing the policy section of the Ministry of Economy can advise on that. How strongly or how essential is your advice taken by other ministries because like as the Director has alluded to, at least 70 percent of them are very receptive. So, the question here is why is that 30 percent not receptive? It all brings us to the question of how strongly or seriously they take y our advice. What does the policy say? How they should be taking it? Because yours is the most important financial advice for the government of the day.

MR. P. SINGH.- Thank you. First of all, I wish to respond to the question or the comment raised by Honourable Ratu Naiqama Lalabalavu. A very good point Sir, which is why we have got Agency Financial Statements which is why the respective Permanent Secretaries make their respective presentation to the Standing Committee on Public Accounts Committee for agency financial statements. They are accountable to the Agency Financial Statements which include their agency accounts and finances.

So, from a consolidated point of view, we consolidate it and, of course, we also do our Agency Financial Statement for the Ministry of Economy and we also do a consolidated financial statement in terms of the entire government operations.

As an oversight agency we have to prepare the consolidated Financial Report in terms of where the accountability arises. They have to do the agency financial statements which is a requirement. That is why they make their presentations. So, there is the Agency Financial Statement and the Consolidated Financial Statement.

What is the consolidated financial statement? Basically, it is the summation of the agency financial statement. That is our point Sir. In terms of accounting, it is adhering to the advice of the Ministry of Economy as I have said, it is qualified and that will be reflected in the 2016 – 2017 DAM (Draft Audit Memorandum) Reports. In the DAM Reports you will see it. If the issues are still there, of course, then you will see that some may not have taken heed of my advice or some may not have understood.

MR. CHAIRMAN.- What report is that, DAM report?

MR. P. SINGH.- Draft Audit Memorandum

MR. CHAIRMAN.- I thought it was DAMN Report.

(Laughter)

Just a follow up question, Mr. Singh. There is a regular quarterly meeting of Permanent Secretaries that are held where everyone is briefed. Are you allowed to make presentation there? Are you allowed to sit in that meeting?

MR. P. SINGH.- I have not made my representations Sir, but what I do is I give my submission to my PS.

MR. CHAIRMAN.- So your PS will be the one addressing that.

MR. P. SINGH.- Yes she is representing us as Accounting Head, Sir.

HON. A.M. RADRODRO.- Mr. Chairman, a question to Mr. Singh. Listening to your responses I fail to see the actions taken by the ministry on the people responsible that resulted in this qualifications. Does the Ministry have the power to issue disciplinary measures against the various staff that are performing this exercise?

In here, you mentioned in “2 years’ time”, what happens in 2 years’ time, you cannot say that it is going to turn out good or turn out bad. However, what actions has been taken on the issues or audit qualification that has been highlighted by the Auditor General on the

people responsible in your ministry and also on the respective agencies? Do you have the powers to also issue disciplinary measures?

MR. P. SINGH.- Thank you Mr. Chairman, Honourable Members, first of all, in terms of powers we do not have the legal mandate. So, what we do is through our PS to the respective PS's. In terms of the issues as far as reconciliation is concerned, and our PS makes briefing to the Permanent Secretaries of other agencies.

So, in terms of outcome, we can know once the 2016-2017 Report is done. When we receive the 2016-2017 Report as far as reconciliation is concerned.

Mr. Chairman what was your other question?

HON. A.M. RADRODRO.- Do you have powers?

MR. P. SINGH.- Legally, I do not have powers.

HON. A.M. RADRODRO.- But actions have been taken

MR. P. SINGH.- We have not taken punitive stance towards it. What we have done is we have noted what the symptoms were. That is why you see the errors and omission was 18.7 million in 2014 if you see at the end of 2017 it came to 6.7million.

From a capacity building side, yes, we have done from our side and this is done continuously.

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

MR. P. SINGH.- That is a positive note issue is coming down.

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

MR. P. SINGH.- Of course it is coming down from 18.7.

HON. A.M. RADRODRO.- It should be zero

MR. P. SINGH.- Yes, of course zero. Who is responsible? The respective Permanent Secretary and it is clearly stipulated in the Constitution. That is what I have highlighted, the respective Permanent Secretary should take that initiative to go over the Report and see where the issues are and discuss with the respective accounting heads.

We are the advisory body. We will advise. So, if the respective agency said that we have not advised them, then of course, that is our issue.

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

MR. P. SINGH.- In terms of the actions highlighted, Mr. Chairman, firstly we have written to all the agencies. Secondly we have developed a template. Thirdly, our PS has already taken this issue to the respective PS's and discussed with the respective PS's.

MR. CHAIRMAN.- I think Mr. Singh does not have the powers to tell the PS whom to remove, whom to surcharge. He makes a recommendation they make the decision as per the Constitution. Is it not?

HON. A.M. RADRODRO.- that is now, previously...?

MR. P. SINGH.- Yes, Sir. It is up to the respective PS.

MR. CHAIRMAN.- Yes, there was a provision in the previous Constitution as well.

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

MR. CHAIRMAN.- No, appointment and removal was PSC.

MR. P. SINGH.- Honourable Chairman, I think what the Honourable Member is saying it was centralised and now it is not centralised.

MR. CHAIRMAN.- It has now been decentralised.

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

MR. P. SINGH.- No, it was not a shock. What happened was we were advised it was a seven-month period, so it is an issue with the other agencies, not with the Ministry of Economy because this is the whole of Government, so other agencies issues are reflected here. In terms of our systems, we needed to recalibrate our system and that was the issue.

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

MR. P. SINGH.- This is something that is not usually done, so we consulted our consultants, FMIS consultant, and I think in one to two months we managed to fix it.

MR. CHAIRMAN.- All right let us move to the next one, Mr Singh.

MR. P. SINGH.- Thank you, Mr Chairman. Moving forward Mr Chairman, in terms of reconciliation for the Trading and Manufacturing Account (TMA's), what we have done is we have completed profiling for the TMA accountants. What we have noted is that before there was a lot of inter-fund transactions, so what our TMA Team Leader (Nemia is our team leader) he has done, he is working with the line agencies and also with the Financial Management Information System (FMIS) team so we are doing profiling. So if you have access to Fund Four, this is our TMA fund, so it should have access to Fund One or in exceptional circumstances, you should have approval from your respective PS's.

Mr. Chairman, as far as qualification number two, the major issues was the Public Service Commission is loans recovery. What we have done, Chair, we have duly rectified this and validated all the files. And as I speak, Mr Chairman, we have transferred the files to Fiji Revenue and Customs Services (FRCS) as was approved through the 2017/2018 budget. The provisional figure Mr Chairman, so far stands at \$8.1million; we have verified just over 5,000 files and we have transferred the files to FRCS, so this issue is now duly addressed.

MR. CHAIRMAN.- Just before going there, there was an issue that I highlighted at page 3, 1.2 2013 Appropriation Decree. It was noted that the two agencies, namely, the Fiji Roads Authority (FRA) and the Ministry for Education, National Heritage and Culture had exceeded their budget. What actually happens in those circumstances, if some agency has exceeded their budget? There needs to be a virement of funds?

MR. P. SINGH.- Yes.

MR. CHAIRMAN.- All right.

MR. P. SINGH.- Mr Chairman. The over expenditure pertaining to FRA relates to the loan funded projects, this was in the Nabouwalu – Dreketi Road. So what happens, it was a committed loan for five years. The budget cycle is for 12 months, so we take advice from FRA as how much they will spend in one budget cycle and what happened in this financial year, there was acceleration as far as implementation was concerned. The weather was quite good in the area and that is why the project was completed on time, and because of the high pace implementation consequentially, the utilisation was higher.

MR. CHAIRMAN.- So in the cases where the budget has been exceeded, where do these extra funds come from?

MR. P. SINGH.- Actually, it should have been regularised through virement or through redeployment. Those are the two ... (inaudible)

MR. CHAIRMAN.- It comes from another agency?

MR. P. SINGH.- Yes. If the agency does not have fund then they have to request from the Ministry of Economy, but redeployment has to be approved by Cabinet.

MR. CHAIRMAN.- Because we note that some of the agencies for some reasons have some funds left in their allocation Is that what is moved around?

MR. P. SINGH.- Yes, some.

MR. CHAIRMAN.- All right let us move to the next one then.

MR. P. SINGH.- Mr Chairman, I think you want to go to education? All right. The other agency was Education that overspent. Over-expenditure in SEG 1 for the Ministry of Education was due to the payment of allowances such as allocation allowance, so as per the general orders it is the Ministry's commitment the allocation allowance and the budget given for allocation allowance for 2015 was not sufficient to cater for the allowances as per the actual number of teachers posted to remote and very remote areas. This has been rectified, now the Ministry of Education are doing due budgeting for this.

MR. CHAIRMAN.- All right, that is understood.

MR. P. SINGH.- Mr. Chairman, if I can take you to page 4, table 1.3.

MR. CHAIRMAN.- Sorry which page?

MR. P. SINGH.- Page 4, table 1.3., Mr Chairman, there is a slight correction there, it is on page four.

MR. CHAIRMAN.- Page 4 of 2014?

MR. P. SINGH.- 2014 Sir.

MR. CHAIRMAN.- And which page of your submission are you referring to?

MR. P. SINGH.- Page 4 of the Audit Report Sir.

MR. CHAIRMAN.- Is it a submission?

MR. P. SINGH.- No Sir, it is not a submission, I am going page by page.

MR. CHAIRMAN.- All right.

MR. P. SINGH.- On page 4, Mr Chairman, if you want to calculate your net operating surplus or your net operating deficit, you need to take into account net financing less your Capital Expenditure. They have instead taken gross financing. So that needs to be corrected but we have had a discussion on that with OAG and they have already done so with 2015 and 2016.

MR. CHAIRMAN.- So in 2014 the OAG looked at gross figures instead of net figures?

MR. P. SINGH.- Yes, because if you go to page 2 Mr, Chairman, in very simple terms, if you see your Actual Operating Receipts less your Operating Expenditure, it is a net surplus but there it is a net deficit. Yes, we have clarified this to them and they have corrected it. From 2016 I do not think this problem would recur.

Yes, so that is sorted out, Mr Chairman, just for the information of members as far as Treasury Bills is concerned, we have discussed this I think in earlier Public Accounts Committee meeting.

HON. A.M. RADRODRO.- Just a clarification, so this statement by the Auditor General for the years 2012 and 2014;

“Loan funds were used for Capital Expenditures...”

Are you saying that is a misstatement?

MR. P. SINGH.- It was used for CAPEX but not for Operating Expenditure (OPEX) because you see it is a zero.

HON. A.M. RADRODRO.- OAG?

MR. P. SINGH.- The calculation is not right.

HON. A.M. RADRODRO.- Any comments from OAG on that statement by the Ministry?

MR. A. SAUNIVALU.- Thank you Mr Chairman, we agree with the Ministry of Economy From 2012 onwards, all the loans were used for Capital Expenditure as shown in table 1.3.

HON. A.M. RADRODRO.- How was this graph provided? Who provided the graph?

MR. A. SAUNIVALU.- The graph is showing the same thing before 2012 that some loans were used for operating.

HON. A.M. RADRODRO.- Up to 2011?

MR. A. SAUNIVALU.- Yes, in 2012 ....

HON. A.M. RADRODRO.- How do you monitor that? How do you verify that statement that all the loans are not used for operating? How can you quantify that?

MR. P. SINGH.- All right, to quantify that, let us go to page 2, use your Operating Receipts minus Operating Expenditure, you will get a surplus.

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

MR. P. SINGH.- Numbers, yes audited figures .

MR. CHAIRMAN.- Operating Receipts minus Operating Expenditure should give you a net figure?

MR. P. SINGH.- It will give a surplus, yes. So that demonstrates that we are not using loan funding to fund our operating expenditure.

HON. A.M. RADRODRO.- Segmentations (SEGs) in the budget expenses, that is 1 to 7.

MR. P. SINGH.- Yes, 1 to 7, it is OPEX.

HON. A.M. RADRODRO.- It does not include those that are in Head 50?

MR. P. SINGH.- No, it includes Head 50 too. Head 50 is also on SEGs 1 to SEGs 10.

HON. A.M. RADRODRO.- Can the Auditor General come back to us with that verification because I think most of the expenditures have gone to Head 50.

MR. P. SINGH.- Not most of it, part of it has gone to Head 50....

MR. CHAIRMAN.- All right, let us go to the next one Mr. Singh.

MR. P. SINGH.- Treasury Bills – this is just a clarification for the Public Accounts Committee. As far as Treasury Bills are concerned, if you want to know how much you have borrowed per year for Treasury Bills, we take the net change. Treasury Bills are short-term instruments, 7 days, 14 days or 28 days. If I borrow \$10 million every 28 days every month, let us say I borrow for 10 months, I borrowed \$280 million but I am rolling over, I am paying so the 10th month and my outstanding is \$28 million so you .....This issue has also been rectified.

MR. CHAIRMAN.- So once you are borrowing, you are also paying up, so the net figure should be less than ...

MR. P. SINGH.- The net figure is your borrowing and that has been sorted out, we have clarified that with the Auditor-General.

MR. CHAIRMAN.- Can you show us on Table 1.4 where the error occurred?

MR. P. SINGH.- The Treasury Bills have taken the gross figure there.

MR. CHAIRMAN.- All Right. So has this been the practice and the OAG would be using the same format over the years. So why are they using the gross figures when they should be using net figures.

MR. P. SINGH.- We have discussed this with the OAG because our figures are also verified by our development partners. It is very simple, if it is a 28 day instrument, it is a short term instrument. So you cannot be taking the gross figure, it is the net figure that is what you should be taking, but they have addressed that for 2016.

MR. A. PRASAD.- If I may just add to what Mr. Singh has said. The report indicates that we have been over-borrowing but if you look at the last row in Table 1.4, looks like we have been borrowing excessively but that is totally not correct. It is because gross figures of treasury bills have been included. In fact, we have never surpassed the borrowing limits.

MR. CHAIRMAN.- So the issue here as Mr. Singh was saying, if you borrow \$10 million per day for 28 days, it will be \$280 million but then you have also been paying about \$5million, so the amount should be 5 multiplied by 28?

MR. A. PRASAD.- Let us take 2014, for example, they have \$306 million borrowing but in fact we had paid about \$280 million, so there was a net borrowing of only \$26 million.

MR. P. SINGH.- Only for treasury bills because it is for a short term, 14 days.

MR. CHAIRMAN.- Would that also be true for what we hear a lot from the people, of the national debt, you are also continually paying that as well?

HON. A.M. RADRODRO.- That is what you stated in your report, total borrowing was \$306 million and outstanding was \$128 million, is that right? The figure showing in the table is the total borrowings that is reflected in the (inaudible)

MR. P. SINGH.- The next issue Chair, is the increases in the un-presented cheques. We have also been discussing with the accounting heads. In most cases we have noted that

this is payment in transit and also contractual payments. Contractual payments are done at the end of the month so we do not recommend any pre-payments. You make the payments when they fall due. And of course you will see our total expenditure has gone up. Last time from \$1 billion we are now hitting \$3 billion. Consequently, you will note higher expenditure in the last month of the financial year, and also contractual payment has to be done at the end of the month. So that was the reason for that.

Mr. Chair as far as page 10 is concerned, the True Trust Fund, I will suggest Chair that this matter be discussed with PS for Local Government because trust accounts come under them, they are the trustees of it.

HON. A.M. RADRODRO.- We have not touched page 5. Cash and cash equivalence, have we finished that?

MR. P. SINGH.- With cash and cash equivalence a vast improvement has been noted as far as reconciliation is concerned. There was an issue with the un-presented cheques so I discussed that Mr. Chair.

HON. A.M. RADRODRO.- These interest payments, can you just highlight to the Committee the surrounding information regarding this interest payment that led to the reduction in the cash balance?

MR. P. SINGH.- This is an off-shore account so what we had done in 2014 Mr. Chair, we had used funds from our offshore account, this is a bank account, so it is the divisional Government, you can keep money here and you can keep money abroad...

(Inaudible)

On the global bond, the one we issued in 2011 was 9 percent, for 2014 it is also 9 percent and the one we issued in 2015 was 6.625 percent, the lowest out of the three.

Trust fund, I suggest Chair we discuss this with PS Local Government because these are off-budget items and the respective PS is the trustee so he is accountable to it.

Mr. Chair as far as page 13 is concerned on liquidation..

MR. CHAIRMAN.- Mr. Singh 2.2 anomalies in cash at bank account balance, are you saying that this is the one that should be rectified?

MR. P. SINGH.- Yes Chair.

MR. CHAIRMAN.- ...and manufacturing?

MR. P. SINGH.- Yes.

MR. CHAIRMAN.- With Ministry for Local Government?

MR. P. SINGH.- No. Local Government is on True Trust on page 10.

MR. CHAIRMAN.- Where is it mentioned?

MR. P. SINGH.- True Trust fund ledger balances.

MR. CHAIRMAN.- I am not able to see that part that you have to refer to the Ministry of Local Government. Is that Page 10?

MR. P. SINGH.- Yes page 10, third bullet point.

MR. CHAIRMAN.- The issues where bank reconciliation not ...\$24.5 million. True trust fund cash at bank general ledger, TFHUD ....decree publicity, totalling \$863 million not supported cash at bank and these are the two issues that have been recurring over the years in which the Ministry is yet to rectify. So this has to go to Local Government.

MR. P. SINGH.- Yes.

MR. CHAIRMAN.- So, staff we must note, that we have to send this part to the Local Government Ministry. Let us move to the next one.

MR. P. SINGH.- On page 30 liquidation Chair, this is handled by the Ministry of Public Enterprises, and this is for state owned enterprises.

MR. CHAIRMAN.- 2.3 there is no issues there, net impact error and omitting cash at bank balances?

MR. P. SINGH.- Chair, if I can refer to Table 3.3, there was a slight correction there. The Table implies that Government under-collected budget dividend revenue. This is incorrect. While RBF profits were excluded from the actual dividend, it was not excluded from the forecasted dividend.

MR. CHAIRMAN.- 3.3 dividend remitted increased from \$11.9 million.

MR. P. SINGH.- In fact what happened when you do the comparison, in terms of RBF profits, it is in forecast but not actual.

MR. CHAIRMAN.- All right. So you are saying that the Table does not truly reflect?

MR. P. SINGH.- Yes Chair. We have discussed this with them and I think they have already addressed that issue.

HON. A.M. RADRODRO.- A question on this investment, you said that Government adopts the cash basis of accounting. In your general statement, you said someone is using the modified cash basis. So in this investment figures that you have here, what are these? Are these actual cash or actual investment, what is it?

MR. P. SINGH.- These are the cash dividends.

HON. A.M. RADRODRO.- On table 3.1 – those are actual cash dividends?

MR. P. SINGH.- Yes, cash dividends.

Mr. Chair if I can move forward to page 17 on Investment. This is regarding Fiji Broadcasting Corporation, they have provided the certificates and I think in our last submission we have given that.

Cash basis also encourages this additional disclosures. So cash basis are receipts and payments budget and actual then the intention is to go accrual, so it encourages voluntary reporting. You can include your investments. Now we are including our financial assets in terms of equity and investments and is historical evidence. So you have two reflections and you can also have a fair value.

HON. A.M. RADRODRO.- My questions will now relate to government commercial companies?

MR. P. SINGH.- Yes.

HON. A.M. RADRODRO.- Now adopting the accounting standards or what it called?

MR. P. SINGH.- International Financial Reporting Standards (IFRS)

HON. A.M. RADRODRO.- Yes, IFRS. How do you reconcile the two from the IFRS to your cash basis?

MR. P. SINGH.- With IPSAS, there is a process in place where you can reconcile but as I have stated in my opening remarks, our focus currently is budget for the entire agencies. So once the budget for the entire agencies is going to manage and fix this, then in the next two years, our focus will be to transit towards accrual, but we need to have a transition period that is what we have discussed with our advisors. There is a process in place as to how we can map this two, from our government commercial companies which follow IFRS and how it needs to be reflected under accrual base IPSAS. There is a process in place. Of course, for business entities, you cannot follow IPSAS because orientation is different. Government is service delivery, businesses is profit-oriented so that is why they follow IFRS. The conceptual framework is different and the orientation is different.

HON. A.M. RADRODRO.- That is different from what the Honourable Minister was saying that it cannot treat government as a service entity?

MR. P. SINGH.- Sir, it is providing service delivery.

HON. A.M. RADRODRO.- The Honourable Minister is saying differently.

MR. CHAIRMAN.- What he said is not actually across the board. What he said that if a private sector does not utilise the fund, does not reconcile, you can stop the finances. You can stop funding for that, but you cannot do that to the Government, like stop funding for the Ministry of Health as you know what the consequences would be. So it has to be operated like a commercial entity, but it is not strictly a commercial entity.

MR. P. SINGH.- Yes, in terms of accountability...

HON. A.M. RADRODRO.- The Honourable Minister was relating the government to be treated as an operating ...

MR. CHAIRMAN.- It will be ideal if that happens.

MR. P. SINGH.- In terms of an efficiency perspective, you need to be efficient because these are taxpayers money, you need to make sure that you get return on

investments. So if I am providing service I need to do it on an efficient basis. If a job can be done by three people, then why would you want to employ five people? So it is efficiency and effectiveness that are your outcomes and your outputs.

MR. CHAIRMAN.- While the notation there is that the return on investment has increased from 2 percent to 5 percent in year 2014, the ideal return on investment is 10 percent base line but this has not been achieved, but you going towards that number?

MR. P. SINGH.- For some entities, yes, but not for other entities that is why I think MP they are in the reform mode. This is for the Agro base companies like Food Processers, Copra Millers and Rewa Rice. So with all these companies, you need to relook at their strategies and their entire business systems and processes.

MR. CHAIRMAN.- In terms of return on investment?

MR. P. SINGH.- Of course, if you can get a good strategic partner that will be good for them too. Mr. Chair, if I can move on?

MR. CHAIRMAN.- Yes, move to the next one.

MR. P.SINGH.- On Page 19, on Arrears of Revenue, Chair, I think we had discussed that in our last meeting.

MR. CHAIRMAN.- It is noted here that you have already answered that.

MR. P. SINGH.- Mr. Chair, on Page 24 Inter-Fund, I had statedearlier that this is the issue that you actually wanted to eradicate. So we are doing a profiling; that is what our FMIS team and our TMA Team Leader are focussing on because some of the agencies are not very meticulous and are using two funds.

MR. CHAIRMAN.- That is the problem that we have come across in respective ministries. Perhaps the Team Leader TMA can advise us a bit on that. What is actually happening with the Trading and Manufacturing Accounts the funds are supposed to be used only for that purpose. We have seen that some of these funds are used for operational matters as well. So team leader TMA, can you give us a brief background, what is it supposed to be, whether it is uniform for all ministries, whether all ministries keep these accounts and what are the major problems?

MR. I. TALEMAIBUA.- Thank you, Honourable Chair. I think one of the issues is that the same accounting personnel handles both the Ministry and the TMA accounts. The same person that does salaries for the ministry staff also handles for the TMA staff salaries. Consequently, some of these expenses are credited wrongly, some wages that are supposed to be paid from the TMA are paid from the Ministry and vice versa. So what we have done we have created separate profiles and if, for example, you are posting a transaction for TMA, you log in through your TMA profile.

MR. CHAIRMAN.- So if you have to make a payment, in simple terms, you would log in through your TMA account and paying out of the TMA account?

MR. I. TALEMAIBUA.- Our team has created separate profiles and want this reconciled at the end of every month. We used the Query Analysis Application from FMIS and reviewed all TMA accounts at the end of the month and if we identify that there are still any inter-fund transactions, we notify the respective ministries.

MR. CHAIRMAN.- But inter-fund transactions should not happen in the first place?

MR. I. TALEMAIBUA.- Yes, Sir.

MR. CHAIRMAN.- I recall there was an earlier recommendation to do away with the TMA Accounts as the system was archaic. Has this recommendation been implemented?

MR. P. SINGH.- Chair, as far as TMA is concerned, our intention is to review the TMAs because we have noted that we can do away with some TMAs, but we want to do an independent assessment. That is the third phase of it. The next phase is to develop a guideline for IPSAS; and we want to focus on the review of TMAs because this is not a very simple exercise. We have noted some of the TMAs are undertaking some very crucial functions which we need to retain and do away with others.

MR. CHAIRMAN.- Not every Ministry has a TMA Account?

MR. P. SINGH.- No, Chair.

MR. CHAIRMAN.- It is only those who actually have a Trading and Manufacturing Account. So the Ministry of Foreign Affairs may not have that.

MR. P. SINGH.- I do not think so, Sir.

MR. CHAIRMAN.- Yes, coming back to what you were saying that the TMA is not reflected. However, the audit review noted possible mis-statements in TMA Accounts as apportionment of payments between funds were not disclosed in all TMA Account operations. Is that what the TMA Leader meant when he was explaining the issue of “payment out”?

MR. P. SINGH.- Yes, it is the issue of inter-fund. What should be noted is that TMA should be treated on a distinct basis. It is a semi-commercial body and one should not tap into that Fund. Some agencies used to do that previously and they had to regularise it, so we want to ensure that this issue does not arise again. That is why our TMA Team Leader has been discussing with our Accounting Heads and with the FMIS team of profiling. All the TMA users should not have access to Fund 1, but in some cases they will have access due to that particular agency not having enough staff.

MR. CHAIRMAN.- As an example, in an agency, how many accounts would an ID Agency have? They will have the operating account, the TMA?

MR. P. SINGH.- Chair, I think we need to start with identifying the outputs of the agency.

MR. CHAIRMAN.- From where?

MR. P. SINGH.- From what are the outputs of the agency.

MR. CHAIRMAN.- If it is FRA then they will have a special development account?

MR. P. SINGH.- No, Chair, because FRA is a statutory body. We give them grants ...

MR. CHAIRMAN.- So Infrastructure is Ministry only?

MR. P. SINGH.- Infrastructure is only for the Ministry, yes. They have got the mechanical and all those and they have been operating this for quite some time.

MR. CHAIRMAN.- This probably depends on the respective Ministry, what sort of accounts do they operate?

MR. P. SINGH.- Yes. Chair, on Page 44 Lending Fund Account as I have highlighted earlier this has been sorted out, this is the PS...

MR. CHAIRMAN.- Which page?

MR. P. SINGH.- Page 44. Chair, this one from page 25, 26 there is no issues there.

MR. CHAIRMAN.- Borrowing Fund Account?

MR. P. SINGH.- Yes, just showing all the turn analysis.

MR. CHAIRMAN.- There are some mention of public debt which might also be in the public debt reporting section there.

MR. P. SINGH.- Yes, Chair in the Performance Audit Report.

MR. CHAIRMAN.- Before you go there at 6.4 on page 24 we had noted the issue of TMA and then the recommendation said:

- All TMA operators should ensure that all expenditures incurred for TMA related expenditures should not be charged to operating (we understand that).
- The Ministry of Finance Asset Management Unit should review the management of TMA policy, and
- Disciplinary action should be instigated on officers using operating fund to fund TMA operations.

Has there been any actions taken against these officers who have been using the account interchangeably

MR. P. SINGH.- Mr. Chair, for the first two bullet points, we are pursuing on a very proactive basis. As far as disciplinary action is concerned, I do not think we have investigated any disciplinary measures yet.

MR. CHAIRMAN.- They will keep on repeating this mistake.

MR. P. SINGH.- And of course we have also requested for a legal opinion on whether we have powers or not, if the Ministry of Economy can discipline. The respective PS can.

MR. CHAIRMAN.- Yes.

MR. P. SINGH.- So we will write to the respective PS who then should discipline these officers.

MR. CHAIRMAN.- This account is for 2014 and this is 2017 and you have not taken any legal advice on that so far?

MR. P. SINGH.- As far as TMA is concerned, Mr. Chair, because what other tasks we have taken is that we were working on the TMA policy that has been done. What we have noted some of their accounting heads did not have a template. If it is a new officer, then the right orientation needs to be provided.

MR. CHAIRMAN.- If there is no recipe book the new officer would come in to cook his own food.

MR. P. SINGH.- Yes, that is what the TMA team is doing there. They are also undertaking some trainings too.

MR. CHAIRMAN.- Well this is a problem that has been highlighted across the board for the past five years, I think, payment out of wrong accounts.

MR. I. VOCEDUADUA.- Mr. Chair, as I mentioned earlier, we have done trainings in conjunction with FMIS on respective modules. We have highlighted and conducted quarterly site visits and meetings with these TMAs. We have highlighted the need to refrain from inter fund transactions.

We have also highlighted through a circular memo to all TMAs and identifying all the issues that a TMA is facing in regards to the need for review, the need to provide the necessary staffing and resources to these TMAs so that these errors do not recur, and also the importance PS's implementing disciplinary actions against their respective accounting heads for these issues.

MR. CHAIRMAN.- What I suggest is, when you have these trainings, do not provide tea and refreshments. Do not provide scones and cookies there because a lot of these guys attend these trainings just to have scones, lamington and tea. They do not understand what you have been teaching them because this is what is happening. This is not the first time we have picked this up. Trainings are going along fine but the message is not sinking through, that is the problem. This TMA issue has appeared not only in 2014 but all the way from 2007. It is a repeating and recurring issue. Something has to be done about.

MR. I. VOCEDUADUA.- Yes, Mr. Chair, in the 2016/2107 financial year, we had addressed all the inter fund transactions before the end of the closing of the financial year.

MR. CHAIRMAN.- All right.

MR. I. VOCEDUADUA.- Previously all remaining inter fund transactions were transferred to equity, now that has been stopped. We had adjusted all inter fund transactions prior to the close of the financial year.

MR. CHAIRMAN.- Yes.

MR. I. VOCEDUADUA.- I think that will be reflected once the audit of the financial year 2016/2017 is completed.

MR. CHAIRMAN.- I hope that the 2016/2017 do not show this problem even at a lesser scale. Your training should teach these people.

MR. I. VOCEDUADUA.- As alluded to by our Head of Treasury earlier, Mr. Chair, we also do monthly review to the queries analysis application on FMIS. We go through all TMA accounts for each postings within a month, identify if there are any inter fund transactions and we notify these respective ministries to adjust as soon as possible.

MR. CHAIRMAN.- All right.

## 7.0, Borrowing Fund Account

This is something that guided a lot of public interest as well, so will you be in a position to give us a brief background, what is this about and whether it will be affected in the Public Debt Reporting as well. We see the notation was that the Public Debt in 2014 totalled \$4.083 billion and comprise of domestic borrowing of \$2.698 billion or 66 percent of total debt; overseas borrowing of \$1.254 billion or 31 percent and treasury bills \$130 million.

The Government also receives short term advances. There is no issues highlighted there in fact, but can give us the background of what this is about, the \$4.083 billion debt. People think that everyone is doomed.

HON. A.M. RADRODRO.- Just in addition to that, I think the previous audit report also highlighted the burden per its citizens.

MR. CHAIRMAN.- So, which report was that. I have not seen that.

HON. A.M. RADRODRO.- It is not in this audit report. Previous reports usually show that. I think, the last time it was \$6,000 or was it \$16,000. What is the current situation at the moment for citizen of this country?

MR. CHAIRMAN.- I have not seen that myself.

HON. A.M. RADRODRO.- Inaudible.

MR. P. SINGH.- Thank you, Mr. Chair. In which year was that reported.

MR. CHAIRMAN.- Because the reports that I have seen so far, have no notations referring to per citizen.

HON. A.M. RADRODRO.- Inaudible.

MR. CHAIRMAN.- Maybe the census report will have it but....

MR. P. SINGH.- Mr Chair, we will respond to that, thank you.

Borrowing Fund Account, Mr. Chair, we take the cue from the budget. What is the approved borrowing limit and we will borrow from there.

So, Mr. Chair, the important point to note is, when you have deficits, your debt will go up.

MR. CHAIRMAN.- Yes. When you are spending more than you are earning, your debts will go up.

MR. P. SINGH.- Yes, of course.

HON. A.M. RADRODRO.- Your savings?

MR. P. SINGH.- Savings, and you repay your debt and it will go down but historically, as far as a developing country like Fiji is concerned, we have been incurring a deficit budget but more importantly, we need to look at other matrix. That is why the Commonwealth Secretariat has assisted us with their horizon software. So, it is just not one matrix that you focus on. There are lots of other matrix. So, if you see the Debt Report now, Mr. Chair, if I may, this is all available in the public domain or website, you will note that we have been focussing on debt as a percentage of GDP which has been coming down to 45.5 percent now, to be precise. But from a liability management perspective, we are also using other indicators, too. Like in terms of our average. Average turn to maturity and our debt maturing in one year.

Foreign Debt and our Domestic Debt proportions from a liability perspective.

So, these are the additional matrix we have to take on board as far as liability management is concerned and as far as the amortization profile is concerned. Because it is very important that you need to have a smooth amortization profile. Amortization is your repayment of your debt because if that \$4 billion debt becomes due next day of course you will not be able to pay. You need to have a very smooth redemption profile. So, you will see in our Debt Reports, it is now highlighted in terms of amortization profile, in terms of all our indicators. That is the additional disclosure we are doing in our Debt Report.

MR. CHAIRMAN.- 7.2, Government Borrowings Outstanding: in 2000, the total government borrowing was about \$1.5 billion. In 2014 it was close to \$4 billion. So, are you in a position to tell us what percent of GDP did we borrow in 2000 and what percentage of GDP in 2014?

MR. P. SINGH.- All right, Mr. Chair, I have got figures from 2005.

MR. CHAIRMAN.- In 2005.

MR. P. SINGH.- From 2006 as percentage of GDP, it was 53.3 percent. At the end of 2016/2017 it is 45.6 percent. This is a proportion of GDP.

MR. CHAIRMAN.- 45.6 percent. That means, the income generally is looking at the small scale shop. The income is also increasing so the debt is less than 50 percent of the GDP.

MR. P. SINGH.- Yes.

MR. CHAIRMAN.- Can you explain that in simple terms, so we can all understand.

MR. P. SINGH.- There has been a marked reduction in debt to GDP ratio from 53 percent in 2006 to 48 percent in 2014 and 45 percent at the end of the financial year 2016/2017. At the end of July 2017, our debt was 45.5 percent.

HON. A.M. RADRODRO.- Inaudible.

MR. P. SINGH.- Referring to what Honourable Radrodro had mentioned in terms of measuring debt to a person of \$6,000. I think it is a very inappropriate way to engage the level of debt, and you will not see that in any other country, but we are not looking at the

income per person which is \$10,000 to \$11,000 in Fiji which is the GDP per capita. So just looking at debt GDP, debt per person of \$6,000 is not very appropriate.

We also need to look from the other side that the income per person in Fiji GDP per capita is \$11,000. So that is why there are other measures of debt that we need to look at, for example, debt is what has been accumulated over so many years, we do not have to pay all those debt tomorrow so the more important indicator is how much debt is due next year; whether we have sufficient revenue; whether we have foreign exchange to repay that; whether there is sufficient appetite in the market to be able to meet those financing.

HON. A.M. RADRODRO.- Why cannot that be also used?

MR. P. SINGH.- It can be, but it is not the appropriate measure. A better way to say it is that debt per person is \$6,000 and income per person is \$11,000.

MR. CHAIRMAN.- In simple terms, if a company owes \$10 million in debt, it does not mean that every employee, divide that debt by the number of employees, everyone is responsible for that, because the General Manager earns more than the Clerk. Therefore, he is saying that it is done in some countries but it is not an appropriate way of saying that you are \$6,000 in debt because the company owe so much.

Honourable Member.- Inaudible.

MR. P. SINGH.- I think the point I would also like to highlight is that we should, at the same time, look at the income per person of \$11,000.

MR. CHAIRMAN.- All right. Politically, it sounds very good but the reality is different.

MR. P. SINGH.- Just two additional points there. When you look at the debt, the other important point is what you use that debt proceeds for.

MR. CHAIRMAN.- Yes.

MR. P. SINGH.- So for us, it is going to be capital expenditure. The other point to note is that when you say per capita, for a developing expenditure it is just not for today, it is also for future generations. Future generations will enjoy the same asset from the capital and the development expenditure. That is the other point that needs to be noted, too.

HON. A.M. RADRODRO.- So the public debts, the percentage of GDP, compared to 2006 you said it was 53.3 percent, and the amount of debt at that time was \$2.8 million, now it is \$4.03 million and the percentage that you have reported has decreased but the debt has increased?

MR. P. SINGH.- The size of wealth has increased, that is your GDP, and so with the increase in wealth, your revenue has also increased. You see many false increases in the revenue, so you have to take all the indicators into account. If I was earning \$20,000, I will invest \$50,000 in housing; if I am earning \$100,000, I will invest \$500,000 in housing; and I will have some rental properties too.

So in terms of how you use your development expenditure, in terms of what the gains are, that is why when we borrow from Asian Development Bank from World Bank, or from EIB, they look at the internal rate of return so that they have the internal rate of return to 10 to 12 percent. Of course, we need to take into account other economic fundamentals. The economic fundamentals need to be very strong because you need to do your debt servicing as and when they fall due. That is very important. The economic fundamentals of the country needs to be very strong. We always need to take that into account before committing to any debt. Of course, the other point that needs to be considered is, say for public utilities, these are the needs, odd times to this project. So you need to....

HON. A.M. RADRODRO.- The GDP measures that you are using, is it actual figures or estimated figures?

MR. P. SINGH.- This is what has been released by Bureau of Statistics.

MR. CHAIRMAN.- Yes, the actual figures.

HON. A.M. RADRODRO.- Inaudible.

MR. P. SINGH.- Actual figures in 2016 and in 2017 it is a forecast, estimated amount, but.....

HON. A.M. RADRODRO.- Inaudible.

MR. P. SINGH.- Prior to 2016 all are actual GDP, in 2017 we cannot have the actual because....

MR. CHAIRMAN.- It is not over yet. Just like taking a loan to build a bridge. You may build the bridge now, but you do not build bridges every day in the same place, so it will last for 100 years, you have actually distributed that expense for the next 100 years.

HON. A.M. RADRODRO.- ....relating to the figures that you use as GDP, are they projected or actual figures?

MR. CHAIRMAN.- He said that before 2016 it is the ....

MR. P. SINGH.- These are the actual figures released by the Fiji Bureau of Statistics which is the independent statistics office and in terms of 2006, as the Honourable Member has said, debt has increased from \$2.8 million to \$4.5 million dollars now but GDP has increased much faster from \$5 million to \$11 million now.

HON. A.M. RADRODRO.- Do you have some projects that were listed to materialise within those years like Waila City, like 100 Sands, so that can also impact on the GDP?

MR. P. SINGH.- No, those are not part of the GDP.

MR. CHAIRMAN.- Those are private projects.

MR. P. SINGH.- Sir, these are actual numbers.

MR. CHAIRMAN.- 100 Sands will....Yes please.

MR. P. SINGH.- Thank you Mr. Chairman. As far as the debt is concerned, this information is in the public domain.

MR. CHAIRMAN.- Domestic Bonds Mr. Singh, loan repayment I think we have discussed that earlier.

7.4 - Domestic Bonds, on Page 29, what exactly are those? There are no issues highlighted but what is Domestic Bonds in simple terms?

MR. P. SINGH.- Domestic Bonds is our domestic loans. In the GFS guideline is domestic bonds are those bonds that are held by our local creditors.

Honourable Member.- (Inaudible).

MR. P. SINGH.- As far as borrowings, there are no issues with that. We have made a marked improvement as far as our Treasury bills are concerned, you may have noted.

MR. CHAIRMAN.- Are you on Page 34?

MR. P. SINGH.- Sorry Mr. Chairman, I am on Page 35. You see on Page 35, you see the outstanding Treasury bills here, a data on a time horizon basis from 2000 to 2014.

MR. CHAIRMAN.- So what exactly is Treasury bill?

MR. P. SINGH.- Treasury bills are short term instalments, so you see seven days, 14 days, 28 days, 56 days, 90 days, 156 days and 182 days. We have been managing our short term finance in a very prudent manner. If you have 10 year horizon there has been no marked improvement, in fact if it is compared to 2000 to 2014 there is a reduction in it. The other point that needs to be taken into account is in 2000, our expenditure was below \$1 billion.

MR. CHAIRMAN.- Yes.

MR. P. SINGH.- Now our expenditure has gone close to \$3 billion, but our Treasury bill is still \$102 million. So we have been managing our Treasury bills in a very prudent manner as far as short term financing is concerned. All right, thank you Chair, I can move on.

MR. CHAIRMAN.- 7.10 Page 38 -Vulnerability. Vulnerability is a measure or degree of dependence of Government on sources of borrowing outside its control or influence. The measure of vulnerability is a comparison of overseas borrowings to total Government debt. Table 7.14 compares overseas borrowings to total Government borrowings for the period of 15 years. In 2014, overseas borrowings made up 31 percent of outstanding Government borrowings and has increased by three percent as compared to 2013. What is that 3 percent made of? The total debt per GDP ratio?

MR. P. SINGH.- Yes, they are GDPs.

MR. CHAIRMAN.- All right. So that has been increased by 3 percent.

MR. P. SINGH.- Mr. Chairman, in this case, what we have done is that we have taken a holistic stance to it and we have come up with the debt matrix. Debt matrix, we now have overseas to domestic debt- one matrix; average time to maturity- we have another matrix; and we are setting bench marks to it.

MR. CHAIRMAN.- All right. So you have figures from 2006. So from 2006 to 2016, what is the percentage of GDP increase?

MR. P. SINGH.- GDP has increased by close to two-fold from \$5 billion in 2006 to 2016 and in 2017 it is over \$10 billion.

MR. CHAIRMAN.- So it is 100 percent?

MR. P. SINGH.- 100 percent.

MR. CHAIRMAN.- And debt increased from 2006 to 2016?

MR. P. SINGH.- In 2006 it was \$2.8 billion to \$4.6 billion.

MR. CHAIRMAN.- What is the percentage of that?

MR. P. SINGH.- That, as the percentage GDP, is 45.6 percent.

MR. CHAIRMAN.- But still healthy?

HON. A.M. RADRODRO.- Table 7.18, 2006, it was 43 percent and how about in 2007?

MR. CHAIRMAN.- Table 7.18

MR. P. SINGH.- Mr. Chairman, Table 7.18 is showing the percentage of tax revenue to debt; again as I mentioned earlier, we do not have to pay all the debt in the current financial year. So, comparing it with the current financial year's revenue which is just for one year, is not a very good indicator. However, having said that if we had to...

HON. A.M. RADRODRO.- Apologies, 2007

MR. P. SINGH.- Yes it covers 52 percent, but as I had mentioned, we do not have to pay all the debts. So, the appropriate measure we have been looking at is total revenue to debt that is due next year, and foreign reserves to external debt that is due next year.

HON. A.M. RADRODRO.- So, in 2006 we can say that for every dollar, 48 cents is debt related. We can look at it like that.

MR. P. SINGH.- Yes

HON. A.M. RADRODRO.- In 2014, every dollar has now increased to 52 cents as an indicator.

MR. P. SINGH.- But it does not have much economic meaning to it.

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

MR. CHAIRMAN.- The tax debt has also increased from \$1.065 million in 2005 to more than double \$2.117 million. Probably due to stringent tax collections methods and increase in wealth.

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

MR. CHAIRMAN.- What I am trying to compare from table 7.18 is the 2005 debt of 44 percent and 2014 debt of 52 percent. In the whole picture, there is a slight increase but the tax revenue is doubled. It does not look too bad.

MR. P. SINGH.- (Inaudible)

MR. CHAIRMAN.- To pay that 44 cents in 2005 you had limited resources. To pay that 52 cents you would have doubled your resources. The cake size has increased. Honourable Ratu Lalabalavu.

HON. RATU N.T. LALABALAVU.- Thank you Mr. Chairman, just a general question to the gentlemen from the Ministry of Economy. The vulnerability of the loans that we submerge ourselves into especially on borrowing and some of it is outside governments' control or influence. Is there a mechanism in place set by the Ministry to ensure that there will be, say, a sudden increase in the value of Yuan?

MR. CHAIRMAN.- I could not get that Honourable.... What was the question again? You have got it.

MR. P. SINGH.- This is an important point raised by Honourable Ratu Lalabalavu. It is how you manage your exchange rate volatility because of a sudden upsurge in one of the currencies. I think that is the point as far as our portfolio is concerned, in terms of external debt exposure, we have got 30:70 plus and minus 5. We have set that benchmark.

As far as our other bodies are concerned like ADB and other agencies, they also give us this currency conversion. So, that flexibility is there. It is how you negotiate the loans. So when you negotiate the loans you need to ensure those other components are part of your debt.

If there is a sudden increase in the rate like US dollar or Japanese Yen, then you have the flexibility to switch. Some of different partners give us that option. For some, they do not give that option, of course, and that proposes a risk but you have to look at your total portfolio. It is 30:70 plus or minus 5. So, in terms of our external debt exposure, it is 30:70 plus or minus 5.

MR. A. PRASAD.- For the external debt, most of our debt holdings are in US dollars which is much more stable.

MR. CHAIRMAN.- This is a good time to take a short tea break for ten minutes before we come back, We will need to wrap up as far as we can and then see how far we go. Thank you Ministry of Economy.

The Committee adjourned at 11.05 a.m.

The Committee resumed at 11.20 a.m.

MR. CHAIRMAN.- All right, let us start Mr. Singh.

MR. P. SINGH.- Thank you, Mr Chairman. Let us just move on to Contingent liabilities on page 47. The important thing to know, Mr Chairman, in the last 10 years, there were no defaults as highlighted in our Performance Audit comments apart from the Fiji Sports Council for 2005. As far as contingent liability is concerned Mr. Chairman, we are also doing a framework with Pacific Financial Technical Assistance Centre (PIFTAC) on fiscal risk framework.

So in terms of what are the broad indicators for state owned enterprises, we need to continuously monitor the Government Guarantee Debts. So it is a finance indicator because we need to take into account the performance ratios, the leverage ratios and the liquidity ratios so all these ratios are called financial indicators. PIFTAC has done the draft, and that is what we have to take on board now and how we can tweak it to best suit our local context, This is as far as our contingent liabilities are concerned.

Mr Chairman, as far as contingent liabilities, we are also now taking into account Provincial and Municipal Council debts because this is part of the general Government. It is important from a risk perspective, that we also capture this and this is one of the advice that we received from our development partners.

MR. CHAIRMAN.- So if a particular municipal council has taken a loan to fund a project, that will reflect here?

MR. P. SINGH.- Yes, it is not part of the account, but part of the notes.

Going forward, this will be part of the contingent liability report. Those are the additional disclosures we are doing, Mr. Chairman.

The last one as far as 2014 is concerned, Mr Chairman, the inter fund transfer is as my colleague, Ratu Nemia, had highlighted earlier in terms of inter-fund accounts, we are taking a very stringent measure as far as inter-fund transactions are concerned in terms of profiling for the use of FMIS.

Sir, page 50 on FBC this has been addressed and we have given the evidence as far as the certificate is concerned. Mr Chairman, in terms of this trust fund, I had answered when I did my keynote address in terms of write off, this is where the adjusting of entries occur, so now with the measures we have put in place, this should not recur. Write-off will be actual write-off, you either write-off or write-down.

MR. CHAIRMAN.- What I suggest is that before we finish 2014, where there is a request for write-offs, since you have now implemented a system of a quarterly reconciliation, the write off issue should be minimised. And there should be some stringent measures taken against the Chief Account Officers or the PS, if you have some recommendations please advise us because we have noticed that there is a trend and one of the minor ones is when somebody goes overseas, he is given a certain amount of money, he should retire the funds within five days. If he does not do that, it keeps on accumulating and three-four years down the line they ask the Ministry of Economy to write it off, someone has pocketed the money.

That is what we do not want to happen, and that is a minor one. There are bigger ones as well involving some projects, building, roads, etc.

MR. P. SINGH.- Sir, I think it is a very important point, in terms of accountable advance. Mostly what happens is, once the officer retires or the officer resigns, it is very hard to recover. So what we have been advising our accounting heads is “When you assess request in relation to advances you always need to take into account the contracts of that particular officer.” Of course this is also uncontrollable, but all these factors need to be considered when giving accountable advance which is of course for an official purpose. If the PS approves a request for advance, then that officer will be given the accountable advance, but stringent measures should be taken Mr Chairman, as you have mentioned; it is very important.

Mr. Chairman, if you agree we can move to 2015?

MR. CHAIRMAN.- Yes, we can go to 2015.

MR. P. SINGH.- The important development is that it, is after a long time that we had an unqualified account for 2015. But there were issues there: the first issue was in terms of consolidation, Sir this is what I had highlighted in my opening address as far as Ministry of Economy is concerned and as far as Government is concerned. Now, the focus is budget sector agencies. So once we are able to have the policies for all budget sector budget agencies, we are able to have a framework for all the budget sector budget agencies, and we see that all the capacity issues are addressed so we are seeing this two years, we have got an improvement plan which is on the website. This was done after the PIFCA assessment, so there is an improvement plan.

MR. CHAIRMAN.- On your the Ministry of Economy website?

MR. P. SINGH.- Yes, the plan is there.

MR. CHAIRMAN.- Plan for?

MR. P. SINGH.- In terms of the Public Financial Management Improvement Plan (PFMIP), hope we are going to improve it, the improvement plan.

MR. CHAIRMAN.- Can we download that and then circulate it to the members please.

MR. P. SINGH.- Yes Sir.

HON. A.M. RADRODRO.- I reiterate my questions, those plans are a way forward, but what actions are being taken on the people that were involved in this emphasis that were highlighted by the Auditor General, say for bank reconciliations. These are ongoing issues, bank reconciliation statements, trust funds, trading and manufacturing account, overseas mission bank statements. These are issues that have been ongoing since probably for the last ten years. But the question is, you have a plan that is all right, because whether the implementation of the plan will resolve this issue is another question. That will come about in the next audit cycle. What actions have been taken by the Ministry to address this so that it does not repeat itself in future audit reports?

MR. P. SINGH.- The plan is actually looking forward 2016-2019, and the plan has started to bear fruits. In terms of overseas bank accounts, the Ministry of Foreign affairs has advised that 10 out of 17 accounts have been reconciled, as far as foreign bank accounts are concerned. As far as TMA is concerned, there has also been a marked improvement in TMA's too, so what we are doing now we are very closely monitoring their reconciliation and writing to PS's for any default and if they do not action, if we see the same issues repeated, then we will be taking that up.

We also advised the PS's to invite us to be part of their exit meeting, because in the exit meeting we want to see what are the issues that are emanating. So it is the call of the PS if they want to invite us, but I think most of the PS's are receptive if we go to the exit meeting then we will see what the issues are. Because the same issues get factored in the Whole of Government account, so that is a new development.

MR. CHAIRMAN.- And then this become your problem when they have not done their part, it reflects on your account.

HON. A.M. RADRODRO.- Mr Chairman just one question.

MR. CHAIRMAN.- Just before that one, Honourable Radrodro. Do you have some sort of database in your office that says "Repeated issues", This has been happening for years in a particular Ministry. What are the recurring issues? Do you have some sort of database there in your office?

MR. P. SINGH.- Not actually a database Mr. Chairman. What we have done last year when we were doing all the consolidation of accounts, all these key issues we have picked up are the trust accounts, the TMA's and drawings account and our monitoring team has designed a template.

MR. CHAIRMAN.- Is that per Ministry or for the Whole of Government?

MR. P. SINGH.- For the Whole of Government. When we see five Ministries are not doing their reconciliations, we send letters as "As per distribution list". You will see the letter as our evidences, you will see it.

MR. CHAIRMAN.- So they will see and other PS's will also see who is not doing their job.

MR. P. SINGH.- Yes.

MR. CHAIRMAN.- So it is like a peer review kind of thing.

MR. P. SINGH.- But the onus lies on the PS's, they need to come up with their remedial plans.

MR. CHAIRMAN.- Yes, Honourable Radrodro. You had a question there.

HON. A.M. RADRODRO.- Now I have to extend my question. The plans that you have like now you are having meetings with the PS and making recommendations. How

many PS's have taken heed of those recommendations for disciplinary actions since you first implemented that plan to date.

MR. P. SINGH. The stance most of the PSs have taken is they are looking at the capacities now. They are not taking up punitive stance as I have stated earlier. They are taking into account more approaches of key issues and what are the key symptoms. What they have mostly highlighted are the capacity issues with agencies. So, now PSs are given the powers to recruit the best people and as I have highlighted earlier, that is what we want to see in the 2016/2017 audited accounts. recurring issues so We will have a one to one discussion with the respective PS's regarding recurring issues. They have been informed that agency issues are being incorporated in the Whole of Government accounts as it does not look good because some of the agencies are really doing well. There is vast improvement in some agencies, after reconciliations except for a few agencies whose issues cause reflection in the whole of Government account.

MR. CHAIRMAN.- ...theory.

MR. P. SINGH.- In terms of the emphasis regarding consultation, we will focus on budget sector agencies. In terms of omissions Chair, we are stringently monitoring them and the figures are coming down with one caveat on Ministry of Fisheries and Forest which is being audited by IAGG. There was some issue of the cheques becoming voided so our IAGG team is doing an audit for that one.

In terms of EFT included in un-presented cheques, here, I think that is the right thing. If EFT payment is still in transit, which will be part of the un-presented cheques because the payment has not been executed by the respective bank.

MR. CHAIRMAN.- Mr. Singh, what is the current turn around the agencies of payments? Are you doing EFT's or cheques?

MR. P. SINGH.- Seventy (70) percent is through EFT because our intention is to move towards digital transformation to ensure cost effectiveness, inclusion and we also want to reach, the outer communities. With digital transformation, we want to see people in the villages and maritime areas, in terms of targeting the "no-bank" population and how we can make leverage on mobile wallets. People can use M-Paisa to do their payments so that is our focus now, and we are also working with UN PFIP, and Fiji and Solomon are the signatories to it.

That is our key focus in terms of digital transformation because that is what we see that will bring in inclusivity and, of course, in terms of financial inclusion, financial literacy for our people. For example, if you are selling dalo or yaqona to a customer, how you can just pay online rather than the person leaving to go and collect payment, so it is very important. I think that is what we have signed with BTCA and they are assisting us on that. I think We are taking a great leap into digital transformation which is very important.

Sir if I can draw your attention to page nine (9) now on the issue regarding EFT and un-presented cheques. Sometimes the payment is in transit payments made on the last day as I have highlighted earlier. That will be accounted for as un-presented cheques because it will not hit the bank account on the same working day.

HON. A.M. RADRODRO.- Just a clarification on this table 2.2 un-presented cheques, page six. There is still a significant amount in the un-presented cheques. Are these cheques relating only to 2014 or are they carried forward?

MR. P. SINGH.- Just for 2014, Chair.

HON. A.M. RADRODRO.- And what happened to the ones before that, are they being presented?

MR. P. SINGH.- Yes they have been presented. The important point to note here, reconciliation comes in in terms of how you eliminate stale cheques from your drawings account, and the other important point to note is this, that our expenditure has also gone up. It was around \$1 billion in 2006, and now we are hitting \$3 billion, so consequently per monthly expenditure will go up.

Chair, we will give you the confirmed dates because I joined at the end of 2016.

MR. CHAIRMAN.- All right let us move to the next one.

MR. P. SINGH.- On page 10, the point that was raised regarding overseas bank account, this is an issue that we have noted.

MR. CHAIRMAN.- This is for embassies?

MR. P. SINGH.- Yes Chair, on page 11. We have discussed this issue with the Ministry of Foreign Affairs and have advised them accordingly. Here again, the issue is capacity. What we have noted that is that they are not taking into account the effects of foreign exchange. That was the anomaly.

MR. CHAIRMAN.- With our embassies abroad, do they not have accounts personnel in their respective stations?

MR. P. SINGH.- I think they have accounts staff, Chair, but it is respective ..... they recruit a person who looks after their accounts and sometimes they are from that particular country.

MR. CHAIRMAN.- So the issue that you have highlighted here, the Ministry of Economy also oversees the Ministry for Foreign Affairs to ensure that they do their part?

MR. P. SINGH.- It is Ministry of Foreign Affairs. As far as we are concerned we advise them on what needs to be done because for some of the bank accounts overseas, you need to have a minimum balance otherwise they will close the accounts.

HON. A.M. RADRODRO.- The \$600,000 in the bank account of the Ministry of iTaukei Affairs, has that been transferred?

MR. P. SINGH.- Last we have been advised that the bulk of this account has been transferred to TELTS but we will get a confirmation on this.

HON. A.M. RADRODRO.- Itaukei Affairs officials were here and according to them, they were still awaiting the decision from Ministry of Finance regarding this bank account.

MR. P. SINGH.- We have not received anything formally, but we will look into this because as far as we are concerned, we have transferred our PSC launch recovery to FRCS. If their reconciliation is up-to-date, then it is very easy to transfer but we will just see what the legal mandate is. Chair we will discuss this issue with PS Itaukei Affairs and we will provide a confirmation in writing.

MR. CHAIRMAN.- While you are there, also ask them what recovery methods have they applied and what is their recovery rate. They will be able to advise you once you ask them because PSC and Multi-Ethnic Affairs also faced the same problem. People that were given their scholarships either migrated or found jobs locally but did not make the effort pay back, so civic responsibility is lacking. Probably that is something we can address in a separate section in our report.

HON. A.M. RADRODRO.- ...that are highlighted there, with respect to table 9 and 10, how has the Ministry resolved these variances?

MR. P. SINGH.- Table 2.9 – GL understated for agriculture. Ministry of Agriculture undertook a write-off in 2016 to remove these variances so that is what the Ministry of Agriculture did. As far as Government printing is concerned, these variances were due to un-posted receipts, GPSD did not receive the remittance advice from respective debtors and is following up with all debtors to provide remittance advice so that receipts can be ...reconciled and posted.

As far as Fisheries and Forestry is concerned this was due to an inter-fund transaction resulting from incorrect printing of cheques by MOFF. This has been corrected and variance rectified.

HON. A.M. RADRODRO.- So the issue is before the court where the staff cannot address these variations?

MR. P. SINGH.- No.

HON. A.M. RADRODRO.- It continues to remain a variation?

MR. P. SINGH.- Yes or we request for a legal opinion. I have requested that from the Ministry of Infrastructure and Transport and they are soliciting for a legal advice on this.

MR. CHAIRMAN.- Let us go to the next one.

MR. P. SINGH.- Chair, as far as trustees is concerned, we have developed a Trust Fund Guideline and we are emphasising the importance of this to all the agencies, . The Trust Fund Guidelines will ensure who the trustees are in terms of what forms of reporting they need to do and what is the key purpose of the Trust. This is the new initiative we have taken on board.

MR. CHAIRMAN.- Just a general question Mr. Singh. From my knowledge these issues have been recurring from the past 10 years. Why are all these initiatives been taken now and you doing it in 2017 when we have been picking this up for the last 10 years. Your department has implemented some very stringent policies but this is 2016/2017 and these issues have been recurring as far back as 2006. Any ideas on that?

MR. P. SINGH.- I think it is for the respective Accounting Head and their respective PS's to take up more proactive stance. They should have gone over the audited reports, see what the issues are because it is the PS's report. At the end of the day, most payments are approved by the respective PS. So it is the respective PS who should have taken that initiative, and closely scrutinise the issues in their report and take remedial measures.

MR. CHAIRMAN.- Can a particular PS implement a system within his own Ministry or does he have to wait for the Whole of Government to have a uniform system?

MR. P. SINGH.- As far as internal control is concerned, we have the Finance Manual which is a delegation of powers to the Permanent Secretaries. Finance Manual should very clearly and very succinctly include all those internal control mechanisms in terms of separation of powers and rotation of duties, but the onus is on the respective PS's. In terms of their Finance Manual, we also assist them if they have got some issues and if they want to revamp their internal control systems and processes.

MR. CHAIRMAN.- The Internal Audit team actually observes across the Ministries and they know what is working and what is not working?

MR. P. SINGH.- Yes, because the Director is focussing a lot on controls and she has also given presentations to the Accounting Heads meeting..

MR. CHAIRMAN.- Yes, please the next one.

MS. M. NAISARA.- Chair, just to add on that. The Financial Instruction (FI) is very clear. In Part 10 and even Pat 12, there are requirements there that states that Accounting Heads or the Head of Accounts should be reporting to the Permanent Secretaries not only reconciliation but also the unresolved audit issues. The Accounting Heads should be supplying the Permanent Secretary with those reports that he should look into

MR. CHAIRMAN.- So whatever the cleaner and even the drivers are doing all the way up to the Director level, PS should be aware of all of that?

MS. M. NAISARA.- Certainly, yes, Chair.

MR. I. VOCEDUADUA.- Sir, what we would really appreciate from Internal Audit and the Auditor-General is to place more emphasison whether the PS's are putting in place the required systems so that this internal control are adhered to. Now you will note from the report where insufficient emphasis has been placed on identifying ...

MR. CHAIRMAN.- The role of the PS?

MR. I. VOCEDUADUA.- Yes.

MR. CHAIRMAN.- But I think when they say a Ministry it automatically means the Head of the Ministry. So if the Ministry is not doing something, isn't it so? If the Ministry says that a particular officer has not retired the fund, the ultimate reflection is on the PS anyway. So, you are suggesting that they should actually say the PS should do this?

MR. I. VOCEDUADUA.- Yes, because every month, Accounting Heads are required to give the monthly report to the PS on a specific internal control, for example, whether reconciliations are up-to-date.

MR. CHAIRMAN.- You mean OAG has to give that report?

MR. I. VOCEDUADUA.- No, no. The Accounting section. You will note from the reports nothing has been said about that. For us if that is being highlighted then the PS's will place more emphasis ensuring that these controls are in place.

MR. CHAIRMAN.- And you have something to follow-up?

MR. I. VOCEDUADUA.- Yes, exactly, Sir.

MR. CHAIRMAN.- OAG, any ideas on that, it sounds like a good suggestion. You pick on something you should put it in the report so that the responsible Head of Department is able to cross check for that error or omission.

MR. I. VOCEDUADUA.- Sir, we are not asking them to do everything but just the crucial ones. Those that will assist in identifying and inform ... that sufficient emphasis has been placed by the PS's in addressing this important controls. Just those ones that are...

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

MR. I. VOCEDUADUA.- We can also do that, we have been doing that. We have been informing them but they have not taken our recommendations very seriously.

MR. CHAIRMAN.- I see his point because when the OAG's report is tabled in Parliament, it comes to this Committee and it goes to the Parliament so everyone knows. I do not know procedurally how you do it, for example, if someone has not been reconciling the issues that have been picked up over the years.

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

MR. I. VOCEDUADUA.- We picked it up and we gave a copy of our report to them and the onus is on them to follow it up and highlighted across the whole of government or not that is their prerogative, Sir.

MR. CHAIRMAN.- Give it to us, if you have it. We will take it more seriously and give it to the PS. Now if it comes to us, it becomes a big issue and everyone starts sweating.

HON. RATU N.T. LALABALAVU.- If we change the ....Honourable Chair we still have the gentleman from the Ministry of Economy who has been saying all the time that he does not have the powers then we should provide them the powers.

MR. CHAIRMAN.- That has to come from us legislators.

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

MR. CHAIRMAN.- Yes, please can you move to the next one, there are number of pages left and limited time is available.

MR. P. SINGH.- Chair, as far as the Trust Fund Account is concerned RFMF Engineers project account, Chair.

MR. CHAIRMAN.- Which page are we on?

MR. P. SINGH.- Page 12 .

MR. CHAIRMAN.- RFMF Engineers, sorry, where is that?

MR. P. SINGH.- RFMF Engineers Project Account. Table 2.11.

MR. CHAIRMAN.- You are in the wrong page.

MR. P. SINGH.- Sorry, Chair.

MR. CHAIRMAN.- Page number and bullet point number.

MR. P. SINGH.- Chair, the Ministry of Justice and PSC have both done the Trust Fund Guidelines and now they have got a Trust Fund Guideline. So this Official Receivers Bankruptcy and Equitation Trust Fund Account have a trust fund guidelines. We have actually vetted the Trust Fund Guideline, Chair and we have given them the template.

MR. CHAIRMAN.- That is Table 2.13 you are talking about ?

MR. P. SINGH.- Yes, Chair. As far as investments are concerned this is the portfolio of the Ministry of Public Enterprises. We come in because it has got some fiscal risk issues, and as I have highlighted earlier, we have a draft of fiscal risk framework now and we have built-in finance indicators.

Mr. Chair, if you allow me to move onto Arrears of revenue, Chair, on Page 22 we have also focused on that.

MR. CHAIRMAN.- Yes, I think in the last one, we had discussed the arrears of revenue. Just a small one there on page 23 - question 5.2.2 - Significant Balances Owed by Ministries and Departments. Audit review of the arrears of revenue for Ministries and Departments revealed continuous increase in a significant balances from Ministry of Finance-Pension, Communication, Education, Health Government

Printing and Peace Keeping as tabulated below.

MR. P. SINGH.- Yes Mr. Chairman in our last submission, in terms of the revenue arrears we have given an update.

MR. I. TALEMAIBULU.- .....still required to pay if any funds is required by FNPF, there is no figures involved because we cannot reliably measure the amount.

HON. A.M. RADRODRO.- What does the Act say?

MR. I. TALEMAIBULU.- The Act allows the Minister of Economy to provide funds to FNPF if they require it.

HON. A.M. RADRODRO.- And the other ministries and departments?

MR. I. TALEMAIBULU.- No, this is a statutory body (FNPF).

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

MR. I. TALEMAIBULU.- There is no amount because we cannot reliably measure it. This is always our disclosure. The previous disclosures was that we were taking whatever FNPF members contributions were less FNPF investment in government stock. We have since revised that due to our change in the accounting measurement.

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

MR. I. TALEMAIBULU.- Yes

MR. CHAIRMAN.- Let us now move to Public Debt Management on volume 1 – Performance Audit. There is a very intimidating picture printed on the first cover of the report.

MR. P. SINGH.- Mr. Chairman, Director Debt will take us through that.

MR. CHAIRMAN.- All right yes please Director Debt, please take us head by head of the Public Debt Management, and tell us about it.

MR. I. VOCEDUADUA.- Thank you Honourable Chairman. This is on the scope of the Performance Audit that was undertaken by OAG in 2014. Mr. Chairman and Honourable Members, the focus of the audit was on two main areas. The first one is determining of public borrowing needs and secondly, the focus on public debt reporting.

However, in essence, we want to assure this Committee that there have been area of mass that we have implemented within the Debt Management team with the Ministry of Economy. This include the re-alignment of the debt management office to comprise of front, middle and back office.

This institutional strengthening and capacity building within the Debt Management Unit has been undertaken to ensure adherence to international best practices in public debt management.

MR. I. VOCEDUADUA.- We have a front office that looks after Portfolio Management, middle office that looks after Risk Management and the back office that looks after Compliance and Reporting. The new structure has been in place since 2015. The other one is from a liability management perspective. We have tried to ensure that the debts and profile remains smooth and that we comply with debt matrices as mentioned earlier by Mr. Singh.

This includes the debt on foreign and domestic portfolio mix of 70:30 in the average term of maturity of 7.3 years compared with 6 years as the benchmark. So, we are doing favourably well in that front.

Determination of public borrowing as confirmed by OAG in his report. The existing legal framework in Fiji provides a clear authority to the Ministry of Economy to borrow and undertake all other debt management operations. So, we would like to assure you, that all borrowings are approved through the Parliamentary process.

So, borrowing for this year's Whole of government is centralised with powers delegated to the Minister of Economy and the implementation of the borrowing programme by the ministry. Secondly, the borrowing ceiling and the deficit gap is integrated in the Budget statement. That is tabled and endorsed in Parliament during the tabling of the National Budget.

Mr. Chairman, that is what we normally do. Every June we go to Parliament to table the National Budget. Integrate into that budget statements are the cross deficit for borrowing.

The Government always ensure that borrowing are within the stipulated ceiling, and the composition of domestic and external loan are honoured.

With regards to the debt servicing for 2009 and the domestic principal value 2012 we want to clarify that the actual debt servicing was within the actual aggregated debt servicing budgetary allocation. The actual domestic interest payment was higher as there was an outward push in the interest rate which consequently attributed to the high interest payment. This was in 2009.

In 2012 the underpinning reason for actual principal repayment exceeding forecast was due to Government accessing the call option which effectively meant that we redeem any bonds which carries a high interest rates. Government has the option call for bonds which ranges from 1 to 3 years with that remaining maturity if it deems cost savings can be realised.

So, the estimated savings for the yearly redemption was around \$7 million in 2012. I think there was a report that covers a little bit on Contingent Liability with Fiji Sports Council. The Government in 1995 approved a guarantee in relation to loan funding of \$4.3 million for Fiji Sports Council to be sourced from FNPF and to be repaid in 15 years 8.5 percent interest rate.

Following the Cabinet decision in 2005, Government agreed to repay the loan of \$4.3 million. In essence, the Government paid \$3.5 million and Fiji Sports Council paid the balance of \$0.8 million.

HON. A.M. RADRODRO.- Mr. Chairman, just a question regarding Fiji Sports Council. What was the basis of Government repaying that loan? Because Fiji Sports Council was starting to repay that loan in late 2006.

MR. I. VOCEDUADUA.- One of the decision was that one of the main source of revenue was to do with the (Tattersall's) Tattslotto. It was one of the main sources of revenue for FSC and there was a decision by the Government that all those revenue directly goes to the Government coffers. So, that was one of their main source of revenue.

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

MR. I. VOCEDUADUA.- Yes

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

MR. I. VOCEDUADUA.- Yes. I think that was one of the reasons behind that. Also in terms of the new facility that they put in place like the Lawaqa Park. That loan was especially for Lawaqa Park and what they were supposed to generate was not sufficient to cater for the payment.

HON. A.M. RADRODRO.- I think the idea behind Lawaqa Park was that after a while, the Provincial Council would take over that property but that did not eventuate. Did you follow that through with the Provincial Council at Lawaqa? The Nadroga Provincial Council or the Rugby Union was supposed to take over that ground.

MR. I. VOCEDUADUA.- Yes. What we only understand is that Government guarantee that loan. In terms of the actual arrangement, we were not fully informed.

The other one Mr. Chairman was on the Fiji Sugarcane Growers' Fund. This was the arrangement between the Government and the Fiji Development Bank that was signed in January 2005 by the previous Government. The SCGF as part of the sugarcane rehabilitation programme, advanced a sum of \$28.6 million to assist the rehabilitation of sugar cane farmers affected by the drought.

With the tight financial situation the Government then requested FDB to pay the sum of \$25.2 million on its behalf. The Government has fully repaid the loan to FDB in 2015. The MOE conducts financial analysis on guaranteed entities...

MR. CHAIRMAN.- Apologies Mr. Director, these two Governments 1995 and 2005. They signed the MOU or the Agreement with the Government that the guarantee was done there and then it was paid off. So, the first one we have heard is the Sports Council.

We know that as Honourable Radrodro explained that it was supposed to be taken up by the Provincial Council and that did not happen. So, the Government had to pay. For the second one, the Fiji Sugarcane Growers Fund of \$26.8 million was secured to assist the farmers for rehab. Was this a grant or a loan?

However, it was not paid back and would you know why it was not paid back by whichever entity? It must have been FSC. Someone took a loan with Government Guarantee. What is the situation there? What is the story there?

MR. I. VOCEDUADUA.- That was a loan Sir.

MR. CHAIRMAN.- It was a loan?

MR. I. VOCEDUADUAN.- Yes

MR. CHAIRMAN.- Between the Government and FDB. The notation there was that this was an arrangement between Government and FDB and the loan agreement was signed on 26<sup>th</sup> January....

MR. I. VOCEDUADUA.- That was between the Sugarcane Growers Council and FDB. The Government came in, in 2015 and requested FDB to pay the sum of \$25.2 million on its behalf and then Government repaid FDB.

MR. CHAIRMAN.- Was it a conversion from a loan to a grant? If it was a loan, then someone would have paid it back. Why was not this loan paid?

MR. P. SINGH.- Actually Mr. Chairman, it was not converted for a loan to a grant. Initially what happen is the Sugar Cane Growers Fund as part of the Sugar Cane Rehabilitation Programme were advanced a loan facility of \$26.8 million.

MR. CHAIRMAN.- All right. To assist individual farmers?

MR. P. SINGH.- Yes. I think it was individual farms. I need to confirm that, but then the respective client was not able to repay the sugar sector so the Government said that Fiji Development Bank pay the loan and Government would repay FDB. So that is what happened. It is more like bridging. FDB paid the loan to Sugar Cane Growers Fund and then Government repaid to FDB.

MR. CHAIRMAN.- Just like instead of the sugar sector paying back the loan as part of the social policy, the Government paid it on behalf of the farmers.

MR. P. SINGH.- Yes. So you have to ask the 2005 Government, I do not know. But of course, it is very understandable why Government paid because of course it is the sugar cane farmers who suffered from a drought. So I think it is a corporate social responsibility. If a sector, it is a vulnerable sector, they have suffered a natural disaster so Government came on board and they paid it.

MR. CHAIRMAN.- It was paid in 2015.

HON. RATU N.T. LALABALAVU.- The subsequent Government made the decision. In 1999, it was the Labour Government, it was regarded as a grant because of the drought. Then we came in, we changed the thing around to loan and then later it was changed around again.

MR. CHAIRMAN.- To the grant?

HON. RATU N.T. LALABALAVU.- Yes, paid by Government.

MR. CHAIRMAN.- One Government said it is the grant, the other one said no it should be a loan and the other Government just came in and paid it off and end of the story. Thank you.

MR. I. VOCEDUADUA.- Mr. Chairman, we conduct financial analysis on guaranteed entities from time to time and also make regular visits with the management and we discuss the issue of cash flow and how they are going to repay their loans.

*Public Debt Reporting*, I think Sir that is well covered earlier. All the public debts and reports are published but we want to assure the PAC that the Fijian Government has an unblemished record in terms of debt repayment, and the country has no history of default. Debt sustainability and ensuring that we operate within the medium target has just been achieved, as we discussed earlier in terms of debt GDP that has declined from 50 percent in 2006 and is around 45 percent in July of 2017.

Recently, the outlook looks positive with recent ratings by *Moody's*; our local and foreign currency has improved from BA3 to B1 and they also changed the outlook to stable from positive. This is mainly due to the strengthening in Fiji's institutional framework and policy effectiveness aided by political stability as well as our engagement with the international finance institution. So in summary, Chairman...

MR. CHAIRMAN.- Before moving forward to that, you mentioned that our debt rating has increased by *Moody's* from BA3 to BA1, can you explain a bit on that? How

many places have you gone up or down, and what sort of ratings are there for our general understanding? If someone is very good, what would be the rating?

MR. I. VOCEDUADUA.- Yes, Mr. Chairman, that is in terms of rating from different levels from A, Triple A and two As, I think from our understanding they improve from B1 to BA3 which is.....

MR. CHAIRMAN.- So it is an improvement?

MR. I. VOCEDUADUA.- Yes, and also the outlook to 'stable' from 'positive' which means that the current fiscal framework, fiscal policy, the various measurements that we put in is stable and can be guaranteed to continue in growth.

HON. M.M.A. DEAN.- Of course through you Honourable Chair, can you just give more information as to how does this international debt rating work, especially considering IMF as an example, like I just want to know a bit more information on that? You mentioned that the country's political nature needs to be stable as well so perhaps on that line? The reason why I am asking because debts as we can see in the media, a lot of mis-information are revolving around this, so I think it is important for us to understand how good this system works?

MR. P. SINGH.- Thank you Mr. Chairman, through you. These are the key areas:

- Economic Strength for the country - in terms of what the growth drivers are and in terms of the sustainability of the growth drivers;
- Institutional Strength - the Government institutions, how strong your institution is;
- Fiscal Strength -fiscal strength is how effective are you in generating revenue as opposed to your budget. You have made a budget, how effectively you have delivered on it;
- Susceptibility to Event Risk- so what risk a country is susceptible to it. It can be economic risk, of course it can be natural hazard risk. Like Fiji natural hazard risk is the key one that we have taken on board because we are prone to natural disasters.

So these are the key areas that they look into.

HON. M.M.A. DEAN.- And they have given Fiji a good rating?

MR. P. SINGH.- Yes, there has been an improvement.

HON. M.M.A. DEAN.- When you say 'institutional strength', you also mean the financial policies which are in existence here in Fiji?

MR. P. SINGH.- Institutional strength is the institutions, how the institutions are functioning.

MR. CHAIRMAN.- Things like FRCA....

HON. M.M.A. DEAN.- It also means the financial policies we follow? How good our policies are?

MR. P. SINGH.- Yes, in terms of investment approvals, because investment is key to any country so these are your institutional strength. As far as policies are concerned, it will come in your economic strength in terms of policies you have espoused.

MR. CHAIRMAN.- So, Mr. Singh, if we look at it from one end, the economic strength will be as to how sustainable the industries are, manufacturing, agriculture et cetera?

MR. P. SINGH.- Yes.

MR. CHAIRMAN.- Institutional would be your collection agencies; your implementation agencies; laws; legal framework; courts and debt recovery et cetera?

MR. P. SINGH.- Yes

MR. CHAIRMAN.- What is fiscal strength?

MR. P. SINGH.- Fiscal strength is your fiscal revenue for the Government such as your tax and non-tax revenue.

MR. CHAIRMAN.- All right. So we have seen that it is increasing as well.

MR. P. SINGH.- Yes, so they will come and scrutinise your tax policies, in terms of how your revenue has been tracking and how effective you are delivering on that.

MR. CHAIRMAN.- Susceptibility to risk is environmental factors; hurricanes; cyclones; political instability and et cetera. So all these four combined will give us a country's a debt rating?

MR. P. SINGH.- Yes.

MR. CHAIRMAN.- There is a comment before we take your question.

MOE REP.- Just to add onto what Mr. Singh has said. These credit ratings are very important when the Fijian Government goes and borrows overseas. There are many investors who either give us loans or invest in our bonds who are not really fully aware of, or have an independent assessment of the fiscal situation of the country is. So agencies like *Moody's* and ....they provide a third party independent credit rating on the ability of the country to pay the debt. So apart from the reasons that Mr. Singh mentioned broadly, there were two key reasons why the rating was improved from B1 to BA3:

- The increase in our foreign reserves- so foreign reserves increased significantly over the years and that gives us more ability to repay our external debt;
- Fiscal Strength- how our revenues have been increasing and with the growth in the economy, the economic strength, our ability to repay these debt.

Honourable Member.- Inaudible.

MR. CHAIRMAN.- If you have a business and it is not doing well....

MOE REP.- Yes.

Honourable Member.- Inaudible.

MR. CHAIRMAN.- Honourable Radrodro, your question please.

HON. A.M. RADRODRO.- Just a question regarding the policies that you are talking about. For the increase in revenue, tax revenue, was it based on the increase in the base number of tax payers or is it due to the increased compliance while the base still remains the same?

MR. P. SINGH.- It is a combination of factors. First: is why there is increase in taxes is once your economy grows, of course the overall income for businesses to grow. Second: is compliance. FRCA has increased its compliance, so it is a combination of factors.

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

MR. P. SINGH.- It is not the issue of anything, it is the issue of having the best policies in place. Here you are competing against some of the best countries to get the best investors. So, you need to have a very good investment platform, a platform which is competitive, a platform which lures international investors.

MR. CHAIRMAN.- If you increase taxes and increase revenue, that is simple, but when you decrease your corporate tax and increase revenue, that means your institutions are strong. The connection agencies, increase in tax payer based et cetera.

MR. P. SINGH.- Of course, the most important thing is confidence.

MR. CHAIRMAN.- Any other business falling on from what Honourable Mohammed Dean said, if you have a company and you do not have good accounting principles, your company is losing money. You go to the bank, they will not like you much but if your company is doing well, your returns are good, the same applies to countries, is not it?

MR. P. SINGH.- Yes, Mr. Chairman. So it is both in terms of increase in re-investments by the private sector and also in terms of foreign investors. So, first, is you have a very good investment climate, you have confidence and people overseas want to invest in your country, and also your private sector who is the missile in your country. They are re-investing into new projects so it is a re-investment, and sometimes you do incremental investments.

MR. CHAIRMAN.- So, there is a tax on the remittance dividends which encourages people to keep money locally.

MR. P. SINGH.- (Inaudible)

MR. CHAIRMAN.- So dividend can be paid out which in fact people would like to invest more so that they can take their money out.

MR. P. SINGH.- (Inaudible)

MR. CHAIRMAN.- Moody's

MR. P. SINGH.- Moody's is an international rating agencies. Moodys and .....It is two rating international agencies.

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

MR. CHAIRMAN.- Can you please use the mic Honourable Member I am not getting the things.

HON. M.M.A. DEAN.- Let us say an investor wants a return of a 15 year investment but this is just an yearly review, so, how does he get that confidence...?

MR. CHAIRMAN.- Because he would not be paying everything up in that one year. He will be spreading it out in 15 years.

MR. P. SINGH.- You just do not take into account that particular year's Moodys rating. You also do your historical assessment. How the country has been performing? What is the growth projectory? What the economic drivers are? What is the economic and political status of the country?

So, you need to do a very holistic assessment because, of course, you will need to do your historical assessment too as well as business is risk taking. It is risk and reward. If you take risks you will get rewards but what you have to do is to take a calculated risk.

MR. CHAIRMAN.- Practical example would be people investing in countries like Iraq and Afghanistan where this climate issues as well as political issues, much more risk than New Zealand and Australia. Honourable Aseri Radrodoro you had a question.

HON. A.M. RADRODRO.- Regarding the General Recommendations of this performance report. An ideal rule of thumb of 40 percent of GDP.

MR. CHAIRMAN.- Building from?

HON. A.M. RADRODRO.- A report.

MR. CHAIRMAN.- Which part?

HON. A.M. RADRODRO.- General recommendation.

HON. A.M. RADRODRO.- Can you just advise us on steps you are taking towards that or what is it that you are trying to achieve?

MR. P. SINGH.- Thank you Honourable Member, I think in the new development plan which was launched recently we have now revised that target and going for a 35 percent of GDP for the next 20 years. Why has that been done? As we have explained earlier, since 2006 that has come down from 53 to 45 percent at the end of this financial year because the

economy is growing much faster than the increase in debt, that is why this has been possible, together with the various fiscal measures that were adopted by Government.

Moving forward, I think at the end of the last financial year, it was 45.6 percent and still with this year's deficit, we are going to be moving towards reducing the debt ratio in the medium term.

HON. A.M. RADRODRO.- A supplementary question on that, in terms of growing the economy and the percentages that you have loaded too. A reality on the ground. The RBF reports says, currently it is the remittances which is a major earner in Fiji. So, how do you relate the actual reality on the ground to your economic status?

MR. P. SINGH.- I think that is not a correct statement. Tourism is far far larger than the remittance sector. Remittance is one of the contributing factors, it is an important foreign exchange contributor. I think it is also not very correct to say that the economic reality on the ground does not tie in with the numbers.

We have been visiting various businesses, we are getting feedbacks, doing all the consultations and people do agree that the economic numbers that have been coming out is in line with the economic reality on the ground and has improved people's everyday living.

HON. A.M. RADRODRO.- So, what is that reliance based on?

MR. P. SINGH.- Thank you. A good question. So, remittances you can do it. You are investing in human capital. Human capital is mobile, say, if they go overseas and they send money to the country, of course, that is a benefit for the country, but the country is investing in the human capital. Of course, we have got a huge proportion of our young population. Government is investing into it and they are going abroad and sending money to the country. That is a plus points, that is an economic benefit and that is due to Government investment in our young population.

MR. CHAIRMAN.- There is some other way to look at it.

MR. P. SINGH.- Yes

HON. A.M. RADRODRO.- Efforts by each individual family members say, rugby players.

MR. P. SINGH.- Very positive news and we really welcome it. Of course rugby players have been one of the major remittance generators. Also our technical area nurses, pilots. We have got more than 21 pilots working in Dubai for Emirates.

So, it is other skills area, apart from your natural skills. In terms of some Governments' investment in this technical areas. Of course, it happens in all the countries. You invest in your human capital, they go overseas they send money to the country, which is an economic benefit.

Of course what other countries are doing now, they have got diaspora bonds now in some country. If you issue bonds, let your diaspora invest into those bonds. You have to be innovative about it.

MR. CHAIRMAN.- So, if you train a doctor for \$270,000 he stays in Fiji the money circulates here. If he goes out, earns and send money back, that is foreign revenue coming in.

Director Debt please continue with your remaining part of your submission.

MR. I. VOCEDUADUA.- Mr. Chairman just in summary Government borrowing needs have been determined in view of long term sustainability and financial sustainability. Which means that one has to comply with all those indicators, debt GDP, ATM and other indicators. Borrowing needs of Government are identified through its structured annual budgetary process and its quantum determined by the magnitude of the annual budget deficit.

Borrowing needs have been forecasted or planned as close as possible to annual budget strategies developed by Government to ensure public debt is kept at sustainable levels over the medium term.

MR. CHAIRMAN.- Thank you very much Director for that. You are based at Ro Lalabalavu House. That is your House Honourable?

HON. RATU N.T. LALABALAVU.- No

(Laughter)

HON. A.M. RADRODRO.- Just a request to the Ministry of Finance. We saw the launching of the NDP in Bonn but we are trying to find out where can we access a copy.

MR. P. SINGH.- The Ministry of Economy website and Fiji Government website.

HON. A.M. RADRODRO.- Can you give us a copy each for our reference?

MR. CHAIRMAN.- Yes, we have asked the staff to print that out and that the staff is working on that.

So, with that we have come to the end of today's presentation. I would like to thank the Ministry of Economy for your presentation on the 2014 - 2015 Whole of Government Financial Statements and the Special Audit that was done on debt management. You have actually highlighted some very important points to the Committee and you have given us some insight in the areas we are looking at. Thank you for that. We will definitely take your written submissions and your oral submission in our report.

Also I would like to thank the team from Internal Audit Section of the Ministry of Economy as well as the Auditor General's Office. Any final comments Mr. Singh before we conclude?

MR. P. SINGH.- Thank you Mr. Chairman. On behalf of the Permanent Secretary of Economy, I would like to thank you Mr. Chairman and Honourable Members and of course we would like to apologise because we have been delaying this meeting. Our sincere apologies Honourable Members and Mr. Chairman.

Going forward I think we want to improve on this and if the Committee requests any additional information they can write to us. We will directly respond, and if the Committee wishes to visit and see the horizon software, just inform us.

Lastly but not the least, I want to wish Mr. Chairman and the Honourable Members a Merry Christmas and a Happy New Year.

MR. CHAIRMAN.- Thank you very much Honourable Members, we adjourn for 5 minutes before we reconvene.

The Committee adjourned at 12.15 p.m.