

PUBLIC ACCOUNTS COMMITTEE

[Verbatim Report of Meeting]

HELD IN THE

COMMITTEE ROOM (EAST WING)

ON

TUESDAY, 22ND MAY, 2018

VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD AT THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON TUESDAY, 22ND MAY, 2018 AT 9.30 A.M.

Interviewee/Submittee: Fiji Broadcasting Commission (FBC)

In Attendance:

- | | | | |
|----|-------------------------|---|-------------------------------|
| 1. | Mr. Riyaz Sayed-Khaiyum | - | Chief Executive Officer (CEO) |
| 2. | Mr. Vimlesh Sagar | - | Chief Financial Officer (CFO) |
-

MR. CHAIRMAN.- Honourable Members, today we have Mr. Riyaz Sayed-Khaiyum, Chief Executive Officer (CEO) for Fiji Broadcasting Commission (FBC) and Mr. Vimlesh Sagar, Chief Financial Officer (CFO). They are both here on our invitation to present to the Public Accounts Committee (PAC) of their accounts.

As you aware gentlemen and the team from the media, we are doing an important task for Parliament and the Government in scrutinising the finances of State Owned Entities (SOEs) and Statutory Authorities (SAs) in this segment of our sitting.

For that purpose, we had sent our invitation with certain questions to FBC. We are thankful that FBC responded and sent two representatives, two heads of the departments; the CEO and the CFO, to be present before us.

Without taking further time, I now request the CEO and the CFO, as they wish, to make their submission and we will reserve questions towards the end of your introduction. We will go issue by issue and after your comments, then we will ask the questions.

MR. R. SAYED-KHAIYUM.- Thank you. Good morning everyone. I think some Honourable Members are missing.

MR. CHAIRMAN.- Yes. What happened was, the week after Parliament sitting, the Honourable Assistant Minister for Health was away on ministerial duties and the Honourable Ratu Lalabalavu is away in Vanua Levu but we will be joined shortly by a replacement, as we go along.

MR. R. SAYED-KHAIYUM.- Nevertheless, thank you so much for inviting us and we are very pleased to be here.

(CEO introduced his team)

We are here specifically to answer questions that had been put forward to us by the PAC pertaining to two issues that had been raised. We welcome questions after that, if you have any.

MR. CHAIRMAN.- Yes, please.

MR. R. SAYED-KHAIYUM.- I will hand over to Mr. Sagar to comment on the two issues.

MR. V. SAGAR.- Thank you, CEO.

Mr. Chairman, looking at the first issue, all FBC Financial Reports are prepared in compliance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). The only departure from ISA 20 for the first scenario is the treatment of Public Service Broadcast (PSB) fee so for that, we had a Cabinet decision which we have sent in our response as well that clearly stated, that all capital contribution, all the PSB grant (we regard that as a PSB fee), are to be treated as capital injection. So that is the reason why there was a departure from ISA 20.

However, what happened was that on 8th March, 2016 there was another Cabinet decision that was provided and based on that we had reclassified our financial statements and what it meant was that all PSB fees are now recorded as revenue in the profit and loss. So now it is all in compliance to IFRS and IAS 20.

In fact, going back to 2010 and onwards, we had reclassified our financial statements, taking into consideration the Cabinet decision. FBCL also wrote to the Office of the Auditor-General (OAG) and in conjunction with onsite external auditors as well. We had also made a submission.

We had also raised this in the last PAC meeting that we had attended with the CEO that the request was to treat PSB fee as revenue because we were caught up in a situation whereby we had to comply with the Cabinet decision while there was a departure from ISA.

MR. CHAIRMAN.- Just on that point, prior to the Cabinet decision, the grant was treated as what?

MR. R. SAYED-KHAIYUM.- It was still treated as capital contribution.

MR. CHAIRMAN.- Because the notation by the OAG is that, those grants are usually acquired to purchase, construct or others acquire long-term assets, so there is a specific purpose for this grant.

MR. R. SAYED-KHAIYUM.- No, not really.

MR. CHAIRMAN.- Not really?

MR. R. SAYED-KHAIYUM.- Not really, that is not entirely true.

We, at FBC, have a PSB contract with Government and that contract is for services rendered for PSC which includes programmes, educational programmes, et cetera, for the use of the public of Fiji.

In our books that money was not treated in the right way, right from the start. It was always referred to as a grant. That is something that we had taken up with Government, actually at least since when I started by the end of 2007, that rightfully, it should be called a fee.

It took us a long time to be able to convince everyone involved, including the accountants and the Government to actually start referring to it as a fee and we do now. Thankfully, it is now called a fee because it is a specific amount of money that is given in exchange of services under PSB.

MR. CHAIRMAN.- So now, once it is recorded as a revenue, it is upon FBC on how they utilise those funds.

MR. R. SAYED-KHAIYUM.- Yes, absolutely.

MR. CHAIRMAN.- Can I just ask the OAG to clarify before we go to your question?

OAG, you have noted there on Page 17, paragraph 6.1, the sentence states and I quote:

“Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets.”

Now, the CEO said that is not entirely correct because it could be used for other purposes, such as awareness (I believe) or advertisements. What is your comment on that?

AUDIT REP.- Thank you, Mr. Chairman for that question. I would just like to clarify on that issue but before I do that, just for the benefit of the Committee, I would like to discuss two circulars that were issued by the Ministry of Public Enterprises. One circular came in in 2012 which was sent to all Government Commercial Companies (GCCs) and Government-Owned Entities which actually stated that all grants that was given by Government would be treated as capital contribution. So that included all grants and special funding, and the adjustments were required to go far back as 2010.

What happened was that, some of the entities that were not recording the grant as capital contribution initially has, those entities had complied with the Circular, then going forward they treated those Government grant as capital contribution.

Then in 2016, what happened was, the Auditor-General then started to qualify those financial statements where there was a departure from IAS 20 which says that grants need to be treated as other different grant which goes under liability or is regarded as revenue.

MR. CHAIRMAN.- Either liability or revenue?

AUDIT REP.- Revenue, if it comes in the definition of Government grant under IAS 20. So any funding which is providing us with a subsidy or is paying off the cost of an entity, it will be regarded as a revenue. Other than that, if there is any funding which is given by Government which is used to purchase the long-term assets or any capital injection into the capital asset, that is regarded as deferred revenue.

In 2016 when the Auditor-General started to qualify the accounts, there was another circular issued by the Ministry of Public Enterprises that stated that all recent grants need to be treated in accordance with IAS 20, which means that if a grant is given for a purchase of any asset or long term capital assets or to subsidise the cost of any entity or expenses, that is regarded as revenue. Then the entity starts to comply with the Government circular, then restate their account to comply with the circular that was issued in 2016.

Coming back to the FBC issue, funds that were given by Government were treated as capital contribution, but from the Audit point of view and even contracted auditors have concurred with us that those grants were supposed to be recorded as revenue because they were subsidising the cost of the entity.

The CFO of FBC said that they were caught between the circular and the IAS. They complied with the Government circular, therefore, departing from the IAS.

MR. CHAIRMAN.- Who sent the 2012 Circular?

AUDIT REP.- It was a Cabinet decision and then the Ministry of Public Enterprises sent the Circular.

MR. CHAIRMAN.- And that required that input by the Government to be recorded as capital?

AUDIT REP.- Yes, any special funding or grant to be treated as capital contribution.

MR. CHAIRMAN.- And the 2016 Circular by the Ministry of Public Enterprises was....

AUDIT REP.- Yes, was reversing that Circular and stating that any recent grant will now be treated in accordance with the IAS.

MR. CHAIRMAN.- Which is revenue?

AUDIT REP.- Which is either revenue or deferred revenue.

MR. R. SAYED-KHAIYUM.- Mr. Chairman, if I may, the first Circular did not make any difference to us because we were already recording it as capital. The second Circular was the one that we basically pushed for, and other entities were in a similar situation. I would like to differ slightly with the officer from the OAG where he said that the money is a subsidy, it is not to subsidise operations. It is an actual expense for us for which we had paid a fee, so it was a revenue because if we did not get that fee, we would not produce that service. It is simple as that.

MR. CHAIRMAN.- So it is just like AFL and others; they provide....

MR. R. SAYED-KHAIYUM.- It is a fee. I will give you an example, we run an AM radio service. If we did not have a PSB contract with Government to provide an AM service, because of the nature of AM reaches throughout the country, then we would not have an AM service, which means we would not have that extra expense. I hope I have made that clear.

MR. CHAIRMAN.- Honourable Radrodro, you have a?

HON. A.M. RADRODRO.- Mr. Chairman, just a supplementary question, these grants that were involved here, what was the amount involved?

MR. R. SAYED-KHAIYUM.- We would like to call it a fee, if we can refer to it as a fee, it is officially now a fee, I can tell you what it is.

HON. M.M.A. DEAN.- Sir, just before you go

MR. CHAIRMAN.- Let him, once again, clarify that and then we will come to the question.

MR. R. SAYED-KHAIYUM.- Which year are you talking about, Sir?

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

MR. R. SAYED-KHAIYUM.- I can tell you, the amount of the fee...

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

MR. R. SAYED-KHAIYUM.- Yes, that is what I am saying. The fee amount has varied over the years, so I will give you an example.

In 1996, it was \$0.5 million; in 1997, it moved to \$1.45 million and then in 1998, it changed to \$1.18 million, so we actually decreased slightly. It states there, until 2001.

In 2002, it moved to \$1.154 million; in 2003, it decreased to \$1.128 million; in 2004 and 2005, it was \$1.12 million; in 2006 for some reason, it reduced to \$986,000, and that remained the same until 2009.

In 2010, it increased to \$2.586 million and that remained practically the same until 2012. In 2013, 2014 and 2015 it was \$2.9 million and in 2016 and 2017, it was \$11.2 million.

I would also like to make a quick note that initially, at least, 10 years ago and prior to that, the cost of PSB is a high cost. So we have always of the belief that the commercial arm of FBC was actually subsidising our non-commercial arm. And if that was going to be a non-commercial arm and we were getting a fee for it, then it should always have been recorded as a fee.

HON. A.M. RADRODRO.- A supplementary question, Mr. Chairman, through you, this so-called grand change to fee, you are recording it as part of your receipts or what is it that you are recording and you call it a fee?

MR. V. SAGAR.- At the moment, according to IAS, we record that as a revenue. In fact, what the OAG just mentioned was that, if we do not record it as a revenue, that means there is a departure from the accounting standards, which means there is a violation.

What it means is that, we are not preparing our reports in compliance with IFRS, so now taking into consideration the current circular in the accounting standards, all these PSB services are recorded as revenue under the provisional statement.

HON. A.M. RADRODRO.-(inaudible) on this particular Government grant and now you call it a fee, in terms of FBC's reliance on that, you stated it started way back in 1996 and is still continuing until 2015 or 2016. How will you foresee that you will continue to rely on this Government contribution going forward, or will it end sometimes in the future?

MR. CHAIRMAN.- It is not really an audit issue but ..

MR. R. SAYED-KHAIYUM.- Yes, I can answer that, not a problem. In fact, it goes beyond 1996, so I read it from 1996, otherwise it goes much earlier.

In terms of reliance, we do not see it as reliance, we see it as a fee that we are paid for the service that we provide. It is just like going out in to the open market and a client comes to us and says, "We want to perform certain services for FBC." In return, we receive a revenue from them. It is the same way, so it is not a matter of reliance, it is a matter of whether we continue with the service or not. If the Government wakes up one fine day and says, "We do not want any PSB services in the country", we can stop that.

MR. CHAIRMAN.- I am clear to this point that FBC provides two types of services; one is the commercial arm and the other is the PSB non-commercial arms. Of course, PSB will also cost money and the CEO has noted that the cost has increased, but the Government grant which is a revenue is used to run that part of the FBC business which is to provide public service. If tomorrow as you said, the Government decides that you do not want the PSB services and they stop the grant, you still have the commercial arm to run.

MR. R. SAYED-KHAIYUM.- Yes.

MR. CHAIRMAN.- Do you have a question, Honourable Dean?

HON. M.M.A. DEAN.- No, I just wanted more explanation on what fees is all about. I actually got it when Honourable Radrodro was asking the question.

MR. CHAIRMAN.- So it is a first point. Sorry for the interference, we had to get that clear. You can now continue with your submission. We are still on the first point.

HON. A.M. RADRODRO.- Still on the first point, in terms of the operations of FBC, you mentioned the commercial arm and the non-commercial arm. How different is FBC operations, compared to other broadcasting companies?

MR. R. SAYED-KHAIYUM.- Are you talking about in Fiji?

HON. A.M. RADRODRO.- Yes, in Fiji, where it continues to receive fee.

MR. R. SAYED-KHAIYUM.- Well, because as you know the history of FBC, I am sure you do know that it was established by the Colonial Government initially many, many years ago so the onus has always been on FBC to provide PBS. Once after FBC became corporatised, I believe, in 1998 if I am not wrong, then that service had to continue.

In order for that service to continue, Government then ensured that FBC had a contract with Government to provide that service. So in return for that service, they were paid a fee. Please, note that prior to this, FBC was 100 percent funded by the Government.

We had some wonderful stories running through FBC when Government did not have any money. At times, people were not paid. There had been many, many stories about those sort of incidents, so once it became corporatised, we then started a contract with Government for a public service, a service for which we had paid the fee.

HON. A.M. RADRODRO.- In terms of the operations of FBC, you know that Government is the shareholder and there is always a requirement that certain amount or certain dividend needs to be paid out. Now that you converting grant to a fee, how is the contribution by Government determined in the operations of FBC from the time you changed until now, is it still the same capital contribution? Maybe, OAG can also assist in answering this in terms of contribution of Government as a shareholder.

MR. R. SAYED-KHAIYUM.- I do not quite understand the question, can you clarify that, please?

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

MR. R. SAYED-KHAIYUM.- It is now recorded as revenue, yes.

HON. A.M. RADRODRO.- So the contribution of Government still remain as is?

MR. R. SAYED-KHAIYUM.- We receive under the Public Service Contract a sum of money that was treated as a capital contribution until 2016, which we are now treating it as a fee or a revenue, so it is now recorded as a revenue.

HON. A.M. RADRODRO.- (Inaudible)...receiving money, the Government?

MR. R. SAYED-KHAIYUM.- Yes, it is the same amount but words make a big difference and that is why you should not call it a contribution. It is not a contribution and it is not a grant, but it is a fee. It is for the services that we provide to the people of Fiji and there are certain services that Government wants us to provide and in order for us to produce that service, it cost us money. In order to get paid for that, Government gives us a fee.

MR. CHAIRMAN.- So, if you call it capital, it appears on the other side of the book and if you call it revenue, it appears on the other side of the book?

MR. R. SAYED-KHAIYUM.- Yes, let me just clarify a bit about the PSB arm and the commercial arm.

MR. CHAIRMAN.- Yes.

MR. R. SAYED-KHAIYUM.- Under the PSBA, we have two radio stations and then a television station. What it means is that, there is a contribution by the Government but that money is for the service that we offer. It means that we have an active valid contract with the Government and in return of the service that we provide, we get certain amount, based on the acquittals that we provide on a quarterly basis.

That amount, if we look at our previous submissions as well, it is not equal to whatever the amount the Government provides us. As PSB fee, it does not equal to the amount that we provide as a service. Mr. Chairman, I think we will talk further on that in the next phase of our submission.

MR. CHAIRMAN.- Alright.

MR. R. SAYED-KHAIYUM.- What it means is that, the service that we provide to the Government, we are not even paid on the real market phase for that. So the acquittals that we

provide on a quarterly basis, in fact, the PSB service fee that is provided is not even half of what amount of service that we provide to the Government.

MR. CHAIRMAN.- So, apart from AM service, what are the types of PSB services you provide?

MR. A. SAYED-KHAIYUM.- We have the AM service, and I would like to dwell on the AM service a little bit.

The AM service is a very expensive technology to run. The only reason why anyone in the world provides an AM Service in this day and age is because of its reach.

FM signal does not have the same reach and capability as AM. FM is always very nice to listen to but it does not have the reach. You may have heard that the AM service was on its last leg, some years ago it was about to fall over and die.

We have had lots of complaints, especially from people in the maritime islands because the services was very sporadic. So, it took us a lot of negotiations and help from the Prime Minister's Office where we made overtures towards the Japanese Embassy and the Japanese Government built an AM tower for us.

The cost of AM is not confined to the tower, it is a very expensive service to run. If I can just give you a quick example of how expensive it is, expenses for annual repairs, equipment renewal, maintenance and electricity will increase the FBC AM radio expenses by \$630,000 a year.

MR. CHAIRMAN.- Just for that?

MR. A. SAYED-KHAIYUM.- Just for upkeep of services. These are not the programmes. With rising electricity costs, FBC expects its current existing annual power and transmission cost of \$800,000 for FM radio and TV only.

The other thing that we have to take into account that AM service runs on a 10 kilowatt transmitter and 10 kilowatts for those of us who understand power, it is a lot of power, it can power a whole small town. And the only reason why we have 10 kilowatts of power running through the AM service is because without that much power, it will not reach the people it is supposed to reach. It is absolutely vital, especially during times of national disasters that people are kept informed and the only good way and effective way of doing it right now through the existing technology is through an AM service.

Just as a side issue, I would also like the Committee to take note that when we took up this project of refurbishing FBC almost from scratch as part of our previous refurbishment, we deliberately invested in a lot of equipment that was going to be very high power, even in FM.

Typically, an FM service in Suva would be running on around 500 watts or 1 kilowatt. We deliberately bought two kilowatt transmitters because we wanted to reach more people. I am quite sure when FBC TV started, a lot of you would have heard from family and friends that our picture quality was very, very, good and television could be seen for the first time in places that had never received television before,

And the reason for that was because we had invested in a lot of equipment that was going to be much more powerful than any existing broadcaster. Part of the reason was because of our responsibility as a public service broadcaster, that we had to reach the maximum number of people

in Fiji, whether it be through radio or television and bigger equipment meant more power and more expenses.

MR. CHAIRMAN.- Hence, the tagline, the difference is clear.

MR. R. SAYED-KHAIYUM.- Yes, absolutely. Well now, we have got a different tagline. It is, "You're number one with us" because we are number one. Just as a side issue, we received our latest survey results done by an Australian survey company in early this year, we are now officially the number one TV station for both, general TV viewing at 73 percent and our news as well which is only six years old, at 73 percent. Also the number one radio station in the country is Bula FM.

So we have done extremely, extremely well. Everyone has worked extremely hard to ensure that in such a short space of time, we have achieved so much and I can assure you and Honourable Members of the Committee that nowhere in the world will you travel to, where a new broadcaster has come into the market with such force in such a short space of time and has captured the majority market.

MR. CHAIRMAN.- Of course, congratulations for that.

I have noticed that from 2006 to just around 2016, the Government contribution or I would call it grant, increased to \$11.2 million. Did that have something to do with the start of the FBC TV?

MR. R. SAYED-KHAIYUM.- There were two reasons for that; one is that the contribution if you want to call it, we still call it a fee, the fee did not ever reflect the true value of the service that we provided. So it was a constant battle trying to convince Government that we cannot continue to subsidise our public service arm through our commercial operations, and that is the reason why you have seen a bit of an increase over the years.

The reason why it jumped from 2015 to 2016 was, we went for another review to Cabinet which also included this time the public service programmes included within the television service. That is the reason why, and our acquittals for the year is about \$25 million, the value of service that we provide under PSB and in return, we receive a fee of \$11.2 million so it is less than 50 percent of what we provide. In fact, we should be knocking on the doors of Government again for another increase but it is not that we are going to do it, we are learning to live within our means but that is the true value of what we provide.

MR. CHAIRMAN.- To your knowledge, do other radio stations or commercial entities provide AM services or is it just FBC?

MR. R. SAYED-KHAIYUM.- No, it is only FBC. It is too expensive a technology to run. The investment costs are way too high. Just to give an example, the AM service that was set up by the Japanese Government recently, costs \$16 million and I do not think any broadcaster would have that much money lying around just to invest in an AM service for which we hardly receive any commercial return.

MR. CHAIRMAN.- So, had it not been for FBC, either it will be FM or no service at all in the maritime ...

MR. R. SAYED-KHAIYUM.- Or no service at all in the maritime islands. Absolutely zero.

MR. CHAIRMAN.- Honourable Members, any questions regarding that point. It is, I think clear enough for me that it is a revenue and for the purpose.

MR. A. M. RADRODRO.- A supplementary question on the reachability. You mentioned about reachability of FBC radio but in the areas such as Bua, the upper hinterlands of Naitasiri and Nadarivatu, still there is no reachability in terms of your service provision.

MR. R. SAYED-KHAIYUM.- In terms of AM, yes there is. Well, the last test we ...

MR. A. M. RADRODRO.- Because we ...

MR. R. SAYED-KHAIYUM.- The only place we are not able to reach very clearly now is Rotuma. But for Rotuma, I forgot the name of the technology that we are providing, but it is through satellite that we provide an FM service on the island only with a small transmitter. But AM does cover but not in certain parts where, if it is in a valley and places like we call black spots, it will be very difficult for 100 percent in that sense.

However, there is a project going on and you must have heard about the Walesi Project, and we have been told that under the Walesi project, not only radio but TV will be able to reach a hundred percent coverage through satellite which Government is going to put through everywhere.

(Inaudible)

MR. R. SAYED-KHAIYUM.- Nabouwalu, Bua?

(Inaudible)

MR. CHAIRMAN.- ...put in a better radio.

MR. R. SAYED-KHAIYUM.- AM service, I am very surprised!

(Inaudible)

MR. R. SAYED-KHAIYUM.- I am surprised, I do not know about the Naitasiri position but Bua, I am very surprised because we have done tests that it is being heard.

MR. CHAIRMAN.- What we can do is, that is not really an Audit issue, probably we can discuss with the CEO later on which areas are not covered.

Can we move to the second point because we have the next submission at 10.15 a.m. Impairment assessment of plant and equipment.

MR. V. SAGAR.- Mr. Chairman, looking at the submission that we have done for the second issue, going back to 2015 financial year, impairment is only booked based on the assessment whether it is relevant or not.

In the 2015 financial year because we are now looking at the 2015 Audit Report, the Management believed and agreed that there was no impairment, so we did not book anything. However, taking into consideration the digital television project, what it means is that by the end of the year 2020, the whole country needs to be digital.

So it was basically within that timeframe, that the Walesi Project had just started and it was too early to make a decision based on impairment. However, what we did, we had aligned our Fixed Assets Register to include the values of all the fixed assets that was required between the television and radio upgrade project. We had aligned the depreciation rates whereby by year 2020, it has to be zero and then it is a bit..... too because when the digital project finishes, then the analogue transmission has a zero value anyway.

Just to have a proactive approach, we aligned our financial reporting and all the depreciation rates were aligned so that when it comes to financial year 2020, it will all be zero. Just going back to the question that was raised at that point in time, the Management did not have an indication and then there was no need to book an impairment.

MR. CHAIRMAN.- OAG, is that satisfactory?

AUDIT REP.- Thank you, Mr. Chairman. The comments from the Corporation is noted, however the audit issue is mainly on the evidence in relation to impairment assessment. There needs to be some sort of evidence that there was an impairment that was carried out, whether there was any asset that has impaired or not, that can only be determined through a critical review of the assets of the Corporation. But going forward, I think the Corporation has made progress with the impairment testing and the issue was not highlighted in the 2016 - 2017 Report.

MR. CHAIRMAN.- It is not a repetitive issue. In 2015, it was resolved and in 2016, it does not appear?

AUDIT REP.- Yes.

MR. CHAIRMAN.- Just a side question before I move to your question, is Walesi Project, FBC's or is it a separate project?

MR. R. SAYED-KHAIYUM.- No, initially there was some talk from Government that it was going to be FBC's project but it has got nothing to do with that. It is a separate project altogether.

MR. CHAIRMAN.- Honourable Radrodro?

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

MR. R. SAYED-KHAIYUM.- Yes, it is not with us, there is a rumour, please do not believe in rumours. There is a rumour that

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

MR. R. SAYED-KHAIYUM.- Walesi Office is in Domain.

(Inaudible)

MR. R. SAYED-KHAIYUM.- No, they do not have customers.

(Inaudible)

MR. R. SAYED-KHAIYUM.- The boxes. The boxes are being sold through retail outlets but they do not sell boxes themselves. They just set up the equipment at the transmission sites.

MR. CHAIRMAN.- I asked that question because it was noted that through *Walesi* Limited which will also take over all the transmission works of all broadcasting through FBC, so that was just for that.

MR. R. SAYED-KHAIYUM.- Like I said, there was some talk at that time because FBC had the expertise to run broadcasting outlets of such nature, that it was going to be handed over to FBC to manage, but Government decided against it for their own reasons.

MR. CHAIRMAN.- Any further questions?

HON. A.M. RADRODRO.- The impairment exercise in this evaluation, what is the cycle of evaluation for FBC and who does it, is it done internally or is it independent?

MR. V. SAGAR.- Thank you. We have project consultants. Initially, when the radio and television upgrade project happened in 2009 to 2010, we had the project consultants for the project. Then within 2016 financial year, we also used those project consultants to have an analysis done before the switch from analogue to digital project. So, it is all done by the consultants. The Technical Team and Finance Team of FBC were actively involved in that as well.

Going back to the initial submission, Mr. Chairman, in 2015 it was too early to make a decision about impairment because the digital project just started then. I think the scenario was also raised with the OAG's as well.

It was too early in 2015 to make a decision about the impairment, it was too early to make the decision which equipment will be used and which equipment will be made redundant because at that point in time, it was very difficult to come to an agreement whether which sites, which location and which equipment will be taken over by *Walesi* in the digital transmission phase. Thank you.

MR. CHAIRMAN.- So, after everything became digital, what happened to the equipment that were used for analogue service, they retired?

MR. R. SAYED-KHAIYUM.- That becomes redundant.

MR. CHAIRMAN.- It cannot be used by anyone else?

MR. R. SAYED-KHAIYUM.- We could sell it, we can try and sell it to some Pacific Island countries because the whole of Fiji will be digital then, so no other broadcaster in Fiji will want it anyway.

HON. DR. M.T. SAMISONI.- I have just come in new to Parliament. I am just trying to wrap my head around accounting. Just on the *Walesi* issue, the move towards advertisement, corporatisation, business units, where does *Walesi* come in to it because obviously, some money had been spent on the *Walesi* equipment and technology. So does it link to the move of Government to account for everything?

MR. R. SAYED-KHAIYUM.- It is a separate entity altogether, you will have to ask that...

HON. DR. M.T. SAMISONI.- ...so it is not Government anymore...

MR. CHAIRMAN.- It is Government but FBC is different from *Walesi* as explained by the CEO. So they do not have any affairs or any administration on *Walesi*.

(Inaudible)

MR. R. SAYED-KHAIYUM.- That is what we are drawing attention to, it never happened.

HON. DR. M.T. SAMISONI.- So, *Walesi* is funded by who?

MR. R. SAYED-KHAIYUM.- Yes, it is a business unit of Government.

HON. DR. M.T. SAMISONI.- I was just trying to get my head around all the technology and

MR. R. SAYED-KHAIYUM.- In fact, what will happen Honourable Dr. Samisoni is, once *Walesi* is up and running all the broadcasters will be paying *Walesi* a fee for transmission services that they will provide. I will give you a quick scenario.

At the moment, all the different television broadcasters have sites all over Fiji, on mountain tops where we have a transmitting station and towers, et cetera, and that feeds the signal to all the different parts of Fiji. Once *Walesi* is up and running, they will take care of that part of transmission, then we will not have any need to go to the mountains and to the sites to make repairs and maintenance. We will instead pay them a fee to do all that in terms of transmission.

HON. DR. M.T. SAMISONI.- And their customers pay them for whatever and then they will look after their customers?

MR. R. SAYED-KHAIYUM.- They do not have any customers as such, we are their customers. The broadcasters will be their customers but not individual people, not ordinary Fijians. Ordinary Fijians will just be required to buy a digital box and that is it, and they get a free service on it.

HON. DR. M.T. SAMISONI.- As a business person, I am just trying to see the

MR. R. SAYED-KHAIYUM.- I am sure you can apply to sell boxes yourself, because anyone can do it, any outlet...

MR. CHAIRMAN.- It is a good idea.

MR. R. SAYED-KHAIYUM.- ...because you have got a lot of branches that is why, because people need access to be able to buy the box. So any business that has got a lot of arms and a lot of branches, they are in the best position to sell the boxes.

MR. CHAIRMAN.- What currently happens is that, FBC produces programmes, they also maintain the transmitters and towers so now when *Walesi* takes over, they are saved from the expenses of maintaining those towers.

MR. R. SAYED-KHAIYUM.- That money we save will be paid...

MR. CHAIRMAN.- So that is fees?

MR. R. SAYED-KHAIYUM.- Yes to Walesi.

MR. CHAIRMAN.- So when the tower falls over in the next cyclone, it is not their responsibility.

MR. R. SAYED-KHAIYUM.- It is not my responsibility.

HON. DR. M.T. SAMISONI.- They still have to account for it.

MR. R. SAYED-KHAIYUM.- Walesi has to account for it.

HON. DR. M.T. SAMISONI.- Walesi, yes, business unit.

MR. CHAIRMAN.- So any further questions in that regard. There were two issues by FBC and both were answered to my satisfaction. Anything pending from Honourable Members?

The issue of grants as opposed to revenue has been recorded. The issue of impairment assessment of plant and equipment, it was not certain at that stage that everything will become digital and I think it has not become 100 percent digital. Once that happens, all the assets and equipment will be taken care of. They might become obsolete and they might be sold off to some other countries that still run on analogue services.

HON. DR. M.T. SAMISONI.- Mr. Chairman, the quality of the pictures is very good. I am always comparing. And the government pictures on needs to be improved. I think that is coming from Sky but FBC is very good.

MR. CHAIRMAN.- Yes, without trying to damage anyone, I am a soccer fan and if you watch the games on the two Channels, you can actually spot where the ball goes on the FBC Channel.

MR. R. SAYED-KHAIYUM.- Yes, the grass is greener on our screen.

MR. CHAIRMAN.- Yes.

HON. DR. M.T. SAMISONI.- The quality is very good. I have always said that.

MR. CHAIRMAN.- Yes, Honourable Dean, do you have a question?

HON. M.M.A. DEAN.- Sir, just one final question, so all those things we are hearing in the media that FBC is making losses on the grants, that is actually the fees that....

MR. R. SAYED-KHAIYUM.- Not entirely, can I explain that, because that seems to be a hot topic at the moment?

MR. CHAIRMAN.- It is not an issue but you are free to answer.

MR. R. SAYED-KHAIYUM.- Yes, I would like because we have an open forum and the media is here and some people will post it on *Facebook* and social media, so maybe they could do the wrong thing.

The point is that, the losses seems to be the talk of town in regards to the losses between 2010 and 2015, you have to realise and anyone with a little sense business acumen and basic business fundamentals, there were budgeted losses. There were losses that we were expecting.

The reason why because we had taken out almost a \$22 million loan to rejuvenate FBC. When I joined FBC in December 2007, one of the first things we did was to an audit of FBC. FBC was going to close down in a year and a half after that, if we did not do anything.

We were more off-air then on-air, our service was terrible. We were running radio transmission throughout the islands and we were using car stereos. It is a shame for a national broadcaster to use car stereos to relay the services throughout the country.

So, we did an audit and it was either we rejuvenate FBC and start almost from stretch or we close it down. And that was an option that we put to the Government at that time and obviously, the Government did not want its national broadcast to close down. They said, "Yes, we want you to do something with it."

We came up with a plan on how to rejuvenate it but the condition and the only support that Government was going to give us was that, they were going to guarantee a loan. So we went ahead and we got a loan and we did this project.

We did wonderfully well and when you think about it, for US\$11 million, we were able to not only rejuvenate all our radio stations, but the whole entire broadcasting house and start an entirely new national TV service that had a much, much higher reach than an existing TV station that had been in existence for almost 20 years before us. And then we went and beat them in ratings within three years of our starting.

So the Government came to us and said, "Look, we will give you a guarantee to help you, you go out and get the loan and pay for it yourself. However, the condition is that you start a TV service as well", because the Prime Minister did not want us not to have a TV service when Tonga and Samoa had a national TV service, we did not have one. So that was the deal.

We borrowed from FDB at 12 percent interest rate and I am sure as a business person, you know that that is almost criminal, but we paid. We have never defaulted in our loan and we have continued to pay the same amount every month as repayments, despite the interest rates being reduced from 12 percent to now 5.5 percent over the last six or seven years. So, we are a success story.

You would know as a business person yourself that when you start a business from scratch, when you have got nothing going for yourself and you take out a huge loan, you will budget for losses for a number of years. You know that, everyone knows that! Whatever elements that are spreading rumours about FBC not doing well because of what we have stated as losses between 2010 and 2015, they are either deliberately misleading people or they do not understand the basics of business fundamentals. So, that is all we want to say.

MR. CHAIRMAN.- CEO, you mentioned earlier that the value of Public Broadcasting Service that you provide is \$25 million. The input that you get from Government either you call it grant or fee, is \$11.2 million. Could some of your losses be a result of that shortfall?

MR. R. SAYED-KHAIYUM.- Well, I suppose it could, I mean, if you wanted to look at it that way, it could.

MR. CHAIRMAN.- So that means you have ventured into providing a very expensive AM service as noted here, to which places where there was no TV or radio before and for that you do not get the returns that you spend so essentially if it is equating to losses, it is there for a purpose, for a service that you provide.

MR. R. SAYED-KHAIYUM.- There was a time, yes, for that. Also, of course, because of the fact that we had taken out a considerable amount of money as a loan at an extremely high interest rate and we make repayments for that. We are very proud of the fact that we have not faulted on our repayments, not even once.

MR. CHAIRMAN.- Alright.

MR. R. SAYED-KHAIYUM.- In fact, we are FDB's gold customer, we are the best customer out of all their customers.

MR. CHAIRMAN.- Alright.

MR. R. SAYED-KHAIYUM.- FDB will verify that with you.

So, our audits are ready and 2016 has been signed off and it is with the Ministry of Public Enterprises; 2017 audit is complete, we are just waiting for the Board to sign it off and send it off to the Ministry of Public Enterprises; our planning documents are all in order and on time; and we ensure and the OAG will concur with us that in terms of our financials, now we are one of the most up to date. Is that correct?

MR. CHAIRMAN.- So, in simple terms, CEO, once this \$22 million loan is cleared off, what happens then?

MR. R. SAYED-KHAIYUM.- We start making some really, really good profits.

MR. CHAIRMAN.- Alright.

HON. DR. M.T. SAMISONI.- Or put to reach more people.

MR. R. SAYED-KHAIYUM.- The reach now comes via *Walesi*, for TV, at least.

HON. DR. M.T. SAMISONI.- We can see now the privatisation and corporatisation.

MR. CHAIRMAN.- If I want to say that if you made a strict commercial decision just to save money and close off the PSB, then you would be making that higher loss, would that be correct?

MR. R. SAYED-KHAIYUM.- Well, we are very proud of the fact that 2016 and beyond is not going to be loss years for us. It is only confined to 2010 to 2015 because we had budgeted for losses that were going to be sustainable. They were sustainable budgeted losses, and I think a lot of people finding it hard to comprehend it.

MR. CHAIRMAN.- Yes.

MR. R. SAYED-KHAIYUM.- And they do understand that some people are deliberately misleading people.

HON. M.M.A. DEAN.- Exactly, I think it is important to note the healthy financial performance as well because the interest rate from 12.5 percent came down to 5.5 percent. It all attributes to the healthy financial performance.

MR. R. SAYED-KHAIYUM.- We do negotiate very hard.

HON. M.M.A. DEAN.- Yes.

MR. R. SAYED-KHAIYUM.- FDB does not like us at the end of each year because we go and knock on their doors and sit there until they drop the interest rate a couple of points. So, we do negotiate very hard.

MR. CHAIRMAN.- We have just two minutes left so we will take one last question.

HON. DR. M.T. SAMISONI.- From that point that you have made and the thing is perhaps, now it is time if you are feeling that way, that there should be more competition to make sure that the prices and quality of service is very good.

MR. CHAIRMAN.- Competition in which area?

HON. DR. M.T. SAMISONI.- Competition between FBC and Sky TV.

MR. CHAIRMAN.- Fiji One you mean? Sky, I think is a different commercial company.

MR. R. SAYED-KHAIYUM.- There is a competition.

HON. DR. M.T. SAMISONI.- Yes, there should be more people in that.

MR. R. SAYED-KHAIYUM.- Speaking of competition, can I just tell you something, this is very interesting and thank you for reminding me.

When we started television and you are talking about competition between us and Fiji TV, our average advertising spot rate was about \$50. For a 30-second advertising, if you were to advertise your shop or your products, if you wanted a 30-second advertisement on our TV station, we would have charged you round about \$50.

Fiji TV at that time was around the same, around \$50 as well, their average rate. Some people told us that we were being a bit silly, that we were the new kid on the block, we had just started off, why were we going to compete at the same rate as our competitors? It is like a new bread shop starting and selling the bread at the same price as you. So, why would they do the same?

Because we were so confident of our product, because we knew we had a better picture; much, much better reach; our sound quality was much, much better so we could go into the market and say, "Look, our product is a good product and we can sell it at this price and compete head-on with the competitors who have had a 20 –year head-start." Now, seven years later, our average spot rate is \$250 and Fiji TV's average spot rate is around \$25. So you will see what has happened.

They have actually reduced their spot rate, we have actually increased our spot rate and that will only happen in the free market when your product is good. No one is holding a gun to any

advertiser's head saying, "Advertise with FBC". We have a lot of exclusive advertisers now because they pay more but they are getting a better service.

And the same for radio, advertising rates for radio in 2008 when I joined, I remember, I went to a gentleman by the name of James Dutta, you would know him.

MR. CHAIRMAN.- Yes.

MR. R. SAYED-KHAIYUM.- Mr. Dutta had a deal with FBC that he was going to get a radio spot for \$1.

MR. CHAIRMAN.- For how many minutes?

MR. R. SAYED-KHAIYUM.- A 30-second spot, we were selling for \$1.

I remember in my first week when I started work, I was flabbergasted. I said, how can you sell a spot for \$1? It was criminal.

So I went back to him and I asked to him, "Why is this? He said because I give you most of the business and this is the negotiated rate because without me, FBC would be absolutely kaput. So, I begged him to increase it by 50 cents.

We increased it to \$1.50, and he did me that favour. I am ever forever grateful to him because it was not the money that was important to us, it was the fact that we could increase it by 50 cents. Then we went around to all our other advertisers and said, "Look, if others can increase, why can you not?" That is the reason why after many, many years, we made a profit in 2008 in my first year at FBC.

Our profit in 2008 was more than the accumulated profits 10 years prior to that at FBC. That is how well we did, and this is why I find it quite ironic and hypocritical that in that first year when we made a profit and we announced the fact that we had made more money than the previous 10 years in one year, we took out a press release, not a single media organisation came and interviewed us because it was a good story about FBC. But now, when you are talking about losses between 2010 to 2015, everyone wants to do a story. I have got a whole line of people wanting to interview me after this.

Just to give you another example, we were selling at \$1 a spot, our competitors at that time were selling between \$25 to \$30 a spot. Now, seven or eight years later, we are averaging \$38 a spot for radio and our competitors are averaging around \$20. In fact, their bulk rates go down to as low as \$2.50 a spot. I mean, if in anyone's book, if we are not doing well, then what are we doing?

MR. CHAIRMAN.- This is the first time I am hearing about 2008 profits because no one ever talks about it.

MR. R. SAYED-KHAIYUM.- Yes, no one will talk about it because it is a good story. We made a profit in 2008 and 2009. The only reason why we started making a loss after 2009 is because we started the project for which we borrowed \$22 million.

HON. DR. M.T. SAMISONI.- Yes, and I would like to follow up on that. I believe in market forces and I believe in competition for people to come and compete on quality and on service.

MR. CHAIRMAN.- I mean, just thinking ahead, probably a loud question, if FBC had not been there, there would be a monopoly in certain areas, would it not?

MR. R. SAYED-KHAIYUM.- There was a monopoly. There had been a long time monopoly and that is why people were number one because they were the only one.

MR. CHAIRMAN.- And the prices would have been determined by that one player then.

HON. DR. M.T. SAMISONI.- If I could just touch on the quality of reporting also, it would be good to make sure that the people report the truth.

MR. CHAIRMAN.- Yes, you are right, exactly.

I mean, as CEO has pointed out, this is the first time. Every time we hear of FBC, people talk about losses and this is the first time I have heard that they made a profit in 2008 and 2009. Yes, good stories never get published.

MR. R. SAYED-KHAIYUM.- They do not.

MR. CHAIRMAN.- I always use that phrase that ‘the gossip makes things sell more than.....

MR. R. SAYED-KHAIYUM.- In fact, can I just quickly tell you a little story. When I started work in December 2007, I was approached by all the media for a story, for an interview and I said very politely to everyone, “Could you please give me about a year and come and interview me then? I will send you out an invite, you will come and we will interview.” They never came back even after we invited them.

Just one other thing, we have a very dedicated team and it would be amiss of me if I did not mention our team. I cannot do things on my own. We have a very good team. The team that rebuild radio and building television from scratch in just a few years and then we became number one in a few years. So to ridicule and trash this achievement, whether it be in the media or social media, is a gross insult to the many FBC employees, who have given their heart and soul to make the project of FBC a success. It is just a gross insult.

People will say what they have to say because I think it is election year and there is a lot of election hearing going on, but the fact of the matter is, the numbers speak for themselves. The truth is the truth.

HON. DR. M.T. SAMISONI.- Mr. Chairman, you know that we can remove all the decrees so that the market forces do come up and the knowledge; we live in a knowledge economy with good quality service delivery. You cannot help but you will.

MR. CHAIRMAN.- The decrees have become Acts now but even with those Acts, they are making progresses after on. I am talking about a good team, your CFO was my university mate, he was behind me but it is a good team.

MR. R. SAYED-KHAIYUM.- I think you guys worked together at one stage too.

HON. DR. M.T. SAMISONI.- Yes, good point. We must work together, bipartisan.

MR. CHAIRMAN.- With that, Honourable Members, I would like to thank Mr. Riyaz Sayed-Khaiyum, the Chief Executive Officer of FBC; and Mr. Vimlesh Sagar, the Chief Financial Officer of FBC, for your appearance and presentation. On that note, the FIFA World Cup is just around the corner and I hope all the games are free and are very clear on screens.

MR. R. SAYED-KHAIYUM.- It is free, please watch us, our grass is greener.

MR. CHAIRMAN.- Thank you very much.

MR. R. SAYED-KHAIYUM.- We invite you, if you ever want to come and visit, please do and see for yourself. If you are a soccer fan, you may recall and consider the fact that before FBC started television, EPL was not shown on free-to-air television ever in Fiji.

MR. CHAIRMAN.- Yes, of course.

MR. R. SAYED-KHAIYUM.- It was only because of us that EPL became free on television.

MR. CHAIRMAN.- Yes, and the FIFA World Cup was a paid service then and there were plans to have a pay-per-view for that.

MR. R. SAYED-KHAIYUM.- And you would have a heart attack if you knew how much we do pay for top sports, it is horrendous, but even then we bring in good numbers.

MR. CHAIRMAN.- Thank you very much for that CEO and thank you for your appearance once again.

MR. R. SAYED-KHAIYUM.- Thank you very much, *vinaka*.

The Committee adjourned at 10.32 a.m.

The Committee resumed at 10.50 a.m.

Submittee: Post Fiji Limited (PFL)

In Attendance:

- | | | | |
|----|-------------------|---|------------------------------|
| 1. | Mr. Raiyaz Ahmed | - | Head of Finance |
| 2. | Mr. Isaac Mow | - | Head of Retail and Marketing |
| 3. | Ms. Saleen Prasad | - | Finance Controller |

Office of the Auditor General

Mr. Dineshwar Prasad

MR. CHAIRMAN.- We are now ready to take our second submission for the day and for that purpose, we have Post Fiji Limited (PFL) with us, headed by the Head of Finance, Mr. Raiyaz Ahmed; Head of Retail and Marketing, Mr. Issac Mow; and Financial Controller, Ms. Saleen Prasad. They have responded to our invitation to appear before the Committee and give us a background, as well as answer to our questions regarding the audit issues that were highlighted by the Auditor-General. From the OAG, we have Mr. Dineshwar Prasad, who will be assisting us through this process.

There were two issues in particular, that were noted by the Auditor-General in his Report on State Owned Entities and Statutory Authorities for 2015, Parliamentary Paper No. 128/2017, and I am sure everyone is familiar with those issues. We will now let Post Fiji start their submission with introductory remarks and then we can go into the actual issues. Questions will be asked as they arise for clarification.

MR. I. MOW.- Thank you, Mr. Chairman and also to Honourable Members of the Committee. I would like to take this opportunity to thank you all for having Post Fiji here this morning, to answer to the queries that were raised in 2015, Audit Report. Before I continue, may I just introduce our Post Fiji Team.

(Introduction of Post Fiji Limited Team)

Going straight into the responses for the audit queries, as per our letter, we had provided our responses in a descending order with regards to Page17 of the Modified Audit Opinion on the 2015 Financial Statements for PFL, and our responses are quite straight to the point.

This issue has been addressed by Management and also a thorough reconciliation was conducted and this matter has been resolved. In addition to this, Management has also put in place corrective measures and necessary controls for timely reconciliation which is now taking place.

MR. CHAIRMAN.- Mr. Mow, this amount of \$772,243 that was the RBPO, what was that? How did that happen in the first place, was it a misposting?

MR. I. MOW.- I hand it over to our Head of Finance to answer that question.

MR. CHAIRMAN.- Mr. Ahmed?

MR. R. AHMED.- Thank you, Honourable Chairman. Just a brief background on what this RBPO is all about, it is basically the cash in transit, if we put it in a layman's terms. The nature of business that we have is such that whilst we need to facilitate cash to outer islands as well as to our remote locations, we send those cash. Due to a timing difference, the day the cash is sent and the day that cash is received over there is a timing difference of lapse of a day, two days or a week. If you note, our GL stated that there was a balance of \$773,000.

In late 2014, we had a transition from our old accounting system to a new accounting system and due to that transition phase, the balances of all respective ledgers were transferred from the old system to the new system. However, due to a few errors (I think), there was an error in the mapping of the GL transaction which was happening at Post Office level, to the financial system that resulted in few transactions being omitted and missed out. However, when thorough reconciliation was conducted, then we identified where the errors and issues were and they were rectified and corrected accordingly.

MR. CHAIRMAN.- Is that an issue that have been resolved, OAG?

AUDIT REP.- Thank you, Mr. Chairman. The progress was made by the company in 2016 and 2017. I believe that in the 2017 Financial Statement, audit has been completed and I think we can take this matter that has been resolved.

MR. CHAIRMAN.- Now, just a side question, the money that you are talking about, cash that is being sent out to the outer islands, what does it involve or what money is that?

MR. R. AHMED.- Basically our nature is like, we facilitate BSP transactions on behalf of BSP in conjunction with the Ministry of Economy (MOE), the rural banking. So, people in the outer islands when they want to deposit or they want to withdraw funds, the source of physical cash is Post Fiji. The paper transaction happens between the individual and the BSP Bank but the physical money is transported or basically taken from Suva to, for example, Lau, Lakeba or Rotuma, by Post Fiji. So, we are basically the facilitators of physical cash from one location to the other.

MR. CHAIRMAN.- Is that your money or BSP's money?

MR. R. AHMED.- BSP has given a rolling fund, but if you look at the amount of rolling fund that BSP has given and the amount of transaction that remains outstanding at the end of the month, basically we are using our operational money as well to facilitate those transactions.

MR. CHAIRMAN.- So, when you say reconciliations, you have to reconcile the money sent out and received, et cetera, with your money?

MR. R. AHMED.- Yes, with our money.

HON. A.M. RADRODRO.- Mr. Chairman, through you, on the issue of reconciliation, it seems to be like an ongoing issue with PFL in terms of reconciliation that happens in the Head Office and those post offices outside of the main centres. You mentioned that you have now resolved reconciled this particular amount in terms of reconciliation.

One of the issues that usually comes about is the connectivity issue where sometimes, there is no consistent electricity supply in the outer rural areas and also the staff, so can you just inform

the Committee the means of your reconciliation exercise that you conducted to clear out these variances?

MR. R. AHMED.- Thank you, Honourable Member. We have got 59 locations and out of those, we have made 49 locations electronic which is mostly online and is connected to our main server at the Head Office. The other 10 stations which are still operating as standalone offices, we have now centralised all reconciliations in the Head Office.

We have got an internal audit team, who makes frequent visits to individual locations for verification of the reconciliations that we have conducted in the Head Office. So verification is conducted in outer islands or remote locations but reconciliation is conducted in the Head Office and through that connectivity of those 49 locations which are now online, it makes it much more easier to view transactions and to see the activities that are happening on a day to day basis in all those individual locations.

HON. DR. M.T. SAMISONI.- Just following up on that, we had a business in Lomaloma, Lau. We had to also reconcile but using the system and eventually we reconciled, but we continue to have the difference every year to make sure that it is reconciled eventually not on time but later. I think the system works very well. I just want to say from the business point of view, we all have to reconcile.

MR. CHAIRMAN.- I understand that, Madam, thanks.

Mr. Ahmed, you mentioned PFL's 59 locations and of those, 49 are electronic. Has that changed or has the ease of reconciliation come after those machines were installed or become electronic? There were some issues of reconciliation around 2015, so when were those machines installed?

MR. R. AHMED.- Thank you, Mr Chairman. The installation of machines when this transition took place, we already had 34 locations which were connected but gradually over the period, we tried to connect more machines onto our system so that the verification of the transaction is made easier. But the reconciliation that we are talking about here relates to 2015. The remaining 10 stations or 12 stations were still in the process of getting connected, but this reconciliation was done at our Head Office.

Through verification of the transactions happening between the two systems which is our point of sale system as well as the GL or the financial system, the arrears and anomalies were identified and detected within the two systems.

MR. CHAIRMAN.- So will I be correct in saying that the electronic machines, almost immediately you can reconcile at the Head Office and the other ones will take some time?

MR. R. AHMED.- Yes, we can vouch for that because with the electronic transactions happening between the two stations, it will be much easier to verify that transaction happening on a day to day basis.

MR. CHAIRMAN.- So daily reconciliation is possible?

MR. I. MOW.- Just to add on to what he said, Mr Chairman, for online stations, it is a daily reconciliation and it is the end of the reconciliations. It is only those remaining 10 stations that are still offline, we wait towards the end of the month, then the post masters do the cash accounting and their reconciliation and they forward it to us and normally depending on the mode of transport

those accounts are brought back to Suva. It normally takes around five days to normally two weeks, especially for the ones in the Lau Group.

HON. DR. M.T. SAMISONI.- It takes into account the flights also which only goes once a week to Vanua Balavu.

MR. CHAIRMAN.- So I get that the reconciliation issue is now quite under wraps now.

AUDIT REP.- Thank you. As previously mentioned, I think the Company has done a good job in terms of reconciling the big difference. As I have said, audit for 2017 is yet to be finalised and I think from 2016, we have not raised this matter in our Audit Report. So, we were generally satisfied with the reconciliation and the efforts they have taken in order to reconcile that amount. They are actually putting better controls now and I think that is going to reduce the variance.

MR. CHAIRMAN.- I think Government Ministries should install some of those machines, there is a major issue of reconciliation.

HON. M.M.A. DEAN.- Mr. Chairman, through you, I have noted one point and that is the measure taken by PFL in terms of visitation.

They mentioned that they do frequent visits. I am just interested to know how frequent were the visits, were they weekly or monthly and mostly based where, in the maritime islands?

MR. CHAIRMAN.- Where does it say that?

HON. M.M.A. DEAN.- There was a comment made by the Head of Finance that now they do frequent visits in order to improve their internal control system. I was just interested to know about the timeliness of those visits and which areas do you mostly cover, the maritime islands or all over Fiji?

MR. R. AHMED.- Thank you. The visits that our team is now making is, we have assigned our Divisional Managers, who are positioned in the West, North and Central, to make their schedules and visit individual post offices on a weekly basis.

For maritime islands, as madam said, the issue is the availability of flights and transportation. So, as and when the flights and transport are available, then we send our audit team. Once they go to the maritime, then they will have to stay there for, at least, a week or two weeks before the next flight is available. So, we schedule our people in such a manner that we do not put other operations on hold in the Head Office.

HON. M.M.A. DEAN.- So, that means the main branches throughout Fiji have weekly visitations and the maritime islands and other areas are subject to the availability of the flights or probably the boat schedule?

MR. R. AHMED.- Yes, that is correct.

HON. M.M.A. DEAN.- Thank you.

MR. CHAIRMAN.- Alright, this is a side issue. It is not an audit issue but it just out of curiosity.

About a year or two years ago, a staff of Post Fiji actually took off with a lot of money from the Post Office in Seaqaqa. How would that happen? Is Seaqaqa not wired or is it the same money you are talking about here, RBPO money or some other money? It is not an audit issue so you are free not to answer that.

MR. I. MOW.- Thank you, Mr. Chairman, we will definitely answer that question. In fact, it has nothing to do with RBPO. This was a TMO transaction, money transfer transaction which was a bogus transfer. She did it under her name. The postmaster transmitted it through her name and the receiver was her family. In fact, no physical money was brought to the Post Office to be sent. She initiated it from the Post Office and it was uplifted in Sigatoka by someone that she had been working with.

MR. CHAIRMAN.- So, the money that was uplifted, whose property was it?

MR. I. MOW.- It was PFL's property.

MR. CHAIRMAN.- She was writing the TMO from Seaqaqa Branch, money was uplifted in Sigatoka Post Office, so the transaction that actually happened was bogus.

MR. I. MOW.- It was a bogus transaction.

MR. CHAIRMAN.- It brought a loss to PFL.

MR. I. MOW.- Yes.

MR. CHAIRMAN.- Nothing to do with RBPO?

MR. I. MOW.- No, it had nothing to do with RBPO.

MR. CHAIRMAN.- The reconciliation does not affect that?

MR. I. MOW.- No.

MR. R. AHMED.- Just to add on to it, I think we have given that case to the Police and she has been investigated and the case is....

MR. CHAIRMAN.- It is still not decided yet?

MR. R. AHMED.- Yes, it is still in court.

MR. CHAIRMAN.- I thought it was already dealt with.

MR. R. AHMED.- No, it is still with the court at the moment.

MR. CHAIRMAN.- Alright, we will expunge that from our records.

HON. DR. M.T. SAMISONI.- Through you, Mr. Chairman, my question is, I think the point that you brought up, the regular visit for auditing weekly, is that right? You are having the Point of Sale (POS) system which is the daily checking. Why do you need someone?

MR. CHAIRMAN.- No, it is for those areas.

HON. DR. M.T. SAMISONI.- That is just something because I know I have a whole lot of shops. Now that we are using POS system, there is not that much. You got to make sure that there is no duplication. It is just productivity.

MR. CHAIRMAN.- Yes, you are right.

MR. R. AHMED.- Thank you, Madam. What would happen is, when we have those offices connected through the main server, on the server, you can always view transactions happening and then when you go on to the server, you see the GL which says, "Alright, the post office has got \$30,000 cash on hand."

The reason why we make personal visits, why we personally go and check is to ensure that if the system is saying you have got \$30,000 cash on hand, whether the postmaster physically has got that \$30,000 on hand or not because that is a surety to us that whatever is reported on the system is physically present there or the personnel of Post Fiji, they have not actually done any fraudulent activities within the system to defraud the Company, took away the cash and reported something else on the system.

HON. DR. M.T. SAMISONI.- I understand that, but do you not bank everyday? I mean, I am talking about the system. Once you get your money, you should bank it straightaway rather than keeping it.

MR. CHAIRMAN.- No, they cannot do it.

HON. DR. M.T. SAMISONI.- No, we are not talking about the outer island stations, we have talked about that because of the flights, et cetera.

MR. CHAIRMAN.- The ones on the mainland

HON. DR. M.T. SAMISONI.- Here, I think you said you had quite a number that are on the POS system and you have two systems. My question is on productivity. When you get a whole lot of money in the urban area, do you not bank it straightaway so that you are not waiting to go and check someone else? The system should be, out of the Post Office, into the bank system and then you only need technology to check rather than the weekly visits. My question is on productivity.

MR. CHAIRMAN.- So, what is the story behind that?

MR. R. AHMED.- The whole reason why we do checks is, we are required to hold back, at least, a float of \$20,000 or \$30,000, depending upon the traffic flow in individual post offices so that tomorrow morning when the post office opens and someone comes in with a request of \$10,000 or \$50,000, in order to have a better customer service and meet the demands of the customer, we have got cash over there that we can facilitate.

We have got two types of financial transactions that happen in our system in our operation everyday; one is the PMO process and the other one is the Bank of South Pacific (BSP) Rural Banking and BSP Fund Transfer. So in order to meet those demands, we need to ensure that we have got sufficient cash held in our post office on a daily basis so that we can facilitate customer needs. However, once the post office cash holding is over and above what they are required to hold, that money is sent immediately to the station where the banking facilities are available.

HON. DR. M.T. SAMISONI.- There is no duplication. That was my only worry.

MR. CHAIRMAN.- No, it was a good one. Yes.

HON. M.M.A. DEAN.- Yes, Honourable Chairman. This is a question from the lapse of what we discussed with Ministry of Justice, in regards to other financial arrangements that you have with other Ministries. I think in this particular case, the Ministry of Justice where you provide the printing services for birth certificates. This requires internal control as well but there are two Ministries involved. So, how do you carry out these transactions and what are the arrangements you have?

MR. R. AHMED.- On the printing of birth certificates, what happens is we request for stationery from Ministry of Justice whereby they provide us with the registered stationery with the registration number on it. So the number of birth certificates that we print on a weekly basis or on a monthly basis then the reconciliation is done from both ends, from the Ministry of Justice as well as from our end on the number of printings that we have done and then based on our agreement, we submit those funds but that is done via cheque. It does not involve cash, the cash is only paid by customers at the counter level.

HON. M.M.A. DEAN.- Do you have a separate account for that transaction, I mean, separate consolidated account for them?

MR. R. AHMED.- Yes, definitely all Ministries that engage us in terms of providing service, they all have their separate accounts, including family assistance and poverty alleviation. They all have separate GL in our system so that individual Ministry's records are kept separate for reconciliation purposes.

HON. M.M.A. DEAN.- So if they are to come and do their internal control checks, they do come to your offices and do their reconciliations, et cetera, or is it just relying on whatever funds that is deposited into the consolidated account?

MR. R. AHMED.- No, if they need any information in terms of their reconciliation, they will always send us the request and we will facilitate. They will also check from their end because once we request for their stationery, then they record how many copies of stationeries had been provided. When I say stationery, I am talking about the Birth Certificate Forms where we have serial numbers. If any form goes missing, that means we have printed but not submitted to the Ministry of Justice. So all the forms used during the month are what we have used and that is multiplied by the agreed rate and is submitted to the Ministry of Justice.

HON. M.M.A. DEAN.- Honourable Chairman, I think no audit issues were raised on that so I believe the system in place is working.

MR. CHAIRMAN.- The next issue is on Page 25, 6.4.2; issues of this overseas company using your logo, et cetera. Can we hear from you on that?

MR. I. MOW.- Thank you, Mr. Chairman. With regards to the anomalies in the business engagement with an international mail logistics company. This also is in the process of being looked into.

At the moment, the Management has engaged an Australian-based law firm to look into this business on our behalf. They are based out in Australia and this company has done work for the Australian Post as well. They are a credible company and a listed company as well.

The Management has put forward its proposal to the Board, who are looking independently into this matter before they revert back to Management in terms of engagement. Right now, no payment has been made to this law firm. It is just requesting for assistance in terms of doing a background check on the logistics company. So as it is, the Board is looking into it at the moment.

MR. CHAIRMAN.- What is noted here, Mr. Mow, is that there was no agreement between PFL and the mail logistics company for the use of the company's logo. The issue you are talking about is, what happen afterwards.

MR. I. MOW.- Yes.

MR. CHAIRMAN.- You engaged a law firm to look into the issues of what they are doing . How did this go without an agreement?

MR. I. MOW.- Thank you, Mr. Chairman. That is the question that we are all asking ourselves as well. Unfortunately, we, the new Management, took this issue on board from the previous Management so we are looking into it and trying to ensure that we recover from this logistics company.

MR. CHAIRMAN.- Was it PFL who some of the Board Managers actually got convicted on transactions when Mahen Motibhai Patel was the PFL Director or not this one but in another case?

MR. R. AMHED.- Not on this case, they were basically on some separate matter, I believe.

MR. CHAIRMAN.- But they were PFL's Board of Directors?

MR. R. AHMED.- Yes, they were former Directors of PFL.

MR. CHAIRMAN.- No, when I saw that there was agreement without any, I mean, engagement without an agreement, I thought there was some miscommunication from the Board to the Executive level at that time.

The next one was, there was no Board resolution on approval of the usage of Company's logo by the mail logistics company. Again, the same issue so there is no Board resolution. How did that happen?

MR. I. MOW.- The name of the company is Freight Post.

MR. CHAIRMAN.- What sort of job does it do? I understand the first question that I asked is not relevant because you are still trying to find out the answers of the first one, but what does this company do for Post Fiji?

MR. I. MOW.- The company is a logistics company. What they do is, transshipment. This basically are items that are bought from online platforms through, for example, eBay, Alibaba Express, and this company deals with e-commerce retailers. They set up their office and are based in Brisbane so all the items out of China goes through Brisbane and from there to the designated countries, for example, UK, US, but using PFL's name. In fact, the items are not coming out of Fiji but coming out of Brisbane to the designated countries using PFL's name.

MR. CHAIRMAN.- But the service is provided by this international company?

MR. I. MOW.- Yes, the service is provided by this company, Freight Post.

MR. CHAIRMAN.- So they are providing a service for whom, for PFL or for online platforms, for example, eBay?

MR. I. MOW.- They are, sort of, acting as an agent for PFL.

MR. CHAIRMAN.- What is noted here is that, as of 31st December, 2015 the logistics company owed PFL a sum of \$4.637 million, 44 percent of the Company's total receivables. In addition, the sum of \$3.5 million owed by this Company has been outstanding from 120 days. So, there is some money that this company owes to you?

MR. I. MOW.- Yes, they do.

MR. CHAIRMAN.- What is that money for?

MR. I. MOW.- In fact, that money is for services that are rendered. They are through the Universal Postal Union (UPU) which PFL comes under. It works this way.

When we send mail to another country, there is a claim that is called terminal dues which they claim from us for the service that they have rendered on our behalf. So, using this company instead of the mails coming from Fiji, it is coming from this company so they sent it on our behalf so those designated countries claim from us for those terminal dues. The money that we owe those countries, this logistics company owes to PFL.

MR. CHAIRMAN.- They are not remitting those moneys to Post Fiji?

MR. I. MOW.- In fact, when we started the business, they were remitting the terminal dues but I think the issues came around 2015 when they were querying about some anomalies in some of the items that were undelivered. But we provided feedback to them on undelivered items because normally when items are undelivered, it is returned to the country of origin and if the country of origin is Fiji, those unclaimed items are sitting at our mail centre right now.

We have given that listing to them and told them that those are the items that had been returned and are sitting here. The previous arrangement was for them to take it back to Australia to where it was sent from but they stopped all that. They said, "No, we do not want the mails back", so at the moment they are sitting at our mail centre, the written mails.

MR. CHAIRMAN.- So those written mail are sitting somewhere?

MR. I. MOW.- Yes, those are anomalies that they are claiming from us.

MR. CHAIRMAN.- They are claiming from you? They have a set of claims, you are claiming some money from them and they are claiming some money from you?

MR. I. MOW.- Yes, that is why there was issues with their payment to us.

MR. CHAIRMAN.- The amount of \$4.637 million is a huge amount.

HON. A.M. RADRODRO.- Any chances that PFL can make arrangement with companies, the similar arrangement but with different companies?

MR. I. MOW.- Yes, we can. Just for the Committee's information, we are in negotiation with a separate company with regards to the same means of transshipment. They provided us with their requirements and we have also provided them our requirements in terms of the whole operation of this business. We can work on the similar arrangement with the different company but we have stopped with that company because of non-payment.

MR. CHAIRMAN.- So this company is not dealing with Post Fiji anymore?

MR. I. MOW.- No.

MR. CHAIRMAN.- And this amount that is owed, you have consulted lawyers to recover that amount?

MR. I. MOW.- Yes, we have consulted a law firm in Australia. The law firm is known as Allens, a registered law firm and they have professionals in the area with regards to this business of debt recovery. As I had explained, at this moment it is just the correspondence back and forth, there is no real engagement of them taking on the case for us.

MR. CHAIRMAN.- The amount of \$4.6 million, \$3.5 million is being owed for more than 120 days, so I understand that at least \$1.1 million was at that stage not as old as 120 days. It must have taken considerable amount of time to reach that outstanding balance, it must have happened over a period of time. Any idea how long has it been accumulating for?

MR. R. AHMED.- The volume of transaction conducted by this company, FastPost, was massive. So that \$1.1 million just accumulated over a period of three months.

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

MR. R. AHMED.- The daily transactions were huge, there were a lot of mails which were exchanged through the agent in Melbourne.

MR. CHAIRMAN.- This company is based in Melbourne?

MR. R. AHMED.- Yes, they operate out of Melbourne.

MR. CHAIRMAN.- Just before I come to you, Honourable Dr. Samisoni, in a layman's term, if I post a letter, put that 25 cents sticker here, that money goes to PFL. If it is an overseas mail, it is obviously more higher than that, so it goes to a particular post office or it goes to this agent?

MR. I. MOW.- The sending country is still Fiji, for example, the parcel is being sent to the UK. The postage that will be put on that parcel is Fiji's postage value, it is not going to be an Australian postage value because they go through our PFL system.

MR. CHAIRMAN.- So that post reaches or changes, that parcel will exchange various hands before it reaches the UK destination?

MR. I. MOW.- Yes.

MR. CHAIRMAN.- The whole of that transaction or transfer is paid by the customer to PFL?

MR. I. MOW.- Yes.

MR. CHAIRMAN.- Sir, for example, a parcel coming from the UK has a UK sticker stamp so it is paid by that customer in the UK. It comes all the way down to Fiji, so where does this company come in?

MR. I. MOW.- As I had explained earlier, they are sort of acting in between.

MR. CHAIRMAN.- Right, they collect the mail from where?

MR. I. MOW.- Under the UPU Regulations, a post office is allowed to have an extra-terrestrial post office meaning, a post office outside the country and so this company is sort of acting as an extraterritorial post office.

MR. CHAIRMAN.- It is a Warehouse?

MR. I. MOW.- Yes, doing logistic business on behalf of PFL outside of Fiji.

MR. CHAIRMAN.- For that service, they will be paid some service fee so you will be paying some money to them?

MR. I. MOW.- Yes, they work on a certain percentage out of the terminal dues that is claimed by the other countries.

MR. CHAIRMAN.- What monies are those that they owe to you? That was what my question was, I mean, I could not get it very clearly from mails coming in.

MR. R. AHMED.- Once the FastPost sends mails on behalf of PFL to the UK, for example, the UK Post in their records know that this mail has come from PFL. They do not recognise FastPost because as Isaac Mow has said, FastPost is an extraterritorial office.

The UK Post will bill PFL for the service of delivering the parcel to the doorsteps of the customer. Once PFL is billed, then PFL will pick up that same bill and bill this company, FastPost because the mail was sent by FastPost. So this is the money that we are talking about, the \$4.4 million outstanding which is the bill in exchange of the mails that has been delivered for FastPost by the UK Post. So, there is a triangle that happens.

MR. CHAIRMAN.- So the amount that is here is minus a service fee that you have paid them or have you paid them any service fee?

MR. R. AHMED.- No, we do not need to pay them any service fee. But in return, we need to charge them for the use of basically our name to send parcels. As soon as they send a parcel to the UK, they will charge us and we will rebill it to FastPost.

MR. CHAIRMAN.- So, what is their business? How do they make their money?

MR. R. AHMED.- They bill their customers, for example, a customer who has done an online transaction with eBay.

MR. CHAIRMAN.- The shipping cost.

MR. R. AHMED.- Yes, exactly, the shipping cost which they incurred to the parcels delivered.

HON. M.M. DEAN.- It is a very interesting scenario. I think these issues arise because of global logistics and mailing arrangements, different countries having their different regulations.

MR. CHAIRMAN.- Big business and good business though.

HON. M.M.A. DEAN.- I think this might attribute to a global issue when things from this country are sent to that country and what are the different regulations pertaining to that. Sometimes customers do not come and claim the item and it is left there but who has the actual responsibility. I think that is where issues arise.

MR. CHAIRMAN.- Actually the money is sitting there, money owed to PFL which is account receivable. You have got to retrieve that if you do not write that off. So, if there are some things sitting with those agents, is there any option to auction it?

MR. R. AHMED.- We can auction the items but majority of the items which is part of this bill has already been delivered to the customers.

MR. CHAIRMAN.- Already delivered and they have been paid?

MR. R. AHMED.- Sir, 99 percent of the items have been delivered. The item that is sitting in our warehouse is one percent of the item. That is the whole reason why we are trying to engage a legal firm in Australia, just to assist us to recover those funds because we have ceased operation with that company, given the fact that it is now trying to run away from the bills, et cetera.

MR. CHAIRMAN.- That agent is basically trying to swindle your money. Both parties have done their part but they have not written a cheque to your account. That is what happened?

MR. R. AHMED.- Yes, basically, Mr. Chairman, transactions happened and now he is just trying to run away from paying the bills.

MR. CHAIRMAN.- He is an unpaid debtor or unpaid seller.

HON. M.M.A. DEAN.- But you need another company to carry on with that same operation.

MR. CHAIRMAN.- Yes, the same business operation has to continue.

HON. M.M.A. DEAN.- Is there a new company in place now replacing that?

MR. I. MOW.- Yes, like I had explained, there is a company that we are already in negotiations with but at this time, we are making sure that everything is in black and white, so we cover ourselves well before we actually engage.

MR. CHAIRMAN.- Currently, who is doing this job for you? The old agent has gone, the new one is not on board, and who is doing this job for you?

MR. I. MOW.- I am sorry, which

MR. CHAIRMAN.- What I am asking is, the old company who was dealing with you is not dealing with you anymore. The new company still has not come on board so who is doing this transaction for you now, the mailing service?

MR. I. MOW.- That company is still in existence.

MR. CHAIRMAN.- But they are not working for you.

MR. I. MOW.- They are not working for us but they are doing it for Vanuatu Post and also for Tonga and Samoa Post. It is just unfortunate that they are also faced with the same situation that we are in right now.

MR. CHAIRMAN.- Alright.

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

MR. CHAIRMAN.- . Like this agency job, the agency transaction of delivering goods from Alibaba to Fiji, which agent is doing it now?

MR. I. MOW.- It is directly through PFL through the other postal administration. It is a direct transaction.

MR. CHAIRMAN.- All right. Honourable Dr. Samisoni, do you have a question?

HON. DR. M.T. SAMISONI.- There are a lot of intangibles, especially Honourable Dean said that it is part of the new world order but my question is, what policy do you have in place to stop all those intangibles? You know the tangibles. What policy do you have in place as a corporate business, to stop this sort of thing and why did you not have it in place before you even started on this one?

MR. CHAIRMAN.- The previous Board probably. I think the previous Board can answer that.

HON. DR. M.T. SAMISONI.- All right. I mean the thing is, today we have got to move. You have to be quick on your toes to prevent these sort of things. We are all on corporate boards, we know that if we do not move with the information technology and the internet, we could be lost in this. It is just my concern. I would like to see a policy in place as soon as possible to cover you.

MR. CHAIRMAN.- Yes.

MR. R. AHMED.- Thank you, Madam. As we highlighted earlier, this arrangement was done by our predecessors. Unfortunately, I think the due diligence was not done on it and the business engagement was taken on board.

However, as our Head of Retail just mentioned, we are in negotiation with another company whom we want to take on board but before we actually get involved with them, before we start exchanging transactions, we will ensure that full proof policies are in place, relevant agreements are done and signed off by both parties and terms and conditions agreed upon before we actually start transacting.

HON. M.M.A. DEAN.- ... and this assistance that you are seeking from a law firm in Australia, to provide the legal framework for ...

MR. CHAIRMAN.- No.

MR. R. AHMED.- No, the assistance that we are seeking from the law firm in Australia is to recover this debt.

HON. M.M.A. DEAN. The recovery of debt.

MR. R. AHMED.- In order to design the framework, the legislative requirements as well as the policies and procedures, we will design it ourselves, given the fact that we know our business environment and we know what our requirements are.

HON. DR. M.T. SAMISONI.- From the bottom up, yes, I believe in that.

MR. CHAIRMAN.- So the last issue, insufficient board members.

HON. A.M. RADRODRO.- On this particular issue, you said now that you are doing the dealings overseas, directly.

MR. CHAIRMAN.- Yes, I mean, I was thinking about that too. Why do you need an agent?

HON. A.M. RADRODRO.- Yes, why do you need an agent if you can do it directly? Why do you need an agent where you have to incur additional cost to and fro?

MR. CHAIRMAN.- Probably the volume. There is huge volume.

MR. I. MOW.- Thank you. That is a very good question. In terms of logistics companies, most of them have contracts with online retailers and in terms of trading, the online retailers prefer working with logistics companies rather than post offices because of the volume. With the logistics companies, they do not get charged per package, they get charged in terms of the whole bundle. That is why they prefer working with logistics companies rather than coming through the post offices because if they deal directly with the post office, then they will have to pay per item rather than paying in terms of lump sum.

MR. CHAIRMAN.- They have to have an office somewhere offshore.

HON. A.M. RADRODRO.- Give them the risk ...

MR. I. MOW.- So far with the local companies, they are basically dealing only for the Fiji market, they are not focusing on international market. They are focusing on the logistics for parcels being delivered within Fiji only, not going to other postal administration.

MR. CHAIRMAN.- This is a

MR. I. MOW.- We have a partnership with DHL in terms of the courier business. There are two types of businesses here; a courier business and a parcel business. Courier business is a more premium service where customers have to pay because of the security and efficiency of the service as opposed to the parcel service which is also secured but it takes a longer time to get delivered.

MR. CHAIRMAN.- So just to recap that last part of what you had explained a while ago, if I order something online from eBay, they charge me a certain amount of shipping fees, sometimes €11 sometimes €10. That money is paid by that online retailer to this agency but the return address on my parcel would be PFL box here in Fiji. So they pay the shipping cost to this company, deliver it here and then that delivery service, this agency has to pay to PFL to bring that parcel right to the doorstep. So the first part might be paid by the retailer to this agency, the second part is, they are not paying you back for using your name and your platform. Is that the simplest term?

MR. R. AHMED.- Basically you got the scenario, that is how it works. So what they have done is, they have collected from the customer which is eBay, but they have failed to pay us.

MR. CHAIRMAN.- The reason why they have to pay you is because they have actually used your machinery to deliver it here in Fiji. If they had not delivered this \$4.6 million worth of goods, then there would be no issue of payment?

MR. R. AHMED.- Not only delivery in Fiji but delivery anywhere in the world. So basically they have used our platform to have the service delivered but they have failed to pay us for the delivery service fees.

MR. CHAIRMAN.- So the current agreement that you are drafting will have all these spelt out in there?

MR. R. AHMED.- Definitely, we will spell out each and every detail on it and we will also give terms and conditions of outstanding, meaning transactions happened within a period of 30 days or 60 days or 90 days when they should be settled, how they should be settled, how the reconciliation process has to take place so each and every minor detail will be included in those terms and conditions.

MR. CHAIRMAN.- So we can say that all was not well at PFL in those days, that was probably why some guys ended up in prison?

MR. I. MOW.- That is correct, Mr. Chairman.

Just to add on, Mr. Chairman to what Mr. Ahmed has mentioned, in terms of the agreement and policies going forward, we have also engaged the Universal Postal Unit which is the umbrella that we come under, in terms of their expertise and experience, in terms of formulating the requirements for this business because no one understands about this transshipment business.

I think Madam has put it in a correct term that it is a worldwide business now and it is not only PFL and the Pacific Island countries that are doing it, it is all the postal administration around the world that are doing this business dealing with logistics companies. A good example is, if you order online and when you receive your parcel here in Fiji, on the parcel you will either see Malaysia or Singapore as the sending countries. When I say sending countries, I mean, it was not sent directly from them, but it was sent through those countries but like the logistics companies are using those countries' names. So it is a global business now.

MR. CHAIRMAN.- I was also wondering, why is everyone now switching from physical mail or written mail to email and I was thinking that there would be some significant losses to PFL but looks like they have a lot of other things to do.

MR. I. MOW.- Yes.

MR. CHAIRMAN.- But has that caused any impact on your revenue because you are switching over to electronic mail?

MR. R. AHMED.- Definitely, if you look at what the dynamics of the business is now, people are moving away from sending physical letters.

MR. CHAIRMAN.- No one sends Christmas cards anymore..

MR. R. AHMED.- I do not know when was the last time you may have sent a letter Bill but definitely, the new dynamics of business is where people are going more with e-commerce, electronic transactions and that is where and how we need to reshape our business and move forward so that if one segment of the business is dying out, we have the other segment where we can still thrive onto and get that much needed revenue that we need.

Definitely, there were a few impacts in terms of declining revenue but as we said, we are trying to re-strategise and develop new goals and strategies where we need to work towards, and ensure that the business viability is there, as well as sustainability.

MR. CHAIRMAN.- What is your major revenue base at the moment, if you can answer that?

MR. R. AHMED.- What we have done is, we have diversified our business not only into mails but as well as post shop. So, like, 95 percent of maritime islands rely on our post shop for their basic needs of groceries, remittances, as well as sending money from there. Our diversification has really assisted PFL to stay viable in business while sustainable at the same time.

MR. CHAIRMAN.- I understand that you also dispatch the social welfare money to the recipients?

MR. R. AHMED.- We engage with Government agencies in terms of Ministry of Poverty Alleviation, Social Welfare, family assistance, so we are on board with all sorts of services.

MR. CHAIRMAN.- And you charge fees for that?

MR. R. AHMED.- Definitely, it has to come with a fee.

MR. CHAIRMAN.- This is just a general information question. With the Government now planning to move from that to e-cards where everyone will have access their social welfare fund electronically, will that again impact your business?

MR. R. AHMED.- It will still come back to us because even with e-cards, people in Lakeba, Lau, the physical money will be given by PFL. So either way, the transaction has to be there and someone has to physically take the money from Suva to Lakeba, Lau, so that people there can receive the money.

MR. CHAIRMAN.- Yes, so PFL is there to stay.

MR. R. AHMED.- Yes, as we had said we have 59 locations. With our reach and our corporate social responsibilities, we are also there to serve the people in the maritime, so we are facilitating and assisting the Government agencies.

MR. CHAIRMAN.- With the number of retail shops you have, I think only Hot Bread Fiji is behind you, everyone else is

HON. DR. M.T. SAMISONI.- Just on the issue of forward thinking and holistic thinking, today is about innovation and for me, the question that I asked the other day on the economic zone, we have to get more efficient here to do that, resource-based all over.

MR. CHAIRMAN.- They actually have wider options because five years ago a lot of my mail used to get lost or stolen but now it is not happening. I am still waiting for my webcam to arrive from somewhere.

MR. I. MOW.- Thank you, Mr. Chairman for that. In the last three to five years, we have put in stringent policies in place just to counter some of the issues that we have always faced in the past, especially with the missing mails....

MR. CHAIRMAN.-Opened mails, sometimes.

MR. I. MOW.- Exactly. We are also working closely with our external stakeholders, especially the airlines that bring in our mails, the shipping agents, to ensure that there is a seamless process that when the mail comes through, there is no stoppages, no bottlenecks because that is what we have noticed that if there are bottlenecks, then the mails normally go missing. So we have actually fought in that area.

MR. CHAIRMAN.- The returning ballot papers on overseas voters, do they come through you or they use EMS? EMS is yours, I think.

MR. I. MOW.- With the local ballots, they come through EMS but with the international, it is with DHL in partnership with EMS.

MR. CHAIRMAN.- So it is nothing to do with PFL?

MR. I. MOW.- It is PFL and DHL because in some areas, especially the Asian countries, EMS is not present in the those countries so that is where we partner with DHL in terms of getting it to the locals who are living in the Asian countries.

MR. CHAIRMAN.- That an the important channel because if those mails go missing, a lot of people will be very worried when their ballot papers go missing.

MR. R. AHMED.- I think Mr. Chairman's concern is EMS, EMS is part of FPL, that is our business segment.

MR. CHAIRMAN.- Can we go to the next one because we have got another submission?

HON. DR. M.T. SAMISONI.- Can I ask a question?.

MR. CHAIRMAN.- Yes, please.

HON. DR. M.T. SAMISONI.- In this new era, I think information and communication technology is there to help you even work better, smarter and be more efficient. The training of people to make sure that they give a better service is so important, and we all need and want self-esteem, self-respect and empowering people to use these things. I see PFL just flying.

MR. R. AHMED.- We have trainings in place under the umbrella of UPU and we send our people for training to Bangkok, India where UPU is conducting training. I think there is one training workshop in June as well in Fiji hosted by PFL. So definitely all around, trainings are happening and conducted by UPU with changes that are forthcoming.

MR. CHAIRMAN.- The last point, I have read a response, there was one time when there was a lack of Board Members and only two members were there. Now there are four Board Members. Is that the full complement of the PFL Board?

MR. I. MOW.- Yes, Mr Chairman, that is the full complement. The Chairman is Mr. Lawrence Tikaram and three other Directors – Mr. Pankaj Singh, Mr. Fazrul Raman and Mrs. Manjula Dayal. They make up the Board for PFL.

The reason for the delay in appointing the Board Members was that according to the Ministry of Public Enterprises, they were trying to identify the right fit for PFL, the right members to manage the Board of PFL so this has been taken care of in 2017.

HON. A.M. RADRODRO.- Inaudible.

MR. I. MOW.- There is only one, Mr. Pankaj Singh, from the MOE.

MR. R. AHMED.- Just to add to that, there is an additional Board Observer who is represented by Ministry of Public Enterprises but he is not a Board Director.

HON. DR. M.T. SAMISONI.- Today, we are in human resource development, I mean, that is the big thing, the unions are there but we have to upgrade all their skills. I am just asking a question, why not get someone with human resource background to help with the vision forward? It is just a point.

MR. CHAIRMAN.- I think the human resource comes in the CEO level. The Board is a different area altogether.

HON. DR. M.T. SAMISONI.- Are we talking about the Board?

MR. CHAIRMAN.- Yes, we are talking about the Board, the HR part comes after the Board.

HON. DR. M.T. SAMISONI.- No, what I am saying is, someone with a HR background to be on the Board.

MR. R. AHMED.- Yes, definitely. What we can do is, take on your comments and put it forward to the Board Chairman. The Board Chairman can forward the submission to the Ministry of Public Enterprises, who can look into this matter and identify the right person.

HON. DR. M.T. SAMISONI.- Yes. On that, Mr Chairman, for me promoting gender equality because I was the Chair all the way through, I made sure that there was 50 percent all the way up, starting from the operation of my company.

MR. CHAIRMAN.- In your company.

HON. DR. M.T. SAMISONI.- I have my own company, just as a case I was able to move very quickly because I believe in it. Today, we have to promote gender equality and that is all in the strategic development goal. It is the best way, less women are there, otherwise we have to create our own seat.

MR. CHAIRMAN.- At least, Mrs. Manjula Dayal is there, so that is one. Mr Ahmed, you mentioned a Board Observer, who is that from which Ministry?

HON. M.M.A. DEAN.- That was going to be my question too.

MR. R. AHMED.- She is Ateca from the Ministry of Public Enterprises.

MR. CHAIRMAN.- What is her position in the Ministry of Public Enterprises?

HON. M.M.A. DEAN.- Is she the Director or something?

MR. R. AHMED.- We are not sure of her designation.

MR. CHAIRMAN.- I just want to know the name of the entity.

HON. DR. M.T. SAMISONI.- Just another question, Mr. Chairman, Manjula, what is her background?

MR. R. AHMED.- She is a business entrepreneur of Dayal Group of Companies.

HON. DR. M.T. SAMISONI.- No, I mean what is her background, economics or accounting?

MR. R. AHMED.- I think she has a finance background.

HON. DR. M.T. SAMISONI.- How many finance people on your Board? Is just that I want to know because of the balance, weight, but it is your decision.

MR. CHAIRMAN.- If you are aware then.

MR. R. AHMED.- If I look at the composition of the Board, I believe Mr. Pankaj Singh, Mr. Fazrul Rahman and Ms. Manjula Dayal are all from finance background.

MR. CHAIRMAN.- Yes.

HON. DR. M.T. SAMISONI.- But there you are.

MR. CHAIRMAN.- Mr. Rahman is from FRCS.

MR. R. AHMED.- Yes, Director Corporate.

HON. DR. M.T. SAMISONI.- Too much finance.

MR. CHAIRMAN.- Yes, everyone is finance.

Thank you very much. We have the next submission very soon.

HON. A.M. RADRODRO.- The audit issue from the OAG in terms of your raising up this issue, sufficient Board Members, how does it impact your audit opinion or a significant matters that you highlighted?

AUDIT REP.- Thank you, Honourable Member. The issue does not impact our Audit Report. In fact, it is not raised in our Audit Report, it is other significant matters.

We consider this as an important matter for the entity to take on board because it the Board who drives a business forward. With inadequate size of the Board, the Board oversight becomes very small, like they could not be any sub-committees that can be formed. Sub-committees such as the audit committee, finance committee, the HR committee....

MR. CHAIRMAN.- Decision making becomes easier with the full complement.

AUDIT REP.- Yes. Even the 2015 Companies Act requires a minimum of three Directors on the Board. So, initially there had just only two, so if one is not present then again it is another problem for

MR. CHAIRMAN.- If it comes to voting, with two people you will never know how that will work, so you will need to have an odd number and a large number.

HON. A.M. RADRODRO.- You have highlighted the insufficient number of Board members, but also this time there was no Chief Executive Officer (CEO) at PFL. Why did you not highlight that?

MR. CHAIRMAN.- Who is the CEO of PFL?

AUDIT REP.- There was an Acting CEO.

MR. CHAIRMAN.- At that time?

AUDIT REP.- Mr. William Wong.

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

MR. R. AHMED.- They were in the process of recruiting the CEO and that is why we did not highlight that in other significant matters.

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

MR. I. MOW.- We are still in the process with the Board, shortlisting has been done but.....

MR. CHAIRMAN.- The acting position is good as affirmative position, is it not? It is like the Acting Prime Minister and Prime Minister. The acting position is as good as an affirmative position until appointment.

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

AUDIT REP.- I am sorry, Honourable Member. The issue was picked up, it was reported to Management in our draft management letter. However, it was not reported in the General Report

because we thought it is a Board level issue which the Board needs to resolve. But we thought that the insufficient number of members on the Board is the issue that needs to be discussed in the PAC Meeting.

MR. CHAIRMAN.- I would like to thank Mr. Riyaz Ahmed, Head of Finance; Ms. Saleen Prasad and Mr. Isaac Mow for your appearance before the Committee this morning. You have actually helped us in our deliberations and I did make a comment to my staff as soon as they saw the envelope that it looks very impressive, the colours of Post Fiji.

With that, thank you very much and I hope that you are able to recover the debts. The next report that we have will have a clear report from PFL. Thank you very much.

MR. R. AHMED.- Thank you, Mr. Chairman and Honourable Members of the PAC. It was our pleasure to be present here to give our submission, as well as clarify on matters. The team at PFL is looking forward to hearing a better and much, much clear reports in years to come.

MR. CHAIRMAN.- Thank you.

The Committee adjourned at 11.55 a.m.

The Committee resumed at 11.57 a.m.

Submittee/ Interviewee: Public Rental Board (PRB)

In Attendance:

- | | | | |
|----|--------------------|---|------------------------|
| 1. | Mr. Patrick Veu | - | Acting General Manager |
| 2. | Ms. Shalin Lata | - | Manager Finance |
| 3. | Mr. Maloni Daurewa | - | Manager Properties |

Office of the Auditor-General:

Mr. Dineshwar Prasad

MR. CHAIRMAN.- Honourable Members, members of the media and the public, and secretariat; we are now ready to start our third presentation for the day. For that purpose, today we have the staff of PRB, headed by Mr. Patrick Veu.

(Introduction of PRB Team)

I welcome you, lady and gentlemen to the Committee. We have identified certain issues in your Report and we had written to you. We are thankful that you have appeared before us and now ready to address the concerns that have already been communicated to you. With that, over to you Mr. Patrick Veu.

MR. P. VEU.- Thank you, Mr. Chairman and Honourable Members of the Public Accounts Committee (PAC). Thank you for the opportunity for us to present our responses on the queries that had been raised by the Committee. We have an e-copy of our presentation and hard copies as well for distribution.

MR. CHAIRMAN.- I was told that everyone has got their copy, so we can use the hard copy.

MR. P. VEU.- We have followed the sequence as queries raised to us. On page 17, modified audit opinion, that is the first query and our response is that we have followed the International Accounting Systems and we have treated the capital grant as deferred revenue.

Initially Government directed that it should be treated as equity. In fact, the delay was that we had this Government decision and then we had the IFRS that should be treated as deferred revenue. When we got Government's Cabinet approval to follow the IFRS, then we did that in our 2017 Audit Report.

MR. CHAIRMAN.- Dinesh, this is the same issue as the previous one? Previously, Government grant was taken as equity capital, now it is revenue?

AUDIT REP.- Yes, that is right, Mr. Chairman. It is a similar case with FBC.

MR. CHAIRMAN.- We understand the situation, Mr. Veu.

HON. A.M. RADRODRO.- I think the Auditor-General needs to clarify that because with FBC, it was treated as a fee and this one is treated as deferred revenue.

MR. CHAIRMAN.- It was either, one or the other.

AUDIT REP.- Just to respond to the Honourable Member's question, IAS 20 requires the treatment of grant either as revenue or a deferred revenue. So in the case of Public Rental Board (PRB), the grant was meant for construction, it was a capital grant so by right, it was supposed to be treated as deferred revenue.

MR. CHAIRMAN.- In case of FBC, that could be used for deferred revenue. That is the submission, Honourable Members.

Can we go to the next issue, Mr. Veu? That has been explained.

MR. P. VEU.- The second issue is on page 19 - emphasis of matter, the Committee notes that additional emphasis was made in the Audit Report of PRB in relation to a loan of \$9 million for our Raiwai Project. In fact, Mr. Chairman, we have reconciled with the MOE and to date, we have a balance of \$37,464.09 pending for us to pay which we will do that in our next payment to the Ministry.

MR. CHAIRMAN.- So, the Raiwai Project is complete now?

MR. P. VEU.- Completed and fully allocated. We have the reconciliation and confirmation from the MOE that our numbers tally.

MR. CHAIRMAN.-... it is part of Annexure 2?

MR. P. VEU.- An email was sent to us in regards to the reconciliation.

MR. CHAIRMAN.- Is it all right if we may have a copy of this? So I understand that a long term loan was borrowed by the Government from the Exim Bank for the benefit of PRB for the Raiwai Housing Project. That has been allocated and completed. The money that you are paying back, are you paying back to the Government or the Government is paying back to Exim Bank?

MR. P. VEU.- Yes, we have been paying back and we have reconciled our numbers. I think we are left with \$7 million to pay and the payment is from the rental that we receive.

You will note, Sir, that our rental for that particular area is quite high, \$99 and \$111 a week. That is because we are servicing the loan through the Government to Exim Bank of China.

MR. CHAIRMAN.- So you are paying to the Government at the moment and Government is then paying back to Exim Bank?

MR. P. VEU.- Yes.

MR. CHAIRMAN.- The second part of the question, it is not an audit issue but just the information question. I understand that most of the people living in PRB Flats do not pay rent on time, or do they pay on time?

MR. P. VEU.- Our people are following up on this and serving the low end of the market. It is quite difficult for us to do that but we do not really want to put people on the street. So what we continue to do is follow up.

We have managed to reduce from around \$500,000 to last year of \$122,000 of the total rental arrears and we are continuing to do that, exhaust the recovery process and we hope to reduce to the target level of \$97,000 for this year.

MR. CHAIRMAN.- What sort of enforcement actions do you take when rents are in arrears, when people do not pay?

MR. P. VEU.- We serve them the required notices and then if we see that the tenants cannot pay, we continue to give them the notice and if it comes to worse we take it to our solicitors for their complete removal but that is the last resort.

MR. CHAIRMAN.- There were some ideas floated around in our hearing in the previous year (I think), some countries have this arrangement with the utility providers like, water and electricity, especially in terms of town and city rates. If there are defaulters and it is hard to recover from them, then a little portion of it is included in their utility bill so they keep on paying, for example, \$1 on top of their bills because no one wants to lose power or water connection. So they are more encouraged to pay their rents on time. Has something of that sort been thought of? It is not an audit issue but it is just something that we have found out from other hearings, suggestions.

HON. A.M. RADRODRO.- One of the issues that overseas agencies had undertaken where people cannot miss paying electricity is the arrangement with other agencies to top up, at least, put in some figures like \$1 or \$2 monthly. So when they pay their fee, that portion goes towards the rental arrangement, whatever the discussed amount is. That is basically what overseas agencies are also doing, making arrangements with utility companies, that is something that you cannot afford to miss to pay.

MR. P. VEU.- Mr. Chairman, we are looking at direct deductions from source. We believe that the 20 percent that cannot be deducted, owes about 80 percent of the arrears because we house people and we cannot do away with everyone on direct deduction. So the 80 percent direct deduction owes that 20 percent of rental arrears.

MR. CHAIRMAN.- And if you take any drastic action by putting them on the street, the next thing they will do is go and build in squatter areas and that is a bigger problem for us again.

Yes, I understand that a lot of recovery has been done, it has come down significantly from 500 to 179. Is that understood, Honourable Members?

HON. A.M. RADRODRO.- Yes. Mr Chairman, just on the Raiwaqa or the Raiwai Flats.

MR. CHAIRMAN.- It is different, Raiwai and Raiwaqa are different?

HON. A.M. RADRODRO.- No, Raiwai Flats. The \$9 million loan that was taken out, that is for the new Raiwai Flats. This legislated responsibility of the PRB to look after low income earners and now, you are venturing into that (Raiwai Flats). You seem to be going outside whereby you are attracting people above the low income, who can afford the rates that you are levying to assist you for the repayment of the loan. The question is, after PRB has serviced that loan, will you reconsider your position again or will you continue with that?

MR. P. VEU.- Mr. Chairman, at the moment, we are servicing the Exim Bank loan through Government and that is purely done with the revenue that we collect. Maybe, at a later stage when it is paid off, then the Government of the day will decide on the way forward, maybe to reduce the rent but at the moment, the flats are fully occupied.

We have a waiting list there so people are coming in, especially new graduates. We see that they do not want to carry a mortgage with them, they want to rent. They can afford the rental of \$99 and when you compare that to the open market, the rentals that are within that vicinity is a huge difference. The Raiwai rental is very, very low, even at that \$99.

MR. CHAIRMAN.- \$99 a month is quite cheap, it is about \$400 a month and less than that. Where exactly is Raiwai?

MR. P. VEU.- Raiwai is just next to the Raiwai Police Station.

MR. CHAIRMAN.- So Raiwaqa and Raiwai are close by? Is it Grantham Road leading up to the junction before Milverton Road. I was just thinking about it, it is a very prime area for \$100 a month.

HON. DR. M.T. SAMISONI.- (Inaudible)

MR. CHAIRMAN.- USP students are tenants as well?

MR. P. VEU.- We have a number of students.

MR. CHAIRMAN.- And if someone wants to occupy that, where do they apply?

MR. P. VEU.- Applications are received at the office in Raiwaqa as well.

HON. A.M. RADRODRO.- For housing as you mentioned, it is now reflected in the Raiwai Project, demand for people wanting to rent instead of owning property. Any future plans for the demolished Raiwaqa Flats where the land has become vacant now for quite some time?

MR. P. VEU.- We have a tenant that has a plan for that area because we have two lots there. The lot that is right beside the road where we have demolished the four storeys, there is a sewerage site at the back so we have five acres in the front and five acres at the back, 10 acres altogether.

There is a master plan that we are tendering out for consultants to come in for a design for that particular area.

(Inaudible)

MR. P. VEU.- We will be signing off a contract with one of the contractors this afternoon for 36 Units in Simla which is fully funded by Government. We have recently completed in October last year, 48 Units in Savusavu and early this year, 36 Units in Kalabu.

(Inaudible)

MR. P. VEU.-Yes, PRB and it is similar to the construction carried out in Raiwai.

MR. CHAIRMAN.- What sort of tenancy arrangements do you have with those tenants, is it monthly tenancy or yearly?

MR. P. VEU.- It is a weekly tenancy. A tenancy agreement for three years and we expect tenants to move on to home ownership after the initial three years. But sometimes it is quite difficult for them to move on because some of the tenants may not have acquired the necessary capital.

MR. CHAIRMAN.- To buy a house?

MR. P. VEU.- Yes.

MR. CHAIRMAN.- What do you do if a tenant has damaged your property?

MR. P. VEU.- Damages are charged directly to the tenants. For wear and tear, we do the necessary repairs from our in-house funds through our maintenance team.

MR. CHAIRMAN.- So, that means all the costs and expenses are covered somehow which means that you have mechanisms to cover all expenses and costs, somehow. It will come from somewhere.

MR. P. VEU.- Yes, Sir.

(Inaudible)

MR. CHAIRMAN.- Agreement, yes.

MR. P. VEU.- Damages made by the tenants is charged to them and wear and tear is done by the Board.

HON. DR. M.T. SAMISONI.- (Inaudible)

MR. P. VEU.- That is correct.

HON. A.M. RADRODRO.- Mr. Chairman, through you, are there any certain conditions for occupants of the Flats that were usually in Raiwai, for example, in terms of the number of people, the certain conditions that you have?

MR. P. VEU.- Those that we take in for the Raiwai Flats, they earn up to \$16,500 above the poverty line which we think that is the poverty line and up to a ceiling of \$25,000. So, within that income range, we take in tenants for Raiwai. Mostly, we take in those who are able to directly deduct from source for the two-bedroom flats, with a maximum of six occupants and one-bedroom flats with four occupants.

MR. CHAIRMAN.- You have either single bedroom or double bedroom flats?

MR. P. VEU.- That is correct, Sir. We have 110 one-bedrooms and 100 two-bedrooms.

MR. CHAIRMAN.- That is an interesting concept to do with squatter settlements, build high-rises and rent them out, provided people pay the rent so that you can service your loans too. We were told by lot of squatters that they do not want to move out because it is free.

Anyway, that brings us to the third issue which actually linked to the previous question I asked about property damage, et cetera. It was noted that the rental flats were not insured and the review of property plant and equipment was not done, I believe. Is that under control now?

MR. P. VEU.- We have insured all our properties for fire and other peril, except for cyclone which we are looking at because it will be very expensive to do that at the moment. But all our properties, including our new projects at Raiwai are all insured under fire and other peril. They are insured for \$20 million.

MR. CHAIRMAN.- The premium for this insurance is paid right from your finances?

MR. P. VEU.- From the rental income that we collect.

MR. CHAIRMAN.- What other type of expenses does the PRB have apart from maintenance, wear and tear, legal action, legal proceedings, insurance, staff cost (a major one), do you also have motor vehicle, et cetera? In terms of repair work, do you have your own set of carpenters or do you contract out?

MR. P. VEU.- We have 15 workers in our maintenance team - plumbers, electricians, tradesmen, carpentry and for general maintenance. Every five years, there is a schedule of general maintenance for each estate so we try and complete the cycle within five to seven years, but the urgent wear and tear, it is attended to as and when.

MR. CHAIRMAN.- The other remaining issue was, there was no evidence to indicate that the Board carried out an assessment for impairment of assets. Assets totalling \$8.15 million had zero written down value recorded in the Fixed Assets Register, although those assets were still used for Board activities and buildings.

Raiwai Project 1997 valued at \$142,144 was recorded under property, plant and equipment, although the buildings had been demolished. PRB Management has agreed for an annual review to be carried out.

So Dinesh, what is the audit issue here? When you say impairment of assets, is that almost like depreciation?

AUDIT REP.- Thank you, Mr. Chairman. For accounting purposes, when the financial reports are prepared under IFRS, it requires that the entity annually carry out impairment assessment of the cash generating units. When we say cash generating units, the PRB has flats which are generating them the cash, so it requires them to annually carry out the impairment assessment which is basically I believe would be critically reviewing the condition of the flats, especially the ones which are quite old.

MR. CHAIRMAN.- To ascertain whether the flat is able to earn the same revenue, year in year out.

AUDIT REP.- Yes, whether it will continue to generate the same level of revenue or it can be impaired in the near future. Probably the new ones, they can go without it because the economic life of the new building is quite big but the old ones, it needs an impairment. For example, recently, there were demolitions also done so unless an impairment assessment is carried out, it will be difficult to ascertain whether the buildings would require demolition in the near future, which

means that the carrying amount of the building needs to be restated. So that is what is required and there needs to be an annual review done on the property. So that is the first issue.

The second issue was that, there were assets which had zero written down value but they were still in existence which means they were producing the economic benefits to the Board, and it is not. The value of that is not being recorded in the financial statements so there is another issue which requires if there are such type of assets which still have some economic life because it is deriving benefits to the Board, then the Board can probably consider it, looking at whether there was an error done when they were calculating the depreciation rates because what happened is that the assets have fully depreciated but they are still in use. It means when they were actually working, deciding on the depreciation rates, there must have been an error and they have gone for higher depreciation rate which may have made the asset fully depreciated but still in use. Those were the two particular issues.

MR. CHAIRMAN.- So, what do we do in those kinds of cases, if the assets were fully depreciated but still in use?

AUDIT REP.- There are options available to the Board. If it is giving them the economic benefits but then, it is not reflected in the Financial Statements. So one option is that, the Board can relook at whether the depreciation rates were correct at the time when the assets were purchased, so if they think that at that time ,the depreciation rates was not correctly determined, then they can readjust the depreciation rates, or alternatively they can go for a revaluation. Those are the options that can be available to the Board, but it is the Board who can decide on that because sometimes when an asset is still in use and has got zero written down value, it is not reflected in the books of the Board. And we are talking about \$8.15 million as the cost of assets which had zero written down value but still in their Register.

MR. CHAIRMAN.- Yes, because things like buildings and land, land appreciates in value and building depreciates but not to that extent, so the options are open. It might have zero book value, but is still earning income for PRB. That issue has also been resolved and again on the written submission, PRB has engaged Property Solution in 2017 to carry out valuation of PRB properties. That valuation is at Annexure 4 and the issue before that is insurance cover has been provided at Annexure 3. If you look at annexure 3, Marsh Limited has insured the property up to \$10 million.

MR. P. VEU.- \$20 million - \$10 million for Raiwai and \$10 million for the other properties.

MR. CHAIRMAN.- But that does not cover cyclones at the moment?

MR. P. VEU. – At the moment, no, Sir.

MR. CHAIRMAN.- Suva was hardly hit by cyclones, does it? We do not need that, I do not know. There was a cyclone last month.

Annexure 4 is valuation summary. Any questions in that regard, Honourable Members? There is also a Schedule of Valuation attached.

HON. A.M. RADRODRO.- Mr. Chairman, regarding those tenants who were previously occupied in the old Raiwai Flats before the demolition of the building for the construction of the new building, how many of them were again housed at the new Raiwai complex?

MR. P. VEU.- For those who had to move out because of the problem faced, I think it is about only 5 percent of them were not only at Raiwai but other estates. We offer relocation to Waila 3B where the Board constructed Units for free and gave them a piece of land which Housing Authority offered 50 percent of the land at that time.

Unfortunately, only 15 of them accepted that offer and moved but with the rest of them, we had to offer them a package to move out because of the problem that we faced. Housing Authority offered 200 blocks for us to relocate the tenants to but unfortunately, our people opted not to move to Waila because may be they were so used to Raiwaqa. However, those who had moved to Waila came back us and thanked us that they made the right decision.

MR. CHAIRMAN.- Currently, how many properties does PRB own under this current scheme?

MR. P. VEU.- We have 1,543 properties in the Central, Western and Northern Divisions.

MR. CHAIRMAN.- Are they all PRB types, I mean, Raiwai types?

MR. P. VEU.- Some are single storey, double storeys, three storeys.

MR. CHAIRMAN.- So 1,543 properties alone and any idea how many tenants you might have?

MR. P. VEU.- Sir, it is an average of about six in one flat, so you look at 1,543 multiply by 6.

MR. CHAIRMAN.- That is a huge revenue pool if everyone pays on time, we can build more properties with that money. We can keep on building flats for other people.

MR. P. VEU.- We are having a proposal for 94 units at Newtown, there is a vacant land in Newtown. That is one of our PSIP proposal for next year in the 2018-2019 Budget and hopefully, Government will consider that.

MR. CHAIRMAN.- Is it a planned high-rise?

MR. P. VEU.- We are planning to move up because of the space limit.

HON. A.M. RADRODRO.- In your own assessment of the demands for housing, for example, in Suva, the Suva-Nausori corridor or Western Division, what is your take in terms of the demand for housing facilities in this corridor?

MR. P. VEU.- Thank you. Right now, we have about 900 plus applicants waiting. What we have actually done is to encourage tenants to move on because it is much cheaper and economical if they spend, say in one term or two terms and move into home ownership. So, the next in line comes in and fill that.

What we are doing is, encouraging them to move on, and also build new flats because building is quite expensive. To build new flats, it is quite expensive but the turnaround time right now is about 200. We are looking at the turnaround of flats to be, if it is 500 then it will impact a lot on our waiting list and it is much, much more economical. That is what we are driving at right now, for our people to move into home ownership.

MR. CHAIRMAN.- As time progresses, people become more economically sound, they get promotions, so they start to get more money, they go into either buying properties or renting other properties outside, which leaves room for those on the waiting list to come on board. So it is a natural progression kind of...

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

MR. P. VEU.- It is good that we have one Board for Housing Authority and Public Rental Board so the discussions...

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

MR. CHAIRMAN.- Decisions will be made much quicker. That is a very good point.

That brings us to the end of the submission with PRB. With that, I would like to thank Mr. Patrick Veu, Ms. Shalini Lata, Mr. Malani Daurewa, for taking your time out and appearing before us and for briefing the Committee on your business.

Most of the issues that were raised have been resolved and we thank you for that. I hope that the future reports do not reflect all those issues so that we will have thinner reports next time. Any final comments Mr. Veu, before we break?

MR. P. VEU.- (Inaudible).

MR. CHAIRMAN.- Thank you very much for that.

The Committee adjourned at 12.33 p.m.