

STANDING COMMITTEE ON
PUBLIC ACCOUNTS

[Verbatim Report of Meeting]

HELD IN THE

COMMITTEE ROOM (WEST WING)

ON

FRIDAY, 12TH APRIL, 2019

VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD AT THE COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON FRIDAY, 12TH APRIL, 2019 AT 9.00 A.M.

Interviewee/Submittee: Post Fiji Limited

In Attendance:

- | | | |
|---------------------|---|------------------------------|
| 1) Mr. Isaac Mow | - | Head of Retail and Marketing |
| 2) Mr. Raiyaz Ahmed | - | Head of Finance |

Office of the Auditor-General

- | | | |
|----------------------------|---|----------------------|
| 1) Mr. Kuruwara Tunisalevu | - | Director |
| 2) Mr. Samu Tupou | - | Acting Audit Manager |
| 3) Mr. Lote Naicavu | - | Auditor |

Ministry of Economy

- | | | |
|------------------------|---|--------------------------|
| 1) Ms. Raveena Kumar | - | Head of Treasury |
| 2) Ms. Asenaca Mae | - | Senior Financial Analyst |
| 3) Mr. Emosi Dovibua | - | Head of Internal Audit |
| 4) Mr. Isoa Talemaibua | - | Head of Budget |

DEPUTY CHAIRPERSON.- Ladies and gentlemen, welcome to the Public Accounts Committee hearing on the Audit of Rural Postal Offices Quarterly Returns, Report of the Auditor-General, Parliamentary Paper No. 112 of 2018 - Post Fiji Limited.

(Introduction of Committee Members)

The Secretariat team is led by Mr. Savenaca, Mr. Mateo, Ms. Priya and from the Hansard Unit, Ms. Unaisi.

So before we begin, may I request the submittees to introduce yourselves and then we will ask the other stakeholders to introduce themselves as well.

(Introduction of Team from Post Fiji Limited)

DEPUTY CHAIRPERSON.- Thank you. Ministry of Economy.

(Introduction of Team from the Ministry of Economy)

DEPUTY CHAIRPERSON.- Thank you very much. Office of the Auditor-General.

(Introduction of Team from the Office of the Auditor-General)

DEPUTY CHAIRPERSON.- Thank you very much. To our submittees, questions had been sent beforehand. You may provide responses as we go along. Should at any point in time you wish to provide a written response later, you are permitted to do so. You can ask permission from the Chair.

So before we begin, may I request the OAG to provide an overview of this report.

AUDIT REP.- Thank you, Honourable Chair. This audit was carried out after we received a special request from the Permanent Secretary for the Ministry of Economy.

The audit overview, I think on Page 3 we have the Executive Summary on the key findings and on Page (4 you have the overall conclusion. I think I will start from Page 4 on the overall conclusion.

In the audit we were asked to look at the quarterly submissions that were submitted by the Post Fiji Limited to the Ministry of Economy on the basis of which they were receiving grants. So the main objective of the special audit is to verify and validate all quarterly claims submitted by the Post Fiji Ltd and advice of any anomalies which the Ministry should be aware of.

Based on this request from the Permanent Secretary for the Ministry of Economy, we have conducted the audit and our overall conclusion is provided on Page 4. On the period that was requested for us to audit, we looked at eight quarterly reports from 2013 to the third quarter of 2017.

So our conclusion is such that apart from the eight quarterly reports from the years 2013 and 2014, which Audit was not able to fully look at or carry out a proper audit due to missing system records except for the reliable and sufficient appropriate audit evidence to explain the major variances for costs claimed in those quarterly submissions. The application of the grant agreement in the 11 submitted quarterly returns from Quarter One 2015 to Quarter Three of 2017 were consistent with the requirements of the Rural Postal Services Agreement. So that is the conclusion. It is consistent with the Rural Postal Services Agreement. Those were the quarterly returns from 2015 to 2017.

DEPUTY CHAIRPERSON.- Thank you very much. Ministry of Economy, any comments in that regard?

MOE REP. - Thank you, Honourable Chair and Members of the Committee. When we joined the Ministry of Economy in late 2017, we were processing some of the claims, so that is when it was decided that an independent audit needs to be carried out specifically on the Rural Postal Services.

We appreciate that the Auditor-General does our annual audit as well on our accounts but that is an overall financial statements audit. So we needed some assurance on our rural postal area as well. We have discussed the matters that have been identified, even while audit was going on, we were in discussion with Post Fiji Limited on improving some of the situations. We will see from our submissions some of the areas that we have agreed especially on the review of our agreement because the agreement dates to 2013 and the business environment has changed a lot and the Government's development agenda is towards rural development. So we will try and work with Post Fiji Limited and you will see in our submission that we want to review this agreement and how to better provide the services in the rural and maritime areas. *Vinaka.*

DEPUTY CHAIRPERSON.- Thank you very much. I am requesting Mr. Mow to please provide his response to the question that is being provided.

MR. I. MOW.- Thank you, Deputy Chair. Since this audit involves the Finance Department, I will allow my colleague, the Head of Finance, Mr. Raiyaz Ahmed to provide our response.

DEPUTY CHAIRPERSON.- Thank you very much. Mr. Ahmed you may proceed.

MR. R. AHMED.- Thank you, Deputy Chair and the Members of the Committee, our colleagues from the Ministry of Economy as well as from the Office of Auditor-General. It is our pleasure to provide responses to the audit that was conducted in 2017 and early 2018 in regards to the rural claims that we put forward to Ministry of Economy. These are basically neither any grants nor any subsidy that is being provided but it is basically the reimbursements that we get on net loss basis for all the rural postal services that we provide.

Just on an overview of what these claims are pertaining to. What we feel or what we have realised that even though some of the rural postal offices are commercially not viable but we still continue to provide the services on the common grounds that these are for the people who are on the disadvantage side of our country, who are in the maritime, who are in the rural areas, who do not have much access to all the services that we have got on the mainland.

Moving forward in terms of the response that we need to provide:

Item 8.1 - Lost Data: Financial Information relating to 2013 and 2014 was lost due to crash of accounting system.

Question No. 1: Please advise why there weren't any physical book records maintained for Rural Postal Offices?

Physical book records are maintained for offline post offices. These records are always maintained by the respective post offices. At the end of the month, a summary report with all the relevant supporting documents are despatched to finance for checking and balancing before data entry into the financial system. The records mainly concentrate on cash transactions incurred during the month. However, the audit was conducted in context of the rural billings to Ministry of Economy for the net losses incurred by providing rural postal services. The charges are derived from direct and indirect revenue and expenses, which, is not only the records from respective post offices but also includes overhead costs apportioned as per the service agreement.

So, what we are trying to say is, even though these records have been lost in the financial system which was our old financial system, we have the physical records with the finance team as well as these physical records available in individual post offices. We are obliged to maintain seven years of financial records and we do have those records intact with us (hard copies).

DEPUTY CHAIRPERSON.- Any questions, Honourable Members?

HON. V. PRAKASH.- Deputy Chair, that means that the record is not lost as stated?

MR. R. AHMED.- The question was on the financial transactions into the finance system which is the financial system. So, what happened was the hard drive of that financial system crashed and it was a legacy system. In 2014, we had already changed the financial system to a more

dynamic ERB. It was not commercially viable for us to go and retrieve the information given the fact that there was a huge cost associated to retrieving that information, when we had that information (hard copy) available with us.

HON. V. PRAKASH.- They had the records, there was a record, that is it. Thank you.

HON. A.M. RADRODRO.- Honourable Deputy Chairman, I think the OAG is stating otherwise. What this report states is there were no records available and the reasons were due frequent power outages and the system crashed. That was what in the OAG Report. So, the system crashed and there was no record to validate what has been provided in the Table. The question basically is, if the system crashed, whether there were other records available that could be used by the OAG during the audit of this particular period?

MR. R. AHMED.- Thank you, Honourable Member. The physical records, as I said earlier, were available and those physical records were furnished. However, I think what the OAG wanted to do is verify those physical records against the system records.

DEPUTY CHAIRPERSON.- Mr. Ahmed, can you just hold on? Can the OAG please respond to Honourable Radrodro's question?

AUDIT REP.- Thank you Honourable Deputy Chairperson. As stated there on paragraph 2, the accounting system was not present. The system had crashed. For us to go in, we need to look at the general ledgers, journals, et cetera. That was not available and like they said it would be very expensive for them to redo or try to retrieve those systems.

DEPUTY CHAIRPERSON.- Thank you very much for your clarification.

HON. A.M. RADRODRO.- When systems crash like that, do you have a backup system in place, especially the physical records, where it would assist OAG to conduct their verification exercise on the figures that you have stated here by quarter?

MR. R. AHMED.- Thank you Honourable Member.

DEPUTY CHAIRPERSON.- To interject, I think Ministry of Economy would like to explain and then you can explain later on.

MOE REP.- Thank you, Honourable Deputy Chairperson. We understand that their system did crash in 2013 and 2014. I understand that there should have been a backup done but as an accounts person and as an operational person, when we process claims not only for Rural Postal Services but for our other accounting records, we ensure that we print out everything from the system and when our supervisors or the Permanent Secretary even signs off on a particular payment or authorises it for payments to be done, we ensure that all documents that are in the system are also attached on the physical copy of the records. So that if such situation does happen, we have our hard copies and authorised documents from the system.

I understand the OAG's view there as well and I just want to highlight that the 2013 and 2014 claims were audited as well. We have the audited accounts of the Post Fiji Limited for those particular years and the records have been certified that whatever is in the accounts was in the system as well at that particular point in time. So those things give us assurance when we process

claims. Those are our alternative sources when records are not available then what else can we do to convince ourselves that these are the losses of a particular year.

DEPUTY CHAIRPERSON.- Thank you very much for the explanation. Yes, Honourable Radrodro?

HON. A.M. RADRODRO.- The Ministry of Economy has highlighted that Post Offices accounts were audited. Was it audited by the Auditor General for those particular financial years?

MOE REP.- Yes, Honourable Member.

HON. A.M. RADRODRO.- So you are contradicting your view points in what you have stated here and what is in the financial audited accounts.

AUDIT REP.- Sir, the audit that was conducted is specifically on the quarterly returns. Because it says “verify the specifics of the requirement or request”; to specify and validate. So, the process that we did for the Quarterly Returns from 2015 to 2017 were okay but we were not able to carry out the same process for 2013 and 2014.

HON. V. PRAKASH.- As stated by the Ministry of Economy, it should have been revealed to OAG if they had a backup service but as far as we know the records were there. That was what I asked and the response was, “yes, they had hard copies.” Now with the Ministry of Economy saying that they have a backup service, I think the OAG is right in a way but I think the information was not furnished.

DEPUTY CHAIRPERSON.- Thank you very much, we will now proceed to the next response.

MR. R. AHMED.- **Question No. 2:** Advice whether there were any back-up server for the IMAS system set up for these Rural Post Offices?

No back up servers were in place in 2013. Instead of backup servers, PFL had backup tapes for IMAS system with a monthly replication. However, after the system changed in 2014, the data has been continuously replicated. A Disaster Recovery site has also been established with all the infrastructure including back up servers and daily replications are stored.

DEPUTY CHAIRPERSON.- Thank you very much. Honourable Members any questions or comments in that regard? There seems to be none you may proceed further.

MR. R. AHMED.- Thank you, Deputy Chair. **Question No. 3:** Can PFL management advice whether it has retrieved the information by now as requested by the auditors?

The 2013 data has not been retrieved. However, the hard copies of the data were made available to the auditors for their perusal and verification.

DEPUTY CHAIRPERSON.- Thank you very much. Honourable Members any questions? Yes, Honourable Aseri Radrodro.

HON. A.M. RADRODRO.- Deputy Chairperson, the response from Post Fiji Limited, can we get a comment from the OAG regarding that and whether their recommendation is still valid or not.

AUDIT REP.- Thank you Deputy Chairperson. This is again related to Question No. 1 where the General Ledger and the other subsidy records were not available. So, the recommendation for the backup still stands.

HON. A.M. RADRODRO.- ... the Post Fiji Limited management that hard copies are there for your verification.

AUDIT REP.- Yes, because the issue that we are highlighting is on the accounting system. The hard copy that they are referring to is the vouchers but the system that consolidates all these information had crashed. So, what we are recommending is that the information stored in the electronic system are kept properly. So, you should have that risk plan in order to capture that.

HON. A.M. RADRODRO.- Deputy Chairperson, just going back to Post Fiji Limited regarding the disaster recovery site, can you just enlighten the Committee on this site that you have said that you have established, especially those Rural Post Offices that are not accessible through connectivity or are they now all connected to your main system?

MR. I. MOW.- Thank you Honourable Member. To answer your question, as of March 2019, 51 of our outlets are now online out of the 58 post offices that we have around Fiji. So with these 51 outlets, the transactions are carried out on real time information. So all these information, we have the main database at our headquarters in Suva and we do have a Disaster Recovery (DR) site which is based in Ba which replicates all the data that comes in from all these 51 outlets. Our target or our plan is that by the end of 2019 the remaining outlets will also be online.

DEPUTY CHAIRPERSON.- Thank you very much. Before you proceed further, I give time to these two gentlemen who have joined us. Can you please introduce yourselves?

MR. I. TALEMAIBUA.- My name is Isoa. I am the Head of Budget and Planning from the Ministry of Economy.

DEPUTY CHAIRPERSON.- Thank you so much.

MR. E. DOVIBUA.- Good morning, Sir. I am Emosi Dovibua, the Head of Internal Audit.

DEPUTY CHAIRPERSON.- Thank you very much. Submittees, you may proceed further.

MR. R. AHMED.- Thank you, Chair. The next question is on **8.2 - Difference in Annual Figures**.

Question No. 4: Please explain the difference in annual figures or variances as highlighted in Table 1: Variances Noted.

It should be noted that the financial statements are prepared on an accrual basis and not cash basis. However, the submission for reimbursement to the Ministry of Economy is on a

quarterly basis. The final quarter reimbursement is always submitted after the financial statements are audited and finalised.

The GL incorporates the actuals for the three quarters and accrual for the final quarter since the accruals or the actuals for the final quarter is subject to annual audits. Hence, there will always be variances in terms of what the accrued amount was in the fourth quarter and what the actual losses are after finalising the accounts. However, the differences that appears between the submission for reimbursement to the Ministry of Economy and the GL is adjusted in the subsequent quarter.

The reimbursements will be on the actual net loss incurred and not on the accrued amounts. Just for clarification purposes, Deputy Chair, I think the issue over here was in terms of what appeared in the GL and what was submitted to the Ministry of Economy. As I explained earlier, the amount that appears on the GL incorporates three quarters of actual and the fourth quarter of accrual because we need to finalise the accounts at the earliest. Once we have finalised the accounts, the accounts are being audited by the OAG, the numbers finalised then we lodge our fourth quarter which may vary from the accrual that has been booked. So as soon as we realise or as soon as we happen to find that, “alright there is a difference between what was accrued and what is the actual amount for the fourth quarter”, the adjustment is always done in the subsequent period and the Ministry of Economy is notified for any adjustments. Thank you.

DEPUTY CHAIRPERSON.- Perhaps, the Ministry of Economy can enlighten ud further on that.

MOE REP.- Thank you, Honourable Chair and Members of the Committee. We agree with Post Fiji here. Once the audited accounts are given then only we will reimburse the fourth quarter loss and for our reconciling purpose, I mean there was a question posed to the Ministry of Economy as well and we will be submitting on that, we look at the subsequent accounts once the accounts for the financial year has closed off and we know that the accruals were over or under, we look into those.

And then we look at the subsequent first quarter of the following financial year and try to reconcile why the accruals have been up or down. They explain that to us before we make any reimbursements. The booking of accrual by Post Fiji Limited, it is a normal accounting practice that we do when we prepare just for the accounting records to be updated and the accounts to be prepared, the accrual is booked by Post Fiji Limited.

DEPUTY CHAIRPERSON.- Thank you very much. Any questions, Honourable Members?

HON. A.M. RADRODRO.- Deputy Chair, what I gather from the explanation that has been given, these are two different accounting systems that are being adopted. One by the Government and another by Post Fiji. These are two entities using two separate accounting systems. Just a question to Ministry of Economy, do you accept the accrual figures that have been adopted by Post Fiji Limited given that you have a different accounting system to that of theirs? Which figures do you take?

MOE REP.- Thank you, Honourable Member. For the Ministry of Economy, we are on cash basis of accounting. For us, we do not book any accrual for Post Fiji Limited but since they

are on accrual basis of accounting, they booked their accrual. For us, we will only process anything that comes as an actual loss for the Government. Otherwise we do not book but we record on separate registers that this may be our accruals going forward.

HON. A.M. RADRODRO.- Can you just elaborate further on the issues that you have highlighted regarding the difference in figures? Because there will always be difference in figures given the two different systems that you are now using.

AUDIT REP.- Thank you, Deputy Chair, through you, this is highlighted as a control issue just to be able to clarify what is the difference. So, our request was should there be difference then that should be able to identify what is causing those variances.

DEPUTY CHAIRPERSON.- Thank you very much. Any other questions, Honourable Members?

HON. A.M. RADRODRO.- ... the annual reconciliation is carried out during the quarter for each year to ensure that signed accounts and total of the four quarters are reconciled. Can you just enlighten the Committee on this recommendation given the explanation that has been given? Does it still stand?

AUDIT REP.- We recommend that at the end of the year they should always check and should be able to explain the difference. They can even itemise those differences; what comprises that.

DEPUTY CHAIRPERSON.- Thank you very much. Any other questions, Honourable Members?

HON. A.M. RADRODRO.- Deputy Chair, just another clarification. On these two different sets of figures, which is the figure that the Ministry will basically reimburse to Post Fiji Limited.

MOE REP.- Thank you, Honourable Member. Once the audited accounts of Post Fiji is signed off then they will give us an actual loss and we will only reimburse on the actual loss and not on what is accrued.

HON. A.M. RADRODRO.- Can you just take us through this table for each particular year (2013, 2014 and 2015), which is the figure that is payable to Post Fiji Limited?

MOE REP.- I am sorry which table is this, Honourable Member?

HON. A.M. RADRODRO.- Table 1.

MOE REP.- I could not get your question.

HON. A.M. RADRODRO.- What is the actual figure that is paid out? There is a difference there.

MOE REP.- Thank you, Honourable Member. For year 2013, we paid out \$444,083, for the year 2014 we paid out \$372,182, for 2015 we paid out \$573,614, for 2016 we paid \$764,134 and for year 2017 we paid \$616,277.

HON. A.M. RADRODRO.- OAG can you just comment on your figures that you have there as per signed accounts? Which account is this?

AUDIT REP.- The issue here is on the variance. They are paying on the sum of the four quarters. The signed account are prepared on accrual so the issue here is, we are questioning that variance.

HON. A.M. RADRODRO.- So, how is the variance been addressed by both entities? It looks like an overpayment in some of the quarters.

MR. R. AHMED.- Thank you Honourable Member. Actually it is not an overpayment, but what we are trying to put forward over here is, as per signed accounts it is \$394,000, as per actually lodgement it is \$444,000. The reason why the actual lodgement is more than the signed accounts is because on the fourth quarter of 2013, the amount booked for the fourth quarter 2013 is an accrual which is below the actual. So once the accounts are finalised, auditors signed then we lodge the actual which is more than what was accrued.

That actual loss has been incurred in 2013 and the reimbursement has to be on the actual losses incurred. So once the difference is realised, it is always booked in the subsequent quarter which is quarter one of 2014 and then it will be subsequently booked for quarter one of 2015 for 2014 actual and accruals and likewise.

HON. A.M. RADRODRO.- ... for each quarter, each year, the Ministry of Economy is making overpayments on the losses that is actually generated by the Post Office.

DEPUTY CHAIRPERSON.- I think the Ministry of Economy will be in the best position to respond.

MOE REP.- Thank you, Honourable Deputy Chairperson. It is not overpayment here. When Post Fiji books the accruals, they book on their budgeted loss they expect from quarter four. But sometimes the operations in quarter four is a lot, especially during Christmas time, a lot of transactions are happening. That is why the audited account is needed to actually ascertain what will be the actual loss. The booking is just only on the budgeted loss they expect.

HON. A.M. RADRODRO.- All these payments here?

MOE REP.- Yes.

HON. A.M. RADRODRO.- What was paid is \$444,000 as you have alluded to earlier, say for 2013. What was actually the signed correct account is \$394,000. So Ministry of Economy made an extra payment of \$49,000, if that is what I can take.

MOE REP.- I understand. While looking at the figures, you might say that because this is just an accrual, Honourable Member.

HON. A.M. RADRODRO.- Okay.

MOE REP.- What it shows that the accrual has been short booked and that is on their expected loss for the postal services.

HON. A.M. RADRODRO.- Okay, and that is what the OAG is saying that these variances need to be sorted out and reconciled before any payment is made. Unfortunately, payments are made before proper reconciliation.

MOE REP.- No, Honourable Member. We wait for the audited accounts to come in before we process the fourth quarter return.

HON. A.M. RADRODRO.- The fourth quarter return shows \$444,000 in which you made the payment on.

MOE REP.- I will clarify, Honourable Member. This \$444,000 that I read is for quarter one to quarter four.

HON. A.M. RADRODRO.- Yes. That is where the Ministry of Economy made the payment.

MOE REP.- That is the actual payment.

HON. A.M. RADRODRO.- And the actual signed account is \$394,000.

MOE REP.- But this \$394,000, the accrual is not fully booked of the actual loss. That is their expected loss.

HON. A.M. RADRODRO.- That is where the concern is. Payments are made, not on the actuals but on the bookings that are made as previously raised.

MOE REP.- No, Sir. We only make reimbursement on the actual loss in the final quarter and that is why we wait for their audited accounts.

HON. A.M. RADRODRO.- There seems to be confusion in the way we interpret your agreement and the payment that you made and what the OAG is saying.

MOE REP.- We would have appreciated if we could have discussed this with the Auditor-General before this report was submitted so that we could clarify how the booking of accrual is happening and what verification we do for the actual loss that we will reimburse.

HON. A.M. RADRODRO.- That is supposed to be part of your normal process.

AUDIT REP.- We did, Honourable Deputy Chair.

HON. A.M. RADRODRO.- What was the outcome of that discussion?

AUDIT REP.- This has been discussed by both parties and the comments are also included there on the last column. The only thing that we are highlighting is the variance. There is a variance and we should be able to identify what composes those variances.

(Inaudible)

AUDIT REP.- We still need to conduct this reconciliation yearly.

HON. A.M. RADRODRO.- Ministry of Economy and Post Fiji this is a very serious issue in terms of reconciliation and payment that is being paid by the two entities in terms of risk mitigation and control. How do the two entities implement the control issues to ensure that there is accuracy in the payment that is being made? Do you have an internal audit for the Ministry of Economy, whether it also conducts its audit on internal audit processes and whether the Ministry of Economy and Post Fiji also undertake the internal auditing to ensure that these things are addressed on time rather than wait on a quarterly basis or end of the year basis? Probably we will start with the Ministry of Economy, how do they address these internal issues?

MOE REP.- The agreement provides that in the last quarter before we reimburse, we as the Ministry of Economy need to see the audited account; this is our reconciliation process. We need to see the audited account, we need to discuss with Post Fiji that whatever is on the signed account, why is it different? So, we do those reconciliations once the audited accounts are received.

In terms of internal audit, we have our Head of Internal Audit here and he can explain on his audit topics but for the Ministry of Economy, as I mentioned earlier, when we joined in 2017, we did want a special audit done on this and we have also put up our Risk and Compliance Unit. We are also identifying audit topics that internally needs to be inspected. Given the assurance that whatever payment the Permanent Secretary of Economy is signing on, is assured on.

So, these are some of the control measures that we have introduced and the variances that are highlighted here by the Office of the Auditor-General, it is a valid variance but the variance is explainable; why it is happening because of an accounting practice being there. We would have also showed them the documents as well on how we reconcile when audited accounts is saying this and what we have actually reimbursed and why? The figures do tie up, Honourable Member, and we have all the documentations with us as well. So, the recommendation that reconciliations be done, we are doing that. I think it is a valid recommendation as well. As accountants as well, we also want to get assurance that whatever we are signing off, we also get confidence with Post Fiji as well.

DEPUTY CHAIRPERSON.- Thank you very much.

HON. A.M. RADRODRO.- ... Do they need staff? Did they do an audit on this particular agreement?

MOE REP.- Sir, the Internal Audit Division as you are aware can only do so much and we are concentrating on the higher priority areas where there are more risks involved. Each Budget Sector Agency is responsible for its own internal controls so if Post Fiji would like to establish their own internal audit, it is within their mandate to set up their own. However, if they need our services then they can always request for it. We have not received like a specific request for us to come in

and look at their processes. To us, this is an accounting issue that can be addressed by both parties. Thank you, Sir.

HON. A.M. RADRODRO.- This issue as per your assessment or is it not?

MOE REP.- In the Ministry, the figure that is involved is much higher. This is just a few thousand dollars which we believe the officers involved have the knowledge to solve it.

HON. A.M. RADRODRO.- If we accumulate all these variances, it will end up too with a big amount.

DEPUTY CHAIRPERSON.- Perhaps the Ministry of Economy would like to comment on what Honourable Radrodro has said.

MOE REP.- Yes, Honourable Member and thank you, Honourable Chair. Agreed that if you add it up, it is a substantial amount and for us even a dollar of taxpayer's money is our concern. When we sign off, even if it is a 5 cents discrepancy, we ask, why.

But this situation here, we can show you our accounting records, we can show you the reconciliations done. There is no variance and there is no overpayment. We have gone through this and this is our process, Honourable Member.

HON. A.M. RADRODRO.- But the Auditor-General is stating otherwise.

MOE REP.- Yes.

HON. A.M. RADRODRO.- Maybe Post Fiji can, what sort of internal control measures do you have in place to address this variance of signed accounts and some of the quarters?

MR. R. AHMED.- Thank you, Honourable Member and Chairperson. Just a few clarifications. I think the confusion here are the two different platforms of accounting practices that we have been using.

The Ministry of Economy only requires us to submit what is signed and what is the actual. When I say "actual", it is what you have actually incurred in that period and we as an entity, when we are required to finalise our annual accounts by 31st December and have it audited or have it submitted for audit by 31st January, due to limitation of time, and we all understand that all accounting practices under IFRS are on accrual basis.

So we do book accruals; everyone does book accruals. Once the accruals are booked and reconciliations do take place, these are not variances. Let me highlight again. These are not variances because as I said earlier on, the difference between what the actual loss is and what has been accrued is always reconciled in the subsequent quarter and always adjusted in the subsequent quarter. So before the submission of reimbursement in the subsequent quarter, we always highlight to the Ministry of Economy and they vouch for it that these variances between the accrual and the actual has been adjusted.

I think the concern of the OAG is the difference between the actual and the accrual can be itemised in terms of how these variances are appearing. We can always substantiate with the relevant vouchers, with the relevant documentations where the actual and the accrual variances are, under which line items with the very specifics.

So I do not think there is any variance over here and there is no accumulation of any variances over here, nor there any overpayment or underpayment by the Ministry of Economy. Thank you.

DEPUTY CHAIRPERSON.- Thank you very much. You may proceed further.

MR. R. AHMED.- Thank you, Chair. Question No. 5: How does the Ministry of Economy and Post Fiji Limited conduct reconciliation on the quarterly returns?

Our response to that, comparative analysis is always performed with the prior quarter and the same quarter last year. Explanations and documentations are provided for any significant movements based on the reports provided and explanations sought, any subsequent queries are discussed and addressed accordingly with the Ministry.

DEPUTY CHAIRPERSON.- Thank you very much. Any questions, Honourable Members? There seems to be none. You may proceed further.

MR. R. AHMED.- Question No. 6: What actions are being instituted for the variances in Table 1. Provide the Committee with a list of postal offices that are covered under the Rural Postal Services Agreement of 21st May, 2013.

Our response to that is, Post Fiji Limited is working on some revised methods to resolve these variances issues moving forward. This would mean that the accounts need to be finalised at the earliest and final numbers are recorded in the GL instead of accruals. In terms of list of post offices and agencies covered under the Postal Agreement, it is attached as Appendix 1 of this response letter.

Chair, do you wish for me to read out all the names of the postal agencies and offices.

DEPUTY CHAIRPERSON.- Well, I think it is there before us. Quite satisfactory, we can always refer to it. So, you may proceed further.

HON. A.M. RADRODRO.- Just a question to the OAG regarding their recommendations that they have. Post Fiji Limited should ensure that relevant supporting documents are available for audit and reconciliations should be prepared. With the explanations that has been given, do you think that your recommendations are still valid?

AUDIT REP.- Yes, the first recommendation on the availability of records. The explanations given are general explanations but during the conduct of the audit we were looking at quarterly movements, these are exact amounts. That is what we wanted to verify, that is what we are raising here. We accept the general statements that are made on the movements but we were actually looking at the amounts during the audit from quarter to quarter on what is causing the change. So, we were trying to verify those changes.

DEPUTY CHAIRPERSON.- Thank you very much. Any other questions, Honourable Members?

HON. A.M. RADRODRO.- Just a question to Post Fiji regarding this variance analysis in terms of signing of evidence and all these review collaborations highlighted, are you doing that now?

MR. R. AHMED.- Thank you, Deputy Chair. All these practices and the recommendations put forward by the OAG are in practice now.

HON. A.M. RADRODRO.- Okay.

DEPUTY CHAIRPERSON.- Thank you very much. Any other questions, Honourable Members? There seems to be none so you may proceed.

MR. R. AHMED.- **Question 8.3. Explanation for Movement between quarters not provided.**

Question No. 7: Why there was a significant increase of around \$120,000 between Quarter 4 of 2013 and the decline in the 1st quarter of 2014?

The increase in salaries and wages cost of around \$120,000 is over a period of time. It is a gradual increase and not a one-time increase. I think there was a bit of error in terms of the question. It should have been up till 2016 because the increase of \$120,000 is up to 2016 and not just between a quarter.

Moving forward, the claims that are lodged with Ministry of Economy is based on the actual cost incurred in Rural Post Offices covered under the agreement. It needs to be understood that apart from wage increases which happened in late 2013 and later in 2016, there are other factors that determine the overall personnel cost. These include:

- i) Staff movement cost;
- ii) Overtime cost;
- iii) Staff levels deployed in those locations with different salary grades;
- iv) Acting allowances;
- v) Relieving allowances; and
- vi) Employer FNPF contributions.

All the factors mentioned above have an impact on the increase in employment cost over the period of time.

In regards to the overall increase in expenditures, the contributing factors includes but not limited to the following:

- i) Maintenance of building and post masters quarters after *TC Winston*;
- ii) Travelling and transportation cost to rural and maritime post offices;
- iii) Re-classification of freight charges and correct allocation from 2015; and
- iv) Increase in rental and insurance cost.

DEPUTY CHAIRPERSON. –Thank you very much. Honourable Members, any comments or questions in that regard? Yes, Honourable Radrodro.

HON. A.M. RADRODRO.- Deputy Chair, maybe the OAG can also explain this in terms of their finding. What they have highlighted is that the increase was due to salaries and wages in the Job Evaluation as highlighted in the graph. The explanation is not consistent with the decline in the first quarter of 2014, it is quarter 5. So, if the salaries and wages were due to the increase, why did it decrease in the first quarter of 2014? I mean that is basically what the OAG has highlighted and that is basis of the question. If the increase was due to salaries and wages, it should be consistent but the next quarter it decreased

AUDIT REP.- The Honourable Member has stated, looking at the graph. The quarters are given there on the horizontal axis, the cost comes down; quarter one to quarter four to quarter five and then it begins to go up. I think that is what is being highlighted. There is a decline until quarter one of 2014 and down in 2013. Maybe the date for the payment when it started.

DEPUTY CHAIRPERSON.- Mr. Ahmed can you just come in there?

MR. R. AHMED.- Thank you, Honourable Deputy Chairperson. I think there is a bit of clarification needed on the graph itself because I have got the actual numbers in front of me and the actual number speaks otherwise. On the fourth quarter of 2013, the salaries and wages cost was \$183,000; on the first quarter of 2014 the salaries and wages cost was \$189,000; on the second quarter of 2014 the salaries and wages cost was \$186,000; on the third quarter it went up to \$231,000, and then it kept on increasing from there onwards. I think there is a bit of clarification sought on the graph itself, in terms of the numbers being used to plot the graph.

However, Deputy Chair, just for clarification, as I highlighted earlier in the response, the salaries and wages is not only determined by what the salary, or the base salary or the base wage a person is getting, but there are other factors that determine the salaries and wages as a total that is being given to a person which includes any overtime that is paid, any allowances people because the people who are in our maritime and rural areas, they always attract the relieving allowances in particular and any acting allowances that is being paid, all these things total up to give us the increased cost.

We agree that there was a JEE done in 2013, it was required because our people were quite below the baseline in terms of salaries and wages but together with the JEE, there are other factors that determine how the salaries and wages will behave on our books. Thank you.

DEPUTY CHAIRPERSON.- Thank you, Mr. Ahmed. OAG?

AUDIT REP.- Honourable Deputy Chairperson, the figures that are used here are in Table 1. These are the quarterly return figures. If you note, the quarter one in 2013 it starts from \$128,000 then it goes down to \$226,000 in quarter two, reduced to \$97,000 in quarter three, further reduced to \$92,000 in quarter four then further reduced to \$72,000 in quarter one of 2014. Those are the figures that are highlighted here on the graph.

DEPUTY CHAIRPERSON.- Yes, Mr. Ahmed.

MR. R. AHMED.- I think there is a bit of confusion because Table 1 is the total expenditure reimbursement and not salaries and wages itself. If we are looking at total expenditure reimbursement and salaries and wages, they are two separate concepts and they need to be discussed separately rather than as a whole. As I said, the reason why there is movement in terms of what is reimbursed for Ministry of Economy depends on how the entity has performed for that particular quarter. If the entity has performed well, there are more revenue in terms of how the entity has performed in that particular quarter, if there are profits in some Centres but losses in the others, the reimbursement is always on a net of basis. So, profit less expenses for all the Rural Post Offices, this is what we claim. If there are decreases in terms of the reimbursements that we have made to the Ministry of Economy, it is a good sign that the Post Offices itself are able to be more self-sufficient in terms of making profit.

HON. A.M. RADRODRO.- ... OAG to give us a reassurance of what that has been mentioned and what your graph represents? As per your noting there, the increase was due to Job Evaluation and that is the concern that has been given.

AUDIT REP.- Deputy Chairperson, what we quoted is their explanation, that was the initial comment from the management of Post Fiji Limited.

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

AUDIT REP.- Post Fiji Limited

HON. A.M. RADRODRO.- From the same management that is sitting here?

AUDIT REP.- Sir, that is quoted on paragraph 3. It is not what we infer but this is from them during the audit. The totals are given in Table 1, so those are the total figures for the total expenditure that they are claiming. That is represented graphically on Chart 2 on page 9. The top line there shows salaries that is consistent over the initial six quarters.

DEPUTY CHAIRPERSON.- Thank you very much. I think we are satisfied with that. Mr. Ahmed you may move on.

HON. A.M. RADRODRO.- Regarding Post Fiji's comments on the reduction in the maintenance of assets, how is Post Fiji addressing this reduction in expenditures on maintenance of assets knowing that Post Fiji is a heavily asset-based entity in terms of Post Office located around Fiji. We have got 58 Post Offices but your concentration towards the repairs and maintenance of these assets seems to be on the decline as per the chart there.

MR. R. AHMED.- Thank you Honourable Member. In regards to our maintenance for assets in particular the buildings that we own, there has been a notable increase in terms of how we are maintaining our post offices given the fact that our posts offices or the buildings are quite old. They have been in existence for quite a number of years and what we are now trying to do is to repair and maintain those assets and bring it to a category 5 level of cyclone certification as well.

In terms of what has been done in the past, we cannot comment much in terms of why there has been a decline in costs structure or costs behaviour in terms of maintenance and repairs of buildings, but with the current management in place, our paramount objective is to ensure that our buildings and assets are maintained so that we do not incur heavy costs in future years. Thank you.

DEPUTY CHAIRPERSON.- You may move on.

MR. R. AHMED.- Thank you Deputy Chairperson. **Question No. 8:** What are the reconciliation processes used or undertaken by PFL and Ministry of Economy for Quarter 1 to Quarter 19?

As discussed earlier on, all reconciliations and verifications are based on the cost and documents provided by Post Fiji Limited. Queries are explained and addressed accordingly.

DEPUTY CHAIRPERSON.- Thank you very much. Honourable Members, any questions or comments in that regards?

HON. A.M. RADRODRO.- Any comments from the Ministry of Economy on this particular reconciliation exercise?

MOE REP.- Thank you Honourable Member. We have discussed in detail how we do the reconciliation with the audited accounts and we continue to do this. As Post Fiji has also said that we cannot speak on previous management and the same is for the Ministry of Economy. From 2013 maybe to late 2017 when we started asking these questions and whether we need to go for a review, but the reconciliation process that we have explained, we verified and we looked at the claims that they submitted. They submit a summary for all the postal services at a higher level of all the revenues, expenditures and net losses incurred and they provide us a detailed by-post office and by-post agency as well. So these are the costs that we review and we ask explanations if there are movements that we do not agree with and once that is to our satisfaction, the last quarter (fourth quarter) we verify with the audited accounts. That gives us assurance that the general ledger that is reflected in the accounting system is certified and it is all in order before we make the reimbursements. *Vinaka*.

DEPUTY CHAIRPERSON.- Thank you very much. Mr. Ahmed, you may move on.

MR. R. AHMED.- Thank you, Chair. The next question is on **Issue 8.4: Absence of Standard Operating Procedures for Rural Post Offices. Question No. 9:** Is there a central record management system in place that collates all information provided from the Rural Post Offices?

Our response to that, there is no specific central record management system. All financial information provided is kept and stored in the custody of finance and operational information is recorded and stored by respective departments concerned. However, the management is currently working on automating the rural post offices so that all data and records are captured and stored in a central location in our servers and replicated to the DR site. As mentioned by my colleague, Mr. Mow, we have successfully managed to automate 51 locations out of the 58 we have and the current management is striving to ensure (one of our objective and goal for 2019) to automate all the 58 that we have, given the fact that we have got few or some drawbacks and some limitations particularly in terms of connectivity and high cost associated to have the connectivity to those locations. However, in terms of accountability, in terms of control, in terms of monitoring, we are trying to ensure that they are all connected to our main server. Thank you.

DEPUTY CHAIRPERSON.- Thank you. That is a very encouraging sign. Any comments or questions, Honourable Members? Yes, Honourable Radrodro.

HON. A.M. RADRODRO.- Regarding their recommendation that they have there, does it need to be revised or it still stands as of today?

AUDIT REP.- Honourable Chair, the comments are consistent with the recommendations. Thank you.

(Inaudible)

AUDIT REP.- Yes, they are acting on the recommendations.

DEPUTY CHAIRPERSON.- Thank you, Director. Mr. Ahmed, you may move on.

MR. R. AHMED.- **Question No. 10:** Has the operational manual for Rural Post Services been reviewed and updated to suit the current business environment?

Our response to that, currently the management is working on reviewing and updating all the operation manuals in the organisation, not only specific to rural post offices. The rural post offices will be part of this review process considering best practices and better controls. Thank you.

DEPUTY CHAIRPERSON.- Thank you very much. Any questions? Yes, Honourable Radrodro.

HON. A.M. RADRODRO.- Can you enlighten the Committee, is there any timeline for this review to be completed?

MR. I. MOW.- Thank you, Honourable Member. Yes, we have set ourselves goals this year in terms of our Standard Operating Procedures and also on some of our policies which we believe is outdated. We have given ourselves by the third quarter of this year where all our SOPs and policies will be in line with the current business environment or the standards that are being used in terms of our postal operations and also in terms of our retail and financial services as well.

DEPUTY CHAIRPERSON.- Thank you very much for the explanation. Any other questions? Yes, Honourable Member.

HON. A.M. RADRODRO.- ... the Ministry of Economy's financial year or Post Fiji's financial year?

(Inaudible)

DEPUTY CHAIRPERSON.- Thank you very much, Honourable Member. Mr. Ahmed, you may move on.

MR. R. AHMED.- Thank you, Chair. The next question is **8.5: Delays in Submission of Additional Information required for audit. Question No. 11:** What is the process for Post Fiji Limited to facilitate timely and accurate provision of information to the auditors?

The process for information facilitation upon request is quite simple. If the information is readily available, it will be facilitated immediately. In an event where further work is required in order to provide specific information, it will be worked on and furnished.

DEPUTY CHAIRPERSON.- Thank you very much. Any questions, Honourable Members? There seems to be none, you may proceed further on.

HON. A.M. RADRODRO.- ... activity in place.

MR. R. AHMED.- It should be.

DEPUTY CHAIRPERSON.- Thank you, Mr. Ahmed you may move on.

MR. R. AHMED.- **Issue 8.6: Invoices not attached.**

Question No. 12: Please advise what is Post Fiji Limited's payment process?

The payment process for Post Fiji Limited in brief is as follows:

- Payments to be processed on original invoices only;
- LPO and approvals should accompany all invoices unless it is a contracted service or utility bills;
- Invoices should be verified correct and passed for payment by the respective officer responsible; and
- All payments are either through cheque or bank transfers. No cash payments are permitted.

As outlined in the Audit Report, Table 3, the payment voucher for electricity without invoices. This relates to our Waiyevo Post Office, whereby electricity is provided by the landlord. The past agreements were inclusive of electricity charges for this particular Post Office. However, this has now changed and we have started to source electricity from EFL.

What had happened, Deputy Chair, over here is, the Waiyevo Post Office had an exclusive agreement where the rental and electricity will be provided by the landlord because the electricity was provided through a generator. So, there was no specific reading for that generator electricity being provided. As such, there was no specific invoice for electricity but it was inclusive in the rent bills.

DEPUTY CHAIRPERSON.- That is understandable. Any questions, Honourable Members?

(Inaudible)

MR. R. AHMED.- EFL.

HON. A.M. RADRODRO.- ... number of months it has got the highest bill as shown in the table.

DEPUTY CHAIRPERSON.- Mr. Ahmed, you may move on.

MR. R. AHMED.- Issue 8.7: Variances in Payroll between Payrun reports and General Ledger for Rural Postal Services?

Question No. 13: Provide explanations what were the reasons for the variance?

The figures tabulated in Table 4 of the report is unfortunately incorrect.

Firstly, there are repeated pay periods that have been totalled (Please refer to Pay5/15) – it appears twice;

Secondly, the data sample being selected and tested does not relate to a Rural Post Office or the Rural Post Offices. These figures are for Suva Mail Centre which is not a Rural Post Office;

Thirdly, the comparative is not done completely. The gross pay in the payroll centre incorporates all the different allowances and benefits paid to the officer. However, when it is integrated to the financial system, all allowances and benefits are segregated to respective ledgers. When the sampling was done, only a particular GL was selected and amounts are randomly picked and compared to the payroll data.

In terms of the variances, we can confirm and assure that there are no such variances between the amounts as per GL and payroll reports. Our payroll system and financial system are tested every year during financial audits performed by OAG for its correctness. There has been no issues in terms of reconciliations and variances between the two systems. All payroll data is integrated to the finance system immediately after processing the payroll. A full reconciliation is carried out on a monthly and yearly basis to confirm the transactions executed.

In the company's opinion, the comparison should have been only for the payroll relating to the personnel's serving in respective Post Offices which is the Rural Post Office. The data should have been selected for a Rural Post Office on the GL and compared to payroll data.

However, there are some limitations within the payroll system which has been escalated with the service providers. Due to these limitations the historical reports generated after a paid calendar year may distort the figures if there is a staff movement, resignation and or termination. Reliance is always on the GL and all claims submission to Ministry of Economy is from the GL data. Thank you.

DEPUTY CHAIRPERSON.- Thank you very much. Honourable Members, any questions?

HON. A.M. RADRODRO.- Any comments from OAG regarding their audit finding?

AUDIT REP.- Thank you, Honourable Deputy Chairperson. On Table 4 that was highlighted, Pay 5/15 appearing twice; the first one is correct. The second Pay 5/15, we can come back on that, maybe it is to do with different pay period, otherwise the other figures are correct. This was request....

HON. A.M. RADRODRO.- ... direct us to the dates?

AUDIT REP.- On salaries, the top part of the Table is okay, that is wages. On the bottom part of the Table, differences in reporting of salaries. His referring to the second row for salaries, that is, date 10/03/2015, Pay 5/15. That figure is correct. Pay 5/15 is appearing on the fourth row, if we can come back to the Committee on that, please.

DEPUTY CHAIRPERSON.- Yes, you are permitted to do so. Any other questions or comments, Honourable Members?

HON. A.M. RADRODRO.- The figures as being highlighted is for Mail Centre?

AUDIT REP.- Yes. We had requested for the Rural Postal Services payroll but this is the only thing that we were furnished with. Other than that, the issues are valid but if it is not for Rural Postal Services then this can be disregarded.

(Inaudible)

DEPUTY CHAIRPERSON.- Yes, yes, you are permitted to do so. Thank you very much. Mr. Ahmed you may proceed.

MR. R. AHMED.- **Question No. 14:** Advise what is the current status of the reconciliations being carried out?

Reconciliations have been carried out after every pay period with the GL and payroll reports. Variances, if any, is resolved immediately so that the correct personnel cost is reflected in the financial statement. The payroll system was changed in late 2014 and ever since, this practise of payroll reconciliations has been in place. The reconciliations are checked and verified by the authorised officers on a monthly basis.

DEPUTY CHAIRPERSON.- Thank you very much. Any comments or questions, Honourable Members?

HON. A.M. RADRODRO.- ... having in place there?

AUDIT REP.- Yes, we agree with the comments regarding how the reconciliation and financial audits are carried out. It is just that this is a control issue that we are highlighting as part of this process in auditing the quarterly returns. Valid explanations were not provided there during the audit, otherwise had it been provided then, then the matter would have been resolved.

DEPUTY CHAIRPERSON.- Thank you very much. Any other questions or comments, Honourable Members? You may move on.

MR. R. AHMED.- Thank you Honourable Deputy Chairperson. **Issue 8.8: Overall Review of Rural Postal Services. Question No. 15:** Has PFL conducted any feasibility study on the establishment and operations of the Rural Post Offices?

Rural Postal Services as termed in this context has two separate operations, where the:

- (i) operations are owned and conducted by PFL;

- (ii) agents are identified and they operate on their own, however, they work closely with Post Fiji Limited in terms of the transactions executed and performed.

In terms of feasibility study on the establishment and operations, Post Fiji Limited operated Post Offices are continuously monitored and controlled from Head office. Their operations are under the guidelines of the organisation's Standard Operating Procedures. Even though some Post Offices are not commercially viable but they are still operated to serve the people in the rural and maritime communities. Thank you.

DEPUTY CHAIRPERSON.- Thank you very much. Honourable Members, any comments or questions in that regard? There seems to be none, so you may move on. Yes, Honourable Lalabalavu.

HON. RATU N.T. LALABALAVU.- Deputy Chairperson, first of all Post Fiji Limited, their rural services, I would like to commend this. They are doing a great service to the community at large because you are taking the service right down to the people and where they are. There is a matter of ensuring that the services are well documented and well taken care of from the stand point of the OAG. It is just a need to touch up on that, to ensure that there is clarity in everything that we do in our performance otherwise the service is great. Is there any possibility or assurance that this could be undertaken? Thank you.

MR. I. MOW.- Thank you Honourable Member, we appreciate your comments and the compliments. Post Fiji Limited is in a continuous process of improvement at the moment. As you may have seen, a new management has taken over the operations and as mentioned earlier, first we have to get our processes and some of our Standard Operating Procedures in line with the current business environment. That is something that we are working on and as already mentioned, we are trying our best to bring all our post offices online so that there is real time transactions, not only real time transactions, in terms of monitoring and controls but also it provides better services to the customers in terms of efficiency.

For example, the TMO Services when it is brought online, when sending and receiving the money transfer, it is on real time. It will be no longer paper based where a person has to fill in the details and has to wait two or three hours for that transaction to be transferred and received on the other end. So, these are some of the things that we are working on to improve our services and provide better standards in terms of service delivery to the customers. Thank you.

DEPUTY CHAIRPERSON.- Thank you very much. Any other comments or questions?

HON. A.M. RADRODRO.- Just a question of interest in terms of agents where they are operating on their own. The second part of your report whereby agents are identified and they operate on their own. Would you be able to inform the Committee how many arrangements of this such are actually in place?

MR. I. MOW.- Thank you, Honourable Member. Just to answer your question, in terms of the postal agencies, there are two types of postal agencies that we have. One is the cash accounting postal agency which handles the cash and postal services and the other is the non-cash accounting postal agency which basically just deals with mails. In terms of the cash accounting postal agencies, at the moment we have 22 active postal agencies that are operating and most of

these postal agencies are based in the maritime areas especially in the Lau Group. So, in terms of their operations, it is managed by an individual person who is appointed by the communities.

In the past the arrangement was just between Post Fiji and the respective individual who wants to run a postal agency, but from 2014 onwards we have changed that. We have now included, we have agreements in place and we have now included the village committees or the provincial councils themselves in the agreement so it is a sort of a three-way agreement. It is not just between Post Fiji and postal agent but it also includes the respective committees.

The reason why have involved these village committees is for audit purposes. It is for them to continuously check and monitor the operations of the postal agent because in the past, this is the challenge for us. Although we do have an audit team in place, they have their audit plans for the year and some of these postal agents are far-flung and we depend on Government trips or when boats travel to these islands for our audit team to carry out their audits. So with the inclusion of the communities or the committees into the agreement, they do those checks on our behalf. So those are some of the controls that we have put in place.

DEPUTY CHAIRPERSON.- Thank you very much for your clarification and information. Mr. Ahmed, you may move on.

MR. R. AHMED.- Thank you. **Question No. 16:** How has Post Fiji Limited addressed the challenges currently faced by the rural postal offices?

Our response, the key challenges faced by Post Fiji regarding the rural postal offices is consistent power source, connectivity and accessibility. Hence, we have continuously switched the operations from manual to automated operations. There is a substantial amount of cost involved, however, this is necessary to ensure better monitoring and controls and efficient service delivery.

In terms of accessibility, this continues to be a challenge. Post Fiji relies heavily on Government vessel trips and tours to the maritime areas based on Government schedules, trips, we send our audit team for post office checking and verification. Also, there is a high risk of sending the physical cash where accessibility is minimum or low. Under such circumstances, we maintain a high cash reserve with the respective locations to reduce more transfer of physical cash.

DEPUTY CHAIRPERSON.- Thank you very much. Honourable Members, any questions or comments? Yes, Honourable Lalabalavu.

HON. RATU N.T. LALABALAVU.- Thank you, Honourable Deputy Chair, through you, again, Post Fiji, I commend all the services that you undertake but given that and what has been highlighted by the OAG, just to ensure that there is close monitoring so that there is effectiveness and how useful the service is. Now you run the same kind of business entity yet you are trying to provide services. Do you not feel that your core functions are conflicting each other here because you have just highlighted the risk factor, the cost of providing these services, what sort of plans do you have in mind to ensure that you remain with your core functions instead of standing out where it affects your overall service? Thank you, Honourable Speaker.

MR. I. MOW.- Thank you, Honourable Member. Just to answer your question, we are a 100 percent Government-owned entity and we are required as a corporate entity to provide dividends back to the Government and they require 50 percent dividend payback from us, hence

the reason why we have diversified into other areas to be able to be profitable and to give back to Government what is required of us. That is part of the reason why we have diversified into other areas and you have alluded to the postal service being our core service. Apart from postal service, part of our core service as well is the financial service which is the domestic money transfer. Over the years, Sir, the money transfer business has increased especially in the rural areas where there is a lot of buying and selling, that is happening between the middlemen here from the mainland and the farmers out in the islands. This is where there is a lot of money movements happening between mainland and the rural areas. So, in order for us to facilitate the payment to those on the island not only for the farmers but also families sending money, we have to facilitate the movement of cash to the islands to be able to provide that service to payout to the customers on the island. So, hence the movement and the requirement; it is a requirement for us to send those money out to the islands so that service can be facilitated. If we do not do that, then it is not viable for us to be operating those services. Thank you.

DEPUTY CHAIRPERSON.- Thank you. Any other comments or questions? Yes, Honourable Prakash.

HON. V. PRAKASH.- Just on what Honourable Lalabalavu has said. We compliment the changes that has taken place at Post Fiji and your connectivity with people right across from the urban to the rural centre. We thank where changes have come and we also recognise that there are other services apart from the money and other things that you do. We see that your Post Shop is one of those entities that you have introduced in this later stage. Would you be able to enlighten us on the Post Shop and other things that you have in mind? Would you enlighten us on some plans or vision that you have to make this organisation grow?

MR. I. MOW.- Thank you, Honourable Member. As I had mentioned earlier, Post Fiji is in the process of diversification as well. We are diversifying into other areas that we see is viable for our business in terms of our business sustainability and also in terms of profitability. So, we look into products and services that is profitable for our business and will take us through the long term. Thank you for mentioning about the Post Shop. Post Shop is a service provided by Post Fiji. It is actually a retail arm and within the Post Shop alone, we have diversified into other products that we see that this is profitable for our retail arm. Apart from the basic stationery business that we conduct with our Post Shop, especially in the rural areas, we have moved into groceries as well for the rural customers. When we visit the Post Offices in the rural areas, we carry out our assessments as well and one of the things that was brought up by the customers is, how expensive it is to buy groceries in the rural areas. So that was one concept that we adopted, we moved into the grocery business.

We are competing with the small shops in the rural areas and also with the corporatives. But in terms of pricing, this is where we are competitive and none of these shops in the rural areas come close to us, because our retail price is almost as same as shopping in one of the town areas. So, in terms of our pricing, it is very competitive and we are also guided by Fijian Competition and Consumer Commission in terms of items or goods that are price controlled. So we maintain those compliance as well.

There is a big business opportunity that we are launching very soon. It is our e-commerce platform. With this business opportunity, it will allow us not only to link with businesses in the urban areas, but also with the budding entrepreneurs in the rural areas, especially the women's

groups that are being set up in the rural communities who try and sell their products like, body oils, fans, et cetera.

With this e-commerce platform, we become a virtual warehouse for these retailers. We bring their products, we put it online, it is there virtually but the product is not sitting with us. We act as a retailer for them. The target market here is basically the overseas customers and mainly the Fijian communities living overseas. When they want to buy a *tanoa* or buy things from Fiji, they either have to come through friends or when they come themselves to Fiji, they buy it and take it back. With this e-commerce platform, everything is at their fingertips, so they just go on online, they purchase it and locally we will deal with the retailers. We will facilitate the transport of those goods to overseas customers.

It is something like, most of us here go to Amazon and Alibaba Express, it is the same concept. So that is something that we will be implementing soon. We see that it is going to be viable for Post Fiji and it supports not only our retail business, but it also supports our core business as well which is our mailing business because we will be transporting those items to customers overseas. Thank you.

DEPUTY CHAIRPERSON.- Thank you very much Director.

HON. A.M. RADRODRO.- ... Ministry of Economy and this arrangement will further extend into that?

MR. I. MOW.- Definitely, yes.

DEPUTY CHAIRPERSON.- Thank you very much. Yes, Honourable Member.

HON. A.M. RADRODRO.- Deputy Chairperson, just a question regarding the provision of services to the public is whether Post Fiji is also looking at providing extra services in addition to the ones that it is currently doing now, say for, payment of utility bills, e-ticketing top up provision, is there a possibility that Post Fiji will also look into providing those services from their respective offices in the near future?

MR. I. MOW.- Thank you, Honourable Member. Just for your information, we are already providing those services. In terms of e-ticketing, it is being facilitated in all our online post offices and in terms of utility bills, it is so unfortunate that the only utility company that is not on board with us is EFL.

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

MR. I. MOW.- Yes, that is a valid point. The reason why they have gone with MH is because they had tendered out the service. We had also put in our tender but it was so unfortunate that MH had given them a rate that, I am not sure how will they survive on the rate that they have given to EFL.

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

MR. I. MOW.- Yes the e-ticketing is available in all our post offices Fiji wide; those areas where there is public transport being provided.

DEPUTY CHAIRPERSON.- Thank you very much Director. Mr. Ahmed you may move on.

MR. R. AHMED.- Just to elaborate further to the concern raised by Honourable Aseri Radrodro, Post Fiji has got over 50 agencies or we take bills, bill pay or bill paid for over 50 different services on our board and we are affiliated with all Government agencies including Lands Department as well as the Ministry of Women, Children and Poverty Alleviation, with the financial rural inclusion or financial transactions that is being carried out; pregnant mothers and all sorts of transactions. So, we can proudly say that we are quite engaged in the society and we are working very closely with the corporates as well as the Government institutions.

Moving forward Deputy Chairperson..

DEPUTY CHAIRPERSON.- Yes, Honourable Member?

HON. A.M. RADRODRO.- A supplementary question regarding the answers that have been provided for the challenges in terms of cash. You stated that you need to have the accessibility of cash reserves available to post offices. How do you ensure that the incident at Seaqaqa Post office is not repeated when you are trying to address these key challenges? Was it at the Seaqaqa Post Office where the post office was burnt down? What will happen to the cash if you put in extra reserves in there?

MR. R. AHMED.- Thank you. In regards to our security of cash as well as the reconciliation, check and balancing, we have increased our check and balancing with all post offices. We are now trying to use more of technology to ensure that the reported cash in respective post offices is physically present. In terms of movement of cash, we are the only entity that is heavily involved in moving cash from one location to the other particularly in rural areas. The financial institutions maybe, but they are well armed and under security, et cetera and our cash basically goes there because it is a costly affair in terms of ensuring that we hire Matrix from here to take cash to Vanuabalavu or from here to Lakeba, Lau.

But nonetheless we are trying to use all sorts of technology available in modern era to ensure that there are checks and balances in place as well as closed monitoring of all cash is done. In regards to the Seaqaqa incident, that was one of the learning curves for us and what we have done is, we have increased our monitoring and continuous checking. One of the key things that has helped us with this is putting all or majority of the offices online whereby we can see real time data from head office and we will be able to pin point or pick on individual post office if they are handling or having high cash on hand at a particular point in time.

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

MR. R. AHMED.- Security of the building and the cash itself is all insured; even the cash is insured.

DEPUTY CHAIRPERSON.- Thank you very much. You may move on.

MR. R. AHMED.- **Issue 8.9: Inconsistencies in the determination of the rate of allowances.**

Question No. 17: What is the standard formula used for determination of allowances paid?

Our response to that, there has been no standard formula available to determine the allowances to be paid, however, the non-cash agents are paid ranging from \$11 to \$20 per month based on the mail volumes handled.

The cash accounting agents are paid ranging from \$80 to \$120 a month depending upon the transaction volumes done at respective agencies. We need to understand the fact that mail volumes in today's era with the modern technologies, social media and all these gadgets available, mail volumes are decreasing. It is only the corporates who are using the mails which is basically the bills that we are getting and then majority of them are trying to go on e-bill. So we are in the process of reassessing how many agents we need to have, whether we need to have them in the rural areas or not given the fact that people are no longer sending letters.

DEPUTY CHAIRPERSON.- Thank you very much. Any questions, Honourable Members? There seems to be none so you may proceed further.

MR. R. AHMED.- **Question No. 18:** Please advise whether Post Fiji has developed a formula that will determine the rate of allowances for cash accounting agencies? If not, why not?

Our response is, Post Fiji Limited is in the process of reassessing the postal agencies operations and their viability. This is in particular for the non-cash agents who dwell on letters only. Given the fact that letters are declining and phasing out especially in rural areas, we will reassess these agencies in terms of operating continuity. Once the assessment is done then we will develop a viable formula to determine the agency commission that will be applicable to the existing agents as well as all new entrants.

DEPUTY CHAIRPERSON.- Thank you very much. Any questions, Honourable Members, or comments in that regard?

HON. A.M. RADRODRO.- ... responses on the recommendation that they had put in there.

AUDIT REP.- Honourable Chair, I believe the comments from the management is consistent with the recommendation that they will be reviewing the formula.

DEPUTY CHAIRPERSON.- Thank you very much, Director. Mr. Ahmed, you may move on.

MR. R. AHMED.- **Issue 8.10: Expiry and Non-Existence of Agreements for Agency Commission. Question No. 19:** Was PFL aware of the agreements made with various organisations for collecting and making payments on behalf of Post Fiji?

Our response to that, yes, Post Fiji is fully aware of all the agreements duly made for remittances collection with various agents and Government ministries.

DEPUTY CHAIRPERSON.- Thank you very much. Any questions or comments, Honourable Members? Seems to be none, so you may move on.

MR. R. AHMED.- **Question No. 20:** Does Post Fiji Limited have a monitoring mechanism in place to manage these contractual agreements made?

Our response, the current management has started monitoring all the contractual agreements for Post Fiji. Where necessary, renewals with new terms and conditions are being discussed and agreed upon. Subsequent to this audit, a number of agreements have been renewed including the family assistance and social welfare, FEXCO, Telecom Fiji Ltd (TFL), Connect and other Government ministries.

DEPUTY CHAIRPERSON.- Thank you very much. Any questions or comments in this regard, Honourable Members? There is none, so you may proceed.

MR. R. AHMED.- **Question No. 21:** Has PFL obtained a copy of the contractual agreement with the Department of Social Welfare for services rendered as an agent for the payment of family assistance allowances or otherwise has signed a new agreement?

Yes, the agreement with the Department of Social Welfare has been renewed.

DEPUTY CHAIRPERSON.- Thank you very much. Any questions, Honourable Members. Yes, Honourable Prakash.

HON. V. PRAKASH.- (Inaudible)

DEPUTY CHAIRPERSON.- So that draws to an end our hearing today. We are left with the last segment and that is your concluding remarks. Requesting Honourable Members if they can ...

HON. V. PRAKASH.- Chair, through you, I would like to congratulate the OAG for keeping up with the changes and also assisting all the Departments including Post Fiji to try and update their accounts and we also thank the officials from Ministry of Economy for helping Post Fiji, we congratulate you, especially having a young management team with a few grey hair; such a big responsibility and we know that you have come far with this report from 2013, 2014 and now it is 2019. We hope that other reports to be submitted will bring in a lot changes. We know there are rooms for improvement both at headquarters right up to the rural post offices and the challenges that you face. We know that Post Fiji is part of the community's life and with the changes in the area of connectivity in line with modern technology to the 51 post offices, this is a big achievement in itself. So you are left with only seven. I would like to say thank you and keep it up.

DEPUTY CHAIRPERSON.- Thank you, Honourable Prakash, Honourable Radrodro.

HON. A.M. RADRODRO.- Thank you, Deputy Chair, first of all I would like to also congratulate the team from Post Fiji for having the courage to come and face the Committee today. But on the concept of good governance, Deputy Chair, I think the Committee should raise its concern regarding the absence of a Chief Executive Officer who should be heading the team from Post Fiji.

As we note, Mr. Isaac Mow is only the Head of Executive Committee and I think he has been on that role for quite number of times now. It will be interesting whether the Ministry of Finance can make commentaries on the absence of the appointment of CEO of Post Fiji Limited.

As we note from these audit findings specifically on this arrangement, it questions a whole lot of governance structure within the organisation in terms of compliance to the agreement, in terms of the financial reporting capacity and all those other pertinent issues that relates to an organisation which should be and rightly headed by a CEO. For quite a number of years now that post has not been filled.

Deputy Chair, like we do for other Departments and Ministries, the absence of the Head coming to the Committee is also a concern because that is where the buck stops. There should be a separation of powers, separation of responsibilities. I would not be aware of what is the arrangement now with the current board and the current Head of Executive Committee and I strongly feel that Post Fiji should be in immediate steps to appoint its CEO. I think the Ministry of Economy should also take this into consideration and ensure that in the concept of good governance that the organisation, what is reflected here, it could be termed as an entity which lacks a head and therefore these discrepancies are noted and should be addressed as soon as possible. Thank you, Deputy Chair.

DEPUYTY CHAIR.- Thank you very much Honourable Radrodro. Honourable Lalabalavu, any concluding remarks?

HON. RATU N.T.LALABALAVU.- Deputy Chair, through you, I would like to echo the same sentiments given by my Honourable colleagues to Post Fiji. Thank you so much for the great and wonderful service that is being provided. At the same time, I thank the OAG for the very close and constant scrutiny of how Government funds are being utilised together with the Ministry of Economy. The postal services has evolved from the ordinary mailing and receiving of parcels to electronic mailing and where we are now. The only thing that I have is that core function of yours. As a business entity, Post was a most successful Government entity during our time in Government; Post Fiji. But now with 52 agencies, linking up to the services being provided by your company, I think it is creating a cliché here that we should be mindful and very careful, especially the advice being given by the OAG.

The constant review of agreement, constant review of how effective the services are because and the services are really doing wonders out there. Again the left and the right hands are competing against each other, being a Government entity and you are encouraging, well that is a political will given by the Government of the day, you are trying encourage SMEs , but the service is to the people. That is my only concern. If constant reviews and monitoring are done, it will help. I am sure that how wide you are going now, looking after the services of another 52 agencies, it is huge.

For us in Taveuni, it is different, Honourable Deputy Chairperson. While the money is being sent to an individual through Western Union, they prefer to go to the Post Office because of the cash flow situation. How Post Office continues with their great service is certainly a challenge in the long run. Thank you for the services being provided.

DEPUTY CHAIRPERSON.- Thank you, Honourable Member.

HON. V. PRAKASH.- On Honourable Radrodro's sentiment, I think it is best to take heed of that sentiment, but at the same time I would like to congratulate the management in the absence of its CEO. As I have said previously, you have worked wonders, keep it up. In the absence of

the CEO, we have seen you have been doing quite well. We hope that good things will come, everything has a good day and we wish you all the best in your next promotion. Thank you.

DEPUTY CHAIRPERSON.- Thank you, Honourable Prakash. Director OAG, any concluding remarks, Sir?

AUDIT REP.- We thank you Honourable Deputy Chairperson for the opportunity to attend your Committee. We take note of the clarification that we have to come back with. Yes, we do follow-up and that will be in two to three years. Thank you.

DEPUTY CHAIRPERSON.- Thank you very much Director. Ministry of Economy, Madam?

MOE REP.- Thank you Honourable Deputy Chairperson, and Honourable Members of the Committee. The comments are noted well and thank you for sharing of some ideas on how we can make our postal service successful. We are in discussion with Post Fiji and we may, I do not want to give it a head, but looking at the comments coming in and the viability of Post Fiji and moving out to the rural areas, this supports Government's agenda for inclusive growth of everyone. This links to our Sustainable Development Goals for 2030 where we do not want anyone to be left out in the economic development of this country.

We have seen that economic activities in the rural areas are increasing. Sometimes we have to balance between cost and the services that we are giving to our people. We have some success stories that we have already discussed with Post Fiji and we may be seeing that we are going to turn this business around where the reimbursement of losses may turn into a profit very soon. The level of monitoring that the Ministry of Economy has started late 2017, and in discussion with Post Fiji, we happen to turn around some of the numbers that we are seeing today. Just a passing comment on Honourable Lalabalavu's comment on issues of governance and how we document things that needs to be put on paper. The postal agencies are reaching out and doing a good work. It is commended and we really thank you for that comment.

Going forward for Post Fiji, Ministry of Economy and the Office of the Auditor-General we need to sit down before these reports are finalised. Joining the Ministry of Economy what we have noted is that sometimes the wordings in which these reports are written, they tend to show that documentations are not there or governance is not in place but when we actually review these reports, we see that our records are available. It is just a matter of us sitting down and clarifying issues to the Office of the Auditor-General and letting them know that these records are available.

Sometimes who they talk to is also important and we have noted it from our side as well that whatever management comments that the Ministry of Economy provides to the Office of the Auditor-General, it is thoroughly vetted and it is approved by our Permanent Secretary before it goes for publishing in the Reports of Parliament.

DEPUTY CHAIRPERSON.- Thank you very much. Mr. Mow you can sum up your presentation today.

MR. I. MOW.- Thank you Deputy Chairperson and the Honourable Committee Members. Just to sum up our presentation today, I would like to first of all thank you all for having us here today to present the case on the issues that had been raised. We would like to thank the OAG for

raising these issues because without these issues being raised, it would not be able to set us in the right direction that we want to head to. Audits that have been done on organisations such as Post Fiji it helps us (the management) to see the shortfalls or loopholes within the organisation and the areas we can improve on. So, thank you very much to the team from Office of the Auditor-General.

I would like to also thank the Ministry of Economy for their continuous support towards our business. Without your support, the issues that we face in terms of the rural post offices, we would have to be facing it ourselves as an organisation. So, thank you to the Ministry of Economy.

I would like to also thank you all for the words of encouragement, compliments and appreciation given to us today. We understand that we do have governance issues within the organisation and as mentioned earlier during the presentation, we are working on continuous improvements to improve on these areas. We have drafted our governance policy that will govern Post Fiji as an organisation in terms of our policies and operations.

I think there was an important point raised by the Ministry of Economy on the engagement of the stakeholders. We need to meet more often to iron out issues that happens within the organisation so that these matters are resolved internally rather than it being brought out here to the Public Accounts Committee. For us as I had said earlier, it is a continuous road of improvements. We are working on areas to improve our business and also looking into areas that is sustainable and will take our company in leaps and bounds into the future. So, with that being said I would like to thank you all again.

DEPUTY CHAIRPERSON.- On behalf of the Public Accounts Committee, Mr. Mow and Mr. Ahmed thank you very much for availing yourselves and providing written explanations as well as verbal explanations. I would also like to thank the Ministry of Economy and Office of the Auditor-General. Also thank you very much members of the media, thank you very much for your attendance, have a nice day and God bless you.

The Committee adjourned at 11.00 a.m.