

# **PUBLIC ACCOUNTS COMMITTEE**

**[Verbatim Report of Meeting]**

**HELD IN THE**

**COMMITTEE ROOM (EAST WING)**

**ON**

**THURSDAY, 7TH JUNE, 2018**



**VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD IN THE BIG COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS, ON THURSDAY, 7TH JUNE, 2018 AT 10.00 A.M.**

**Submittee/ Interviewee: Land Transport Authority (LTA)**

In Attendance:

1. Mr. Navilesh Chand - General Manager Legal/ Business Development and Policy
2. Mr. Faiyum Ali - General Manager Technical Operations
3. Mr. Peni Kikau - Manager Regulations
4. Ms. Neelam Nand - Management Accountant
5. Mr. Muneshwar Dutt - Financial Accountant
6. Ms. Ashika Narayan - Manager Finance
7. Mr. Deo Reddy - Manager Enforcement
8. Ms. Makitalena Drova- Manager Standards and Engineering
9. Mr. Irimaia Rokosawa - General Manager Finance and Administration

Office of the Auditor-General

1. Mr. Dineshwar Prasad - Director of Audit
2. Mr. Ilaitia Varani - Audit Manger

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DEPUTY CHAIRPERSON.- I welcome the resource personnel from the Land Transport Authority (LTA). We are here to discuss the audit issues relating to the 2015 Audit Account of Government Statutory Authorities (GSAs).

For the benefit of our submitters, let me just very briefly introduce the team we have here.

(Introduction of Committee Members)

We also have the two ladies and gentleman, who form part of the Secretariat staff, members of the media and representatives from the Office of the Auditor-General (OAG).

With those introductory remarks, I welcome you all once again.

We did send two pertinent issues and I believe one of them is in regards to the land lease titles. We have been having this as a recurring issue and I stand to be corrected, that since 2016 whilst I was in the Committee, the issue has been there since then.

The other one is also a recurring issue and that is the donor funds and its accountability from 2011 to 2014. The issue there was the transactions for prior years which is yet to be reflected in its Financial Statement. I am sure there must be a valid reason for this recurring issue which is why we are here for this discussion. So now I would like to give the opportunity to the designated speaker from LTA.

I apologise, I did not mean to be rude but I would not know exactly the portfolio because I am not from LTA so whoever is representing or leading the team can introduce you to us, give a

brief background about LTA and then straightaway take us through the written submission which you have already provided. Thank you.

MR. I. ROKOSAWA.- Thank you. The Honourable Deputy Chairperson of the Public Accounts Committee (PAC), Honourable Members, secretariat staff, media representatives and colleagues from the Office of the Auditor-General, just before we proceed with our response this morning, I would like to take this time to applaud the invitation from PAC. We are honoured to be present this morning to give our response to the queries that were raised in the 2015 Financial Statements. Just before we proceed, I would like to take this time to introduce the LTA Officers who are present this morning.

(Introduction of members of the LTA Team)

Very briefly from LTA, if you know, we are regulated to administer and manage the LTA system for the Fiji Government. We have a number of functions that include road safety, regulations, enforcement and customer services.

I believe there were issues raised in 2015 with regards to our land lease title and for the information of the forum, there is a continuous correspondence with the Department of Lands to get this lease title over to the LTA. Until now, the status quo remains, we are still waiting for them.

Please, be informed that we are not resting on our laurels, there are correspondences, we have also attached appendices to responses and we have gone as far as even corresponded with the Honourable Minister for Infrastructure and Transport. We have also formally corresponded to the Department of Lands with regards to the land lease title.

For issues with regard to road safety, the incorporation of accounts into the ...

DEPUTY CHAIRPERSON.- Sir, I would like to interrupt you there for a while and I apologise for that, but we will go issue by issue. We would be interested to know what actually transpired here. Why was there delay because it is just the land transfer? What are some of the issues pertaining to that which is the reason why this process is taking so long or is prolonging so much? What is the background behind this issue? How did it all happen?

MR. I. ROKOSAWA.- Thank you. I will try and respond to your questions, Deputy Chairperson, and probably after that, I will give the floor to our General Manager Legal and Business Development.

Back in 2013, there was correspondence and we were told to pay a certain amount of money to the Department of Lands, amounting to about \$56,000. We had corresponded with them, since we are just part of general Government arm and money paid from the LTA will end up in the same coffers. We had requested them if that could be waived.

Correspondences went to and fro between both parties but like I mentioned until today, the status quo remains. It does affect us in terms of us wanting to do refurbishment or construction within our own premises, there are issues with the local town councils because they will need the land lease for us to proceed.

In terms of the financials, we are taking a stance of economic substance over form, like we are the current tenant, we are part of the general government and that is why we have incorporated the land into our balance sheet. Just to be clearer on that, for example, if you take out a car loan, in

your books you will still record the car in your assets, even though the title is still with the bank. So we have taken that stance,

I know it has been raised by the OAG but we humbly request your understanding because that is the current status we are at. We are still waiting for the Department of Lands to formalise, so I will probably give the floor to our General Manager Legal and Business Development to give his comments.

MR. N. CHAND.- Thank you, General Manager Finance and Administration.

Deputy Chairperson, back in 1998 when the transition did happen and LTA was corporatised into a statutory organisation, in a normal fashion, as similarly happened with the Fiji Roads Authority (FRA) or Maritime Safety Authority of Fiji (MSAF), the acquisition of the title, including land lease titles should have transpired at that time. However, that has not eventuated back in 1998 and there was a lapse. There were correspondences that happened, as was highlighted by my colleague in 2013.

With respect to the acquisition of the title proper, the Department of Lands is in the process of granting the lease. It is a State-owned land so definitely the Director of Lands is the custodian and owner. The only issue currently pending is for LTA to respond to the arrears of any town rates that is within the Nasinu Town Council. Once we do get clearance for that one, they would be able to advise us of the next course in anticipation of obtaining the title.

DEPUTY CHAIRPERSON.- You have mentioned arrears. Does LTA owe the Town Council any money in terms of arrears?

MR. N. CHAND.- That, Sir, is with respect to the fact that as part and process of the acquisition of the lease, we need to get a clearance from the Nasinu Town Council. If all our accounts are cleared with the Nasinu Town Council and given the fact that we have been occupying the property, then they will be able to proceed with that one. We are currently in liaison with the Nasinu Town Council for them to confirm to us if there are any arrears left on our side but from our side, we have complied with all that is necessary for the Town Council's purpose.

DEPUTY CHAIRPERSON.- Why is Department of Lands taking so much time? This matter has been there for years.

MR. N. CHAND.- Since last year, they have expedited on the matter, as General Manager Finance has mentioned. This matter has been raised with the Honourable Minister as well and after a series of meetings, I think there has been an expedited process in anticipation of getting the land lease proper so that was reflected in our accounts.

We are anticipating this to be resolved at the earliest. This has taken long because initially, there were difficulties in locating the title proper. There were numerous searches conducted within the Ministry of Lands and finally the titles were located.

DEPUTY CHAIRPERSON.- Sir, when you say earliest, what is the timeline that we are talking about?

MR. N. NAND.- Sir, we will liaise with the Council and then we will find out if there are any arrears left. As I have said, as far as LTA is concerned, we are up to date in terms of all our payments.

DEPUTY CHAIRPERSON.- Honourable Members? Yes Sir.

HON. RATU N.T. LALABALAVU.- Deputy Chairperson, could the Officials of LTA address this one by one because at the time when I was Minister for Transport I was also Minister for Lands and it took 18 years to resolve this. I do not know whether we are living in some of kind of world again or what?

For the Valelevu one, are we talking about the LTA Office is or is it the new extension that was applied at one time to be extended? For the Lautoka one, it was part of the Fiji Sugar Corporation (FSC) land, so has that been transferred to LTA?

On the missing title, I think that could have been undertaken very quickly because (inaudible) declaration and get another copy from the Titles Office. There is a process to be followed and is quite quick, but to take 18 years for all those is really unbelievable. Can you start with the Valelevu one and the Lautoka one?

MR. I. ROKOSAWA.- Thank you, Deputy Chairperson and Honourable Member. For the premises in Lautoka and Valelevu, we are facing the same situation, to have the land lease title. We only have the land lease title for our premises in Labasa and the one in Cuvu. Valelevu and Lautoka, we have not received the title proper from the Department of Lands.

HON. RATU N.T. LALABALAVU.- Deputy Chairperson, why is that? Cuvu is a former FSC land as well. The Labasa one, that is already within the Government. It was just a transfer of that, even though they are highlighted here.

Cuvu and Labasa were highlighted in copy of the application that was sent to the Director of Lands in January this year and we have got Cuvu and Labasa here in one of your letters, Sir. Has that been resolved now, for Cuvu and Labasa?

(Inaudible)

HON. RATU N.T. LALABALAVU.- ...left out from the former FSC lease and government lease. I really cannot understand why the delay for Lautoka as well, and Valelevu. Is it is something beyond your control, as highlighted by the Manager Legal?

MR. I. ROKOSAWA.- Thank you, Deputy Chairperson and Honourable Member. As I had mentioned, the last correspondence we received from the Department of Lands was that, we were supposed to pay up the lease arrears for the land at Valelevu. Since the title is not with us, there is no one paying the lease over those years which amounted to about \$56,000. So we requested them if that amount could be waived.

We have received a negative response from the Department of Lands, so we have to pay that up. We are willing to pay the outstanding arrears and the Department of Lands officers have twice or thrice came to Valelevu just to come and relook at the premises. But the status quo remains, that is, for us to proceed further as per the correspondence. But we are working hard with our Legal Department and also with the officers from the Ministry of Infrastructure and Transport.

We would also like to resolve this issue because it is being raised on numerous occasions with the OAG as an emphasis of matter. If we do not resolve this quickly, then it will become a

qualification issue on our books. We are also fighting tooth and nail to, at least, get this over because we know it is just a procedural issue. That is our response for now, Deputy Chairperson.

HON. RATU N.T. LALABALAVU.- Just a supplementary question to that, Deputy Chairperson, and thank you, Sir, for the reply. On the status that you have explained that a lease is in existence, it is just the document that the OAG requires to sight. So, the lease is in existence and what is the problem about the payment of the rent arrears, is LTA disputing the arrears with the Department of Lands or what? I take it from your explanation that the lease is already in existence but it is just the documentation that needs to be completed.

MR. I. ROKOSAWA.- Deputy Chairperson and Honourable Member, yes, I totally agree with you because with an existing lease, there is always an arrears so if the Department of Lands is writing to LTA with the arrears, then that means there is an existing lease. It is just changing the lessee's name.

Right now, it is not with the LTA but the old National Roads Authority. I believe back in 1998, there was supposed to be a merger of the two institutions and that is also being highlighted as the second query in terms of the accounts that is supposed to be incorporated into the balance sheet.

HON. RATU N.T. LALABALAVU.- OAG, that is not something beyond LTA, that is being kind of nailed against them?

DEPUTY CHAIRPERSON.- Just adding to that, OAG, we do take note of the fact that LTA has been trying their utmost best. So, why does the blame and the responsibility of this audit issue fall entirely upon them? As the Manager Legal had mentioned, they have been writing to the Nasinu Town Council (I believe) about the amount of arrears and there are documentations attached whereby they have been corresponding to the Director of Lands continuously to get this matter resolved. So, why do they take the whole crux of this burden upon them as an audit issue? If you can explain, please.

AUDIT REP.- Deputy Chairperson, thank you very much for that question and I will provide the clarifications as follows.

The audit opinion that was issued by the Auditor-General was an unqualified audit opinion which means that the OAG did not have any reservation on the accounting aspect of the leasehold land in the books of LTA. However, without qualifying the audit opinion, the OAG at that time deemed it necessary to highlight that as other matters which was more like an emphasis that LTA should work towards obtaining a title for the land on which the buildings are being built because the ownership is fairly important because the benefits that is derived from the use of land and not having the ownership of the land is something that the OAG is highlighting.

So, I would like to emphasise that the audit opinion of the LTA is not a qualified audit opinion which means that the financial aspect is all right, there is no reservation on that issue, it is just that the OAG is highlighting that matter so that LTA is doing something about it and get the ownership fairly quickly.

DEPUTY CHAIRPERSON.- So, if they do not get the title this year and there is an audited report, it will also appear as other significant matters.

AUDIT REP.- Deputy Chairperson, through you, that depends on what the entity doing about it. This issue was not raised. It was raised as part of the Audit Report as other matters, but we have not reported this matter as a significant issue because it is more like a procedural thing, getting

the title with a authority. So, if you have seen in the Report, the significant issue has not been highlighted, it is just an emphasis.

DEPUTY CHAIRPERSON.- So, if they do not get the title, it will still remain as emphasis of matter?

AUDIT REP.- That is right, Deputy Chairperson. The OAG would like to highlight that in order because I think it becomes a bit important for the readers to know that even though the land is there, building has been built but the title has not been transferred to LTA. That is just for information purposes.

DEPUTY CHAIRPERSON.- Honourable Members, any question on that?

HON. RATU N.T. LALABALAVU.- Thank you, Deputy Chairperson. OAG, would this be something similar to FRA as highlighted by Manager Legal where a blanket kind of transfer was updated and then it is now deemed and has been under FRA where rest of the actual titles for roads, drainages, et cetera, still belong to the municipalities?

AUDIT REP.- Thank you, Honourable Member. Deputy Chairperson, through you there is a bit of difference between the issue which was highlighted for FRA with the issue that is being highlighted for LTA. With FRA, the issue was more of a land that was acquired when FRA was formed. So, bulk of the land was transferred to FRA but in this case, they have the lease with them, it is just the matter of title.

With FRA, a lot of different things and lot of work is required. In that case, there are some assets which they deem are under the State which they need to require some approvals probably by Cabinet before it can be transferred to FRA. But here in this case, the process is a bit different. It is just the change from the previous lease to LTA.

(Inaudible)

AUDIT REP.- Thank you, Honourable Member. That is why OAG is not putting that as a qualification. If there was no lease altogether, then this would have appeared as a qualified audit report which means, OAG would have really raised a concern on the real ownership of the asset and the accounting of the land in the books of LTA. So, he is just emphasising, which means whoever reads the financial report will see that even though the land is there, the title has not been transferred to LTA. So, it is just the emphasis.

DEPUTY CHAIRPERSON.- Thank you, we will move on to the next issue, Sir.

MR. I. ROKOSAWA.- Thank you, Deputy Chairperson.

Transaction relating to National Road Safety and funded through the donor funds from 2011 to 2014; I believe this issue has been resolved and as also stated on Page 17 of the Draft Audit Memorandum, there was a satisfactory progress. Just for the information of the Committee, the latest Financial Statement we received from the OAG for our 2016 Accounts has only one emphasis of matter, which is again on the land title. The second emphasis of matter has been dropped because the issue has been resolved.

HON. A.M. RADRODRO.- Deputy Chairperson, just a supplementary question regarding these land lease titles, a question for both OAG and LTA. LTA, when do you expect to finalise this transaction? OAG, how long does it take for you before you make a qualification out of this matter

of emphasis? It has been eight years now, so how long do we have to keep reflecting this before you turn it into a qualification issue?

AUDIT REP.- Thank you Honourable Member. The definition of 'other matters' is different from our qualification. A qualification is given when there is a significant doubt on the valuation or the value of the land in the Financial Statements. Other matters is issued by the Auditor-General which is not a qualification, which is an emphasis that there is procedural matter and something that needs to be done by the authority, but it does not really affect the balances that is in the Financial Statements.

Then again, it becomes the discretion of the Auditor-General if he feels that he needs to put that as a qualification, then he will do so. But the only difference between other matters and qualification is that, other matters does not significantly affect the credibility or the balances that is in the Financial Statements. It is an emphasis for readers to know the status of the land with the Authority. So again, I would say that it rests with the Auditor-General, if he feels necessary that the accounts should be qualified.

HON. A.M. RADRODRO.- Deputy Chairperson, why I ask that question is because there is definitely no timeline for you to keep reflecting this before we change the qualification. Secondly, this is a matter of just the change of name, the leasehold is already there but you are trying to reflect here for the name to change from Department of Roads that it used to be, to LTA. So if that is the case and that you are coming from the land title is not reflected under LTA, what about all the properties that are on top of the land?

AUDIT REP.- The value of the property and the value of the land.

HON. A.M. RADRODRO.- These things had been registered under LTA on the assumption that the titles of the land will be registered under LTA, so you are accepting that the land is yet to be transferred to LTA but the building is now LTA's?

AUDIT REP.- Thank you, Honourable Member. Deputy Chairperson, through you, the leases are already with the authorities on which the buildings...

HON. A.M. RADRODRO.- No, the lease that is still not being registered under the Authority as you mentioned.

AUDIT REP.- It is the title.

HON. A.M. RADRODRO.- Title of the....?

AUDIT REP.- The title of the land because the arrears is billed to LTA and so it is the change in name. The substance is that, if the building is there the valuation is alright and physically, we can site the buildings in there. So the original does not have any reservation on the cost of the building and the value of the buildings in the financial reports. It is just the title which will change the legal ownership of the land from the previous lessee to LTA.

But if there is doubt on the lessee and the legal ownership of the land, then definitely the Auditor-General would have qualified the audit opinion which he did not. So he is just emphasising that matter and for LTA to act upon it. The whole reason for him putting as other matters so that the Authority works towards it and resolves it.

HON. A.M. RADRODRO.- You do not have timeline for it?

AUDIT REP.- Yes.

MR. N. CHAND.- Honourable Deputy Chairperson, may I be given permission just to respond very quickly to that?

DEPUTY CHAIRPERSON.- Yes.

MR. N. CHAND.- In 1998, some 20 years back when the actual LTA Act 1998 was passed by Parliament then, I will read out Section 32 of the LTA Act, which still stands after 20 years. The transfer of the land and the property to the Authority, Section 32(1) states, and I quote:

“Notwithstanding the provisions of the Land Transfer Act, all real and personal property vested in or belonging to the State and the Administration by the Department of Road Transport. And all other property of every description vested or belonging to the State for the use of the Department of Road Transport, shall without further assurance vest in the Authority on the commencement of this Act which was in 1998, 20 years back or such other day as may be specified by the Minister by notice in the gazette.”

And further Section 32(3) says:

“Upon the transfer under subsection one or subsection two, all debts, liabilities and obligations in connection with all pertaining to such land and property shall be transferred and vest in the Authority and shall be deemed to have been incurred by the Authority.”

So, in a nutshell some 20 years back, Parliament passed the law in the normal transition that normally happens. Similarly, that has happened for FRA, MSAF and other SAs that had been corporatised. In a normal fashion, the properties and assets vest with the new organisation that is formed and that has been the position not recently in FRA only but also has been the position some 20 years back.

The only issue that has been of concern which may have been an unqualified audit issue in the Auditor-General's Report is with respect to the administrative and procedural issue that the LTA is not reflected as the current title holders which, as my colleague has highlighted, is an administrative issue which was not dealt with by the previous office bearers of LTA. We have picked that up and as I have said, we are trying to very expeditiously deal with this matter as soon as possible and we are hoping that this matter will be resolved at the earliest.

DEPUTY CHAIRPERSON.- So when you say it is an administrative issue, what are you specifically referring to here, that some of the roles and responsibilities of LTA as per the new Act is a bit different from the National Road Safety Council?

MR. N. CHAND.- The roles and responsibilities from the National Road Safety Council over to the Department of Road Transport to the current LTA pretty much remains the same, apart from the fact that there have been numerous regulatory changes which has added further responsibilities or removed or streamlined certain responsibilities within the LTA. But generally the responsibilities back in 1998 under Section 8 on the functions of the LTA are very similar to that of the Department of Road Transport.

DEPUTY CHAIRPERSON.- So why are you saying that because of administrative issues we have this issue, if the roles and responsibilities generally remain the same?

MR. N. CHAND.- The roles and responsibilities do remain basically the same by virtue of the law change in 1998. The property was actually vested with the LTA. Administratively, all that was needed to be done back then 20 years ago, was a proper correspondence to be done to the Ministry of Lands so that back then it could have been done which was not done for almost 20 years which we have picked up and we are trying to deal with it in a most expedient manner as possible.

DEPUTY CHAIRPERSON.- So when you say administrative issues, you are specifically referring to the correspondence that should have transpired at that time but eventually did not happen.

MR. N. CHAND.- Yes.

DEPUTY CHAIRPERSON.- Thank you for that. Honourable Members, any questions?

(There were no questions)

We thank the Team from LTA for a rather comprehensive discussion on this matter and as far as the audit issue is concerned, this matter gets resolved as soon possible since it has been in existence for a long time.

I also wish to take this opportunity to thank the OAG for your indulgence and for further explanation on this matter. So far as we take it from the Committee's perspective that it will still remain unresolved until and unless the titles are there, but nonetheless we know that a lot of comprehensive exercises and requests had been ongoing from LTA. They had been doing their part which is why this is an unqualified audit report.

I believe the matter can be solved only by other relevant institutions, in this case, the Town Council and Department of Lands. So we take it generally that this matter is not the fault of LTA. Perhaps, there are other pertinent issues relating to this so hopefully, it does not appear in the next audit report, and the titles are given to LTA.

On that note once again, I would like to thank you, Sir, and your team. Do you have any final concluding words before we end the session?

MR. I. ROKOSAWA.- Deputy Chairperson and Honourable Members, I would just like to correct my earlier statement. I mentioned that in Cuvu, we had the land title but I just received confirmation that it is only in Labasa. I do apologise for that. It is only for Labasa but Cuvu is still with the Public Works Department (PWD) at the moment.

In concluding, I would like to take this time to thank the Deputy Chairperson and the Honourable Members for allowing us to appear before you this morning and we will surely work towards rectifying all those land issues. Thank you very much.

DEPUTY CHAIRPERSON.- Please, join us for morning tea.

The Committee adjourned at 10.43 a.m.



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The Committee resumed at 11.10 a.m.

**Submittee/ Interviewee: Ministry of Education and National Substance Abuse  
Advisory Council (NSAAC)**

In Attendance:

- |    |                      |   |   |
|----|----------------------|---|---|
| 1. | Ms. Alison Burchell  | - | Permanent Secretary                               |
| 2. | Mr. Manoa Senikarawa | - | CEO, National Substance Abuse<br>Advisory Council |
| 3. | Mr. Timoci Bure      | - | Deputy Secretary, Ministry of Education           |
| 4. | Mr. Donish Lal       | - | Manager Finance                                   |
| 5. | Mr. Pritesh Kumar    | - | Senior Accounts Officer                           |

Office of the Auditor-General

- |    |                      |   |                   |
|----|----------------------|---|-------------------|
| 1. | Mr. Dineshwar Prasad | - | Director of Audit |
| 2. | Mr. Ilaitia Varani   | - | Audit Manger      |

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DEPUTY CHAIRPERSON.- The Honourable Members, Parliament secretariat staff, members of the media, representatives from the Office of the Auditor-General (OAG) and in particular, I would like to welcome Madam PS and her Team from the Ministry of Education's National Substance Abuse and Advisory Council (NSAAC) to our meeting of the Public Accounts Committee (PAC).

We are here to discuss the audit issues of the 2015 Audit Report on State Owned Entities (SOEs) and Statutory Authorities (SAs). As usual, the accounts of the Council is in order, it is a qualified audit opinion but nonetheless, there was only one issue that was highlighted and that is, the disclaimer of opinion. This is particularly in regards to the Council which is yet to comply with IFRS.

We have received a written submission from you but just for the benefit of the Committee, we would like you, PS, to just very briefly introduce your Team and then from there, either you or your designated speaker who will be presenting on the audit issue can take us straightaway. Thank you.

MS. A. BURCHELL.- I thank you, Deputy Chairperson and Honourable Members of the Committee, for the opportunity to come and discuss these important issues with you today. I will introduce my Team.

(Introduction of MOE-NSAAC Team by the PS)

Just as you know, this is a statutory authority so they are at arm's length from the Ministry. But that does not remove any obligation that the Ministry has in relation to the accountability issues of the Council. So I am going to ask the CEO to answer this in the first instance and then we can follow up as necessary. Thank you.

MR. M. SENIKARAWA.- Thank you, Madam. The Deputy Chairperson and Honourable Members of the Committee, the question that was raised in regards to the 2015 Audit Report is that,

the Financial Statements of the Council are required to be prepared in accordance with the International Finance Reporting Standards (IFRS) for small and medium-sized entities(SMEs). The Council was yet to comply with IFRS as required for general purpose Financial Statements.

Please, provide the Committee on whether the Council has included internal controls and adopted the required financial reporting framework; in response, the Council has improved on the internal controls and continued to do so. In this instance, salary reconciliation and other accounts are prepared and updated regularly. The Council is also in discussions with the ANZ Bank to change to electronic payment from the current manual process which the Council uses, and this will increase efficiency and reduce cost.

The Council is working to fully comply with the required financial reporting framework and the Council has trained two officers in using Mind Your Own Business (MYOB) which is now being used with updating financial information from 2016 onwards, to meet the standard and transition from cash-based accounting to accrual-based accounting. Thank you, Deputy Chairperson.

DEPUTY CHAIRPERSON.- Honourable Members, any question?

I think that was a very straightforward answer and we also do take note of the transition that the Council will be going into, especially in terms of electronic transfer, et cetera, but nonetheless if there are any questions, feel free to ask.

HON. A.M. RADRODRO.- Deputy Chairperson, in terms of the explanation given with respect to the internal controls of the entity, the Auditor-General highlighted on page 43 the respective internal controls of the institution, which is showing a very ineffective internal control process within the Ministry. Can the Committee be also advised on the status of the internal control of the Ministry, whether it has improved, going together with your comments which has been given to the Committee?

MR. M. SENIKARAWA.- I would not be able to talk on the Ministry but for the Council, we have tried to put in place a system. What we do is, crosscheck with the Director Finance at the Ministry of Education and these are the systems put in place where we could crosscheck the work that is done by our Accounts Officers and we sign off on whatever is needed to be signed off before cheques are written to be drawn.

HON. A.M. RADRODRO.- Thank you, Deputy Chairperson. Maybe, OAG can also enlighten the Committee on this summary of internal controls and what was identified during this audit process where you have highlighted ineffective control?

AUDIT REP.- Thank you, Honourable Member. Deputy Chairperson, through you, during our audit of the Council, we did a thorough review of the internal control that is existing in the Council. We started with the control environment and then we looked at the control activities. The difference between the control environment and control activities is that, the environment in which the internal controls are operating, including the oversight functions, who is actually overseeing the necessary controls that are being performed, for example, bank reconciliation. So, bank reconciliation is a control activity that needs to be performed. But then when you look at the environment under which those controls are performed, there needs to be someone who needs to perform an oversight function of those controls.

If the person is only preparing the bank reconciliation which is a control, that does not really mean that the control is effective, there needs to be someone who needs to regularly review it, check it and cross check it. So, the control environment was highlighted by the OAG to be weak because the necessary oversight functions was not operating effectively, which means timely reviews were not carried out, so the control environment was weak.

Likewise, the other necessary controls in terms of the reviews, reconciliations (basic reconciliations), salary reconciliations, bank reconciliations and other sorts of reconciliations, were not carried out. Places where it was carried out, it was not on a timely basis so it defeats the purpose of the reconciliation itself. So, those were generally the areas where we picked out and if the control environment is weak, no matter how many controls you have, it becomes very risky because the control activity can be performed but it also can be manipulated if it is not reviewed by a senior officer, so it generally makes the whole control system very weak.

HON. A.M. RADRODRO.- Deputy Chairperson, can we request OAG to take us through those results that you have tabulated here, the respective controls. Can you give us a brief explanation and how have you marked the NSAAC as being ineffective?

AUDIT REP.- I will just briefly go over the Report.

CE stands for the Control Environment. If you look at it, they are all red which means it was very alarming. When we actually did the control review of the Council, the result was generally very weak so red means immediate actions need to be taken by the Council to rectify all the anomalies in the internal controls.

Then we have the Risk Assessment. How does the Council actually analyse the risks it has? For that, there needs to be some sort of documentation. For example, in a small entity like the Council, there needs to be a risk register or risk matrix or risk framework. It does not necessarily need to be very comprehensive, but it depends on the size of the entity and the type of risks that it is exposed to.

The Council could have guidelines in order to ensure that those necessary risk assessments are performed but there was no framework and no documentation of that. So, the risk assessment was not performed so generally that area becomes very weak as well.

The Control Activities which is CA, those control activities are reconciliations - reconciliation between the bank and the general ledger, salary reconciliations and other revenue reconciliations, grant to agree with the grant agreement, et cetera. So, those controls were not performed but when it was performed it was not performed on a timely basis, so it defeats the whole purpose.

The next one is the monitoring aspect. When the controls are performed, then there needs to be a monitoring done, like there needs to be an assessment. There needs to be a monitoring unit who will be monitoring all those controls, I mean, whoever is performing it and can certify that the controls are working effectively.

Overall, when the OAG reviewed the whole internal control aspect of the Council, it generally found it to be very weak. Red means it is alarming, which means even though the size of the entity could be small, that does not take away the responsibility that the necessary control is not in place. So overall, the controls and the control environment, the risk assessment, the monitoring of those controls and the internal control activities were not in place.

DEPUTY CHAIRPERSON.- You mentioned here, “Ineffective acceptable draft financial statements received less than 30 days before legislative deadline.” Last year, when we had a discussion, the OAG representative said that they are always up to date in the submission of their Financial Statements. Why does it sound very contradictory this time?

AUDIT REP.- Thank you, Deputy Chairperson. The Council was up to date with their financials because they submit Financial Statements on time for auditing purposes but that will not necessarily mean that they do not have the proper internal control in place.

The delays that has been caused after the 2015 audit was generally because the disclaimer was issued by the OAG under the framework in which the Council prepared its Financial Statements which is the cash basis of accounting. When a general purpose statement is prepared, it needs to comply with the Standards which is adopted by the Fiji Institute of Accountants. So, at the moment FIA has IFRS for big and large entities and IFRS for small and medium-sized entities.

In addition to that, the Council in 2015 was on a cash basis, so the OAG gave a disclaimer. Probably, the Council would be in a better position to explain the delays because we have not received any financials after 2015. So probably, the Council can correct my statement, that they may be working towards adopting the change in the format of the Financial Statements and that was why the OAG had not received their 2016 financials for auditing purposes. But I agree, their financials were on time before but the control weaknesses were still there.

DEPUTY CHAIRPERSON.- Can we get a comment from the Council?

MR. M. SENIKARAWA.- Thank you, Deputy Chairperson. I understand that in 2015, this might have been the case but I can assure the Committee that there has been work done that are already stated in the response, that we have progressed and tried to improve on the controls that are there. Since I have just received this Report a few minutes ago, if there are other specific things that we need to reply to the Committee concerning those controls, we can forward them later to the Committee.

HON. A.M. RADRODRO.- A supplementary question; again, just noting the responses from the CEO regarding the preparation of the 2016 Accounts, can the Committee be advised on whether an updated accounts will be presented to the auditors for auditing?

MR. M. SENIKARAWA.- Deputy Chairperson, we will try to have the 2016 under the reporting system by July to be submitted for audit.

HON. A.M. RADRODRO.- Most of the entities are also trying to synchronise with the Government fiscal year. Is that also part of the new changes or improvements that the Council is also looking at?

MR. M. SENIKARAWA.- For the change in the financial year, yes, we are working on that.

DEPUTY CHAIRPERSON.- So 2016 and 2017 Audit Report is left to be...

AUDIT REP.- Yes, Deputy Chairperson, that is correct.

DEPUTY CHAIRPERSON.- Alright. Now Honourable Members any questions?

HON. A.M. RADRODRO.- Deputy Chairperson, I have a question to the PS regarding delays in the submissions of Audited Reports from entities such as this, that come under your Ministry. Can you just inform the Committee, what sort of controls do you put in place to ensure that there is value for money at the end of the day on the grants that you give out?

MS. A. BURCHELL.- Thank you, Deputy Chairperson. I think that it is correct, a number of entities under the Ministry have been struggling to get their Financial Statements in, and that is something that we are addressing with each one of those. So we have grant agreements with them and if they do not meet the requirements, we withhold their grant.

The difficulty then become that they come back and say, “Well, we cannot operate, we need to close down”, so we need to give them just enough for them to be able to operate and we enforce the level of the acquittals before we issue any further funding to them. So it is something that we are addressing.

But the control environment, I think it is not always a straight-line to say that there is no control environment, therefore, there is no value for money. It does say that there is no control environment and there is a possibility that there is a lack of value for money, and that is something that the value that comes to us from the Auditor-General’s involvement in terms of checking that.

I think generally within the Civil Service, we have a lot more work to do in terms of the Risk Management Infrastructure. It is not something that we are strong on, but it is something that we are building up to ensure that, that happens. But I would like to ask the Director of Finance to add to that as well because obviously he is closer to the issue than I am.

MR. D. LAL.- Thank you, PS. In terms of the control environment, things to ensure that we have value for money for the coming years, there are a number of policies that had been implemented within the Council, such as the Finance Policy which is straightforward, in line with the Ministry of Education’s Finance Policy. So the procurement process, et cetera, are in line with the procurement processes of the Government, so the Council has got signatories which are a part of the Ministry of Education as well.

In terms of payment processes, et cetera, there is a high assurance before payments are being made that items that are being procured or whatever payments are being made are in accordance with this set of policies that are in place now. That could be the case in 2015 but moving forward, there is significant improvement in terms of that.

Also, reconciliations have been implemented such as salary reconciliation as well as monthly financial reconciliations that are in place now, which adds on to the Risk Management Framework, as well as the governance issues that have been surrounding the Council previously. Thank you.

HON. A.M. RADRODRO.- Deputy Chairperson, just a supplementary question in terms of the operations of the Council, probably relying on the Government grant. What is the Government grant amount that you receive on an annual basis and whether that is enough or there is a need for more grants?

MR. M. SENIKARAWA.- For the grants that are coming in, it is enough for the planned activities. Government has adequately given funds for us to do the work that we need to do. It was \$800,000 for the last financial year.

HON. A.M. RADRODRO.- The institution is pretty much very important institution in terms of the work that it does.

DEPUTY CHAIRPERSON.- Yes, it is.

HON. A.M. RADRODRO.- I see that the Office is still operating from the Ministry, is it still part of the Ministry and their financials is still part of the Ministry? Is it still being operated by the Ministry's accounting staff?

MR. M. SENIKARAWA.- No. The grant is given to the Council and there are staff in the Council who operate the budget that is given.

DEPUTY CHAIRPERSON.- Honourable Members any more questions?

(There were no other questions)

I would like to thank you, PS, and your team for your indulgence, your time and for the written responses. Yes, we do take note of the reforms and the changes that the Council is going to make and on that note, I would like to appreciate the measures that had been undertaken, especially in order to improve the internal controls within the Council.

Without further ado, I would like to request if you have any final concluding words before we end the session. Thank you.

MS. A. BURCHELL.- Honourable Chair, just to say thank you to the Committee. I think it is always important to keep us on our toes. We are using taxpayers' money and it is important that we account fully for the taxpayers funding that we receive.

I thank you for the things that you have taken note of and the importance of the work of the Council. Secondly, the arm's length relationship is not the same as hands off relationship and while it is a statutory authority with its own Board and because it is closely aligned to the Ministry, we make sure that the systems are in place and that we ensure transparency and accountability. So thank you and to your colleagues for helping us through that process.

The Committee adjourned at 11.33 a.m.