

VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS COMMITTEE HELD IN THE COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON WEDNESDAY, 4TH APRIL, 2018 AT 9.30 A.M.

Interviewee: Ministry of Infrastructure and Transport

In Attendance:

- | | | |
|----------------------------|---|-------------------------------|
| 1) Mr. Manasa Lesuma | - | Deputy Secretary |
| 2) Mr. Sen Jeet | - | Principal Accounts Officer |
| 3) Mr Kavneel Prasad | - | Senior Accounts Officer |
| 4) Mr. Josese Lawaniyasana | - | Actg. Director Govt. Shipping |
| 5) Mr. Mikaele Belena | - | Actg. Director Energy |
| 6) Mr. Ravind Kumar | - | Director Meteorology |
-

MR. CHAIRMAN.- Good morning everyone, Honourable Members, members of the Secretariat, media and staff. We are now ready to take on today's presentation of the Public Accounts Committee and today we have the Ministry for Infrastructure and Transport before us and for that purpose we have presenters from the Ministry for Transport and Infrastructure headed by the Deputy Secretary Mr. Manasa Lesuma, Principal Accounts Officer, Mr Sen Jeet, Senior Accounts Officer Mr. Kavneel Prasad, Acting Director Mr. Josese Lawaniyasana, Acting Director Mr. Mikaele Belena and Director Meteorology Mr. Ravind Kumar. I welcome you all to today's Committee meeting.

As you are aware that we are doing an important task for the Government and for the Parliament, for the Legislature in scrutinising the accounts and how the public monies are spent. To assist us in today's deliberation we have officers from the Office of the Auditor-General who will be assisting us as we go along with our questions, Mr. Dineshwar Prasad, Director Audit and Ms. Farisha Nawaz, Acting Audit Manager and also staff from the Ministry for Economy who will also be assisting us with the questions and answers. There is Ms. Asinate Taukeinikoro, Ms. Ana Waqanisau, Ms. Asenaca Mae and Mr. Semesa Masau who are all here. Thank you very much for your time and attendance this morning.

We have had the benefit of going through your submissions not in detail but we have had a glance through and we will appreciate if you take us through those submissions as we go along. Any opening remarks Director before we take on the questions.

MR. M. LESUMA.- Thank you Mr. Chairman, Honourable Members of the Public Accounts Committee, I first would like to thank the Committee for this opportunity for the Ministry of Infrastructure and Transport to clarify issues raised in our 2016 Audit Report. Firstly, I would like to sincerely convey my Permanent Secretary's apologies this morning. He had to join the Honourable Minister in the West due to the recent flooding that had badly affected the communities in the West. Allow me also to introduce the members of our Team this morning.

(Mr. Lesuma introduces the Team)

The Ministry has noted issues raised by the Auditor-General in the 2016 Report and I will start off with a general statement on the key issues raised and the team will cover the details clarifications. So, we have prepared and circulated a detailed reply to the questions that were raised by the Committee in your letter to the Ministry.

Mr. Chairman, the Ministry has exerted much effort to resolve all the reoccurring audit issues that have led to qualifications of our financial reports. The Ministry's commitment to that end is shown in the reducing trend of qualifications appearing in the Annual Financial Statements from year 2014 to 2016. Over the years the number of audit issues arising has significantly reduced which has been commended by the Office of the Auditor-General office and the Ministry of Economy.

Mr. Chairman, upon the implementation of the FMIS some years back, certain figures appearing from past financial years to do with financial transactions of the former departments that were corporatized remained posted and could not be substantiated and appearing as qualification issues over the past years. The Ministry has continued to address this with the above stakeholders whereby the unsubstantiated balances from the past financial years have continued to be verified and regularised. The Ministry continues to liaise with the Ministry of Economy to rectify the few remaining unsubstantiated balances that continues to appear as qualification in the 2016 OAG Report.

Sir, the Ministry of Infrastructure and Transport will continue to engage with the Ministry of Economy and the Office of the Auditor-General to improve its compliance to the financial regulations and fine tuning our systems and processes to improve the effectiveness and efficiency of delivery of our core services.

Furthermore, Mr. Chairman, the Ministry has internally restructured the Accounts Department to improve on its reconciliation and record management and

internal controls. In the past 3 years the Government has invested more than \$80 million in rural electrification programmes, these includes provisions of electricity access to our rural maritime communities through Fiji Electricity Authority grid extensions and house wiring, solar home system and micro hydro projects. For FEA grid extension projects, a total of 231 new schemes have been constructed and connecting more than 6,900 households in the electricity network.

Additionally, a total of more than 6,300 homes have been electrified through solar home systems. In total these projects will benefit approximately 66,000 of ordinary Fijians, the increase in trends shows Government's commitment to achieve its targets of 100 percent of electricity access by 2021.

Sir, with the commitment of my Honourable Minister and the Permanent Secretary, I am reassuring the Committee that we are working towards having an unqualified clean report for the next audit cycle for 2017-2018 financial year.
Vinaka *vakalevu.*

MR. CHAIRMAN.- Thank you very much for that comprehensive introduction Director. We do indeed note that the audit issues have significantly reduced, the accounts that we had inspected for the previous years had a lot of issues, which has reduced. There are some recurring issues which we will be addressing in a while. There was a question of general interest by Honourable Aseri Radrodro and one that I had myself to the Director Meteorology before we go to the actual audit issues. Before I go further this is the Opposition side and this is the Government side. So, the questions would not reflect the Government, Opposition's views but it is generally for general purpose.

HON. A.M. RADRODRO.- DS, as part of the role of the Ministry is the safety in terms of maritime services, we noted the grounding of *MV Spirit of Altruism*. Any update that the Committee can get from your Ministry in terms of what is involved and the stakeholders that are involved with that rescue exercise?

MR. M. LESUMA.- *Vinaka* Honourable Radrodro we agree in terms of the mishap that has happened. We have the Maritime Safety Authority, the Ministry is now in the process of conducting an investigation on how the mishap had happened. To date all the information we have is what that has been raised in the media basically that the engines failed. I do apologise if I do not have all the information this morning but let me reassure the Honourable Member that before we leave this meeting this morning we will provide all the details. I have asked our office to provide us some updates to inform the Honourable Members on the situation on the ground with regards to the vessel that ran aground.

MR. CHAIRMAN.- Thank you very much for that presentation DS, it is not an audit issue, it is just a question for clarification. You were not obliged to answer it, but you have given us the information, if we can have some update by the end so that we can, at least be aware.

The second issue I had was, it is also not an audit issue and it is not putting the Director Meteorology in the corner. The DS had mentioned about the recent floods in the West and I was personally there and the water actually rose in 15 minutes from 0 to 2.5 metres in the main Ba Town centre and people were saying that they were not adequately advised of the pending flood. What is the general procedure of how early or quick do you advise the people by what forms of such disasters? What precautionary measures does the Department itself take in terms of keep on updating people?

MR. R. KUMAR.- Thank you, Honourable Chair and good morning to all Honourable Members. The Department of Meteorology is mandated to provide the flood warning services to all of Fiji. The process and the procedure that we follow is that as soon as we see that some disturbance is coming or any significant weather is going to affect which will have an impact, we normally go through the media release. This media release was in place from Tuesday.

Following that, we also called media conferences to brief them and I normally do appear on those media conferences to inform people of some impending impacts. At the same time, normal public routine forecast goes on, providing people at every six hours how the weather changes and what we anticipate. As we see that the water levels in the rivers rise, we activate our flood forecasting bench which continuously monitors.

Different rivers have different trigger levels. As soon as they reach alert levels, the alert goes out. When it surpasses the alert level, before it reaches warning level, the warning level goes out. Some of the river systems are very steep and their response time is about two to three hours, except for Sigatoka and Rewa which has got a longer response time of about five to seven hours.

In any case, with the recent floods in Nadi, Lautoka, Ba, Tavua and Rakiraki, the accumulation of rainfall over five or six days was a contributing factor. People were adequately warned. The communication channel that normally goes through is the radio, television and print media. So I am quite satisfied that there was a lot of information out there for people to take action. I think the inaction is a question; why do people do not act on time and do not take warnings and alerts seriously?

Furthermore, given that the high tide was more than two metres and very clearly, one of my media releases said, “There is a very high chance of flooding in low-lying areas on Sunday and Monday” and exactly it happened on Sunday. The contributing factor to that is the accumulation of rainfall. Heavy rainfall intensity when the depression came to Fiji, we had about from 12.00 a.m. until 10.00 a.m. almost continuous rain. This rain came with high intensity which had about 10-15 millimetres of rainfall in one hour. At the same time, the high tide came in the morning which provided a backflow of water into the rivers whilst loads of water was still coming out through the rivers and it coincided with that and burst the banks.

That is one of the reasons why the fast flooding was encountered. That was the situation, Sir.

MR. CHAIRMAN.- Thank you very much for that. In fact, I had myself heard the warnings from Wednesday so there was adequate time. Wednesday to Sunday was about four days. I would not blame the department for not giving timely warnings.

HON. RATU N.T. LALABALAVU.- Just a supplementary question to the Met Office official. Now that we are in this modern time of having technology with us, as you mentioned that there was a lot of information given out through the media, both radio and television. Why is it that your weather reports are not taken advantage of the situation that we have now when we are in this digital mode with our television? You have these pictures coming that speaks more. Instead, you just have still pictures coming out like you have with other television stations like British Broadcasting Corporation (BBC) and Cable News Network (CNN).

MR. R. KUMAR.- Certainly, Sir. That is in the future plan. We have not yet implemented but we are looking at visual weather and a smart map type of software to be acquired so that will provide more of visual rather than text-based. They are quite costly. We are putting out submissions in terms of procuring those software and I am quite sure in the next two to three years, we will have that available for the benefit of our people.

MR. CHAIRMAN.- There is a mobile app, Honourable Member. It is called Windy. Actually it has quite accurate positioning of the storms.

We will move to the audit issues now. Whilst it is remarkable that the Department has reduced most of its issues, what actually sticks out like a sore thumb is on Page 2. It was a qualified report because the OAG could not substantiate a few things and one of them was, I understand that there will be detailed explanation of that in the further pages of this submission. But what is

noted here on Page 2 is that separate cash ledgers were not maintained for Trading and Manufacturing Accounts (TMAs) and that resulted in a cash at bank balance of \$3.766 million and the bank reconciliation consolidation showed \$2.493 million resulting in a variance of \$1.272 million.

Further, a variance of \$210,188 existed between the subsidiary debtor's records and the Financial Management Information System (FMIS) accounts receivable. Since the Ministry did not reconcile the two, the OAG was not able to ascertain the correctness of the nil receivable balance. What they are saying is that, the balance showed nil receivables but the cash at bank and the ledger actually showed different amounts which resulted in a variance. Can there be some explanation on that on how such a large variance occurred and why ledgers are not maintained properly?

MR. S. JEET.- Thank you, Honourable Chair. These unsubstantiated TMA balances arose due to the fraud activity that took place at the Divisional Engineer Central/ Eastern Office. The case is before the courts, undertaken by Fiji Independent Commission Against Corruption (FICAC). The first set of hearings have been done and those found guilty have been convicted.

To regularise those unsubstantiated variances, we had written to the S-G's Office for an opinion. Two weeks ago we received a response from S-G's Office that the matter be referred to the Minister for Economy for write-off since this is a criminal case and these amounts cannot be recovered.

MR. CHAIRMAN.- What was the fact of this fraud case? What actually happened?

MR. S. JEET.- Honourable Chair, there was a group in our accounts team at Divisional Engineer Central/ Eastern Office which had misappropriated funds and

MR. CHAIRMAN.- Is it those five or six ladies who went to prison from the Ministry of Works?

MR. S. JEET.- Yes, Sir.

MR. CHAIRMAN.- They misappropriated these amounts.

MR. S. JEET.- Yes, Sir. They were quite substantial amounts. The amounts that have been reported without the evidence provided, but there were certain

transactions where the documents were destroyed and could not be substantiated. That has resulted in all our reconciliations having variances.

MR. CHAIRMAN.- Central/ Eastern, what areas are we talking about? What districts are we talking about?

MR. S. JEET.- That is our Divisional Engineer Central/ Eastern Office based in Walu Bay.

MR. CHAIRMAN.- Which areas do they look after? Maritime as well.

MR. S. JEET.- Yes, Sir.

MR. CHAIRMAN.- It is quite remote. Non-flooding area. Probably tsunami prone area. So, what remedial measures or what safeguards has the Ministry implemented so that this type of fraud does not reoccur in the future?

MR. S. JEET.- Honourable Chair, we have transferred some of our staff from headquarters to Central/ Eastern accounts and we have recruited new staff. We are monitoring our reconciliations very closely. The Ministry of Economy is also following up on our monthly submissions. Reconciliations were not done because this whole group got together and they formed some sort of cartel and they were doing whatever they wanted in collusion with the suppliers. Lack of reconciliations had prompted this to take place.

MR. CHAIRMAN.- We have heard earlier from the ministries and also from the internal audit team of Ministry of Economy that if reconciliations are done every month then you can arrest the situation much earlier. So now are you doing monthly reconciliations in your department?

MR. S. JEET.- Yes, Honourable Chair.

MR. CHAIRMAN.- That goes for all of them; Meteorology, FRA and all or it is just your Ministry?

MR. S. JEET.- For the whole Ministry.

MR. CHAIRMAN.- Honourable Lalabalavu?

HON. RATU N.T. LALABALAVU.- Honourable Chair, just a question to the Deputy PS. Who is accountable for this in the case of these officers in the Central Division, I understand you can delegate authority but not accountability?

MR. S. JEET.- Yes Sir, the overall head of the Ministry is Principal Accounts Officer who was supposed to be responsible to see all are reconciled and submitted on time.

HON. RATU N.T. LALABALAVU.- I am raising this Honourable Chair because it has become a norm so to speak, that for disciplinary action very seldom that the Committee see that eventuating. For this particular case, it is good FICAC has taken those people to task but who is accountable? Give the full picture of accountability when it comes to disciplinary actions.

MR. M. LESUMA.- *Vinaka*, Honourable Chair. The FMIS system has delegated authority levels basically on procurement. For the incident that actually happened, we had the Assistant Accountant who was actually authorised basically because she had the password and no one else would be able to access to do any transactions not without her knowledge. I mean the whole reason why the system is such so that different levels have that accountability in terms of having to approve and process any transaction. But these all failed because the password and the authority to authorise that was actually shared among the group. She was also one of those being the head of accountant for the division that was also implicated in this matter.

MR. CHAIRMAN.- Any attempt been made to trace their properties that they might have accumulated through this fraud or is FICAC going to do that?

MR. M. LESUMA.- I think that would have been a process that FICAC would have addressed.

MR. CHAIRMAN.- Is that the other amount at paragraph two, \$210,188, is that also part of the fraud?

MR. S. JEET.- Yes, Sir.

MR. CHAIRMAN.- They actually did not record the debtors too ; people paying up to the....

MR. S. JEET.- My apologies, Honourable Chair, these are the credit sales that were made which were recorded in the manual ledgers but not in the system.

MR. CHAIRMAN.- All right. So how is that corrected now?

MR. S. JEET.- This is now captured in the system and it is reflected in our financial statements.

MR. CHAIRMAN.- Has the amount \$210,000 been regularised? That would be monies owed to the Ministry by your debtors. The account receivable showed a nil balance, but there was an amount of \$210,000 appearing in the subsidiary debtors records. So what I understand from this is that there were some people owing money to the Ministry but their accounts were not kept properly. So we do not know whether those monies would have been paid.

MR. S. JEET.- This have been paid. This were the plant hire, all the other services that the Ministry provides under TMA is on cash basis except for plant hire which is billed after the month.

MR. CHAIRMAN.- What sort of plants do you hire out?

MR. S. JEET.- We have twin cab vehicles, trucks and machinery.

MR. CHAIRMAN.- You have regular people, regular customers who come and hire this from the Ministry for their own use and pay up? Or you hire from others?

MR. S. JEET.- No, Sir.

MR. CHAIRMAN.- If it is a debtor, someone owes money to you, you must have hired it out.

MR. S. JEET.- It is hired within the Ministry, suppose the Department of Energy has to undertake some work, they will hire some vehicles from us.

MR. CHAIRMAN.- But they do pay on time?

MR. S. JEET.- They pay on time.

MR. CHAIRMAN.- So we can move on with the other questions?

HON. A.M. RADRODRO.- In terms of accountability, like we mentioned the delegation of authority, but who does the Assistant Accountant report to? What is the role of the person that the Assistant Accountant was reporting to? That questions the whole system of governance.

MR. CHAIRMAN.- Who was the PS at that time - 2016?

MR. M. LESUMA.- It was Mr. Tuiloma.

MR. CHAIRMAN.- He had ultimate authority when it comes to Honourable Radrodro's question; the Assistant Accountant must have been reporting to someone.

MR. M. LESUMA.- We have Senior Accountants which are overall looked after by our Principal Accountant, that is basically the reporting structure for our accounting. But as raised by the Honourable Member, yes, the Assistant Accountant does report to the Senior Principal Accountant in this case.

MR. CHAIRMAN.- The Senior Accountants are based at headquarters?

MR. M. LESUMA.- Yes.

MR. CHAIRMAN.- About what period or how many months and years went by for this amount to accumulate to \$1.272 million? Was it one financial year or is it an issue of previous years?

MR. S. JEET.- Sir, it is part of two financial years.

MR. CHAIRMAN.- So the fraud continued for about 24 months?

MR. S. JEET.- Part of the 24 months.

MR. CHAIRMAN.- But you have confirmed that you now have checks and balance system implemented that will prevent this from happening again?

MR. S. JEET.- Yes, Sir.

HON. A.M. RADRODRO.- Just a question regarding these variances, if I am rightly hearing it is related to the fraud, this \$1.2 million?

MR. S. JEET.- Yes, Sir.

HON. A.M. RADRODRO.- Is that so, \$1.2 million is related to the fraud?

MR. S. JEET.- Yes, Sir, we could not substantiate these variances so it remained as unsubstantiated variances for which we did not have any documents to support.

HON. A.M. RADRODRO.- ...happening in terms of the various work that is supposed to be done, like monthly reconciliations, weekly checks, who is not doing the work there to allow this amount to accumulate to that?

MR. S. JEET.- Sir, as I have earlier said that the entire group, those who were supposed to do procurement, those who were supposed to do checking and those who were supposed to do reconciliations were all involved so no one did

HON. A.M. RADRODRO.- What about your internal audit department within the Ministry that could have raised this issue much earlier?

MR. S. JEET.- They have a compliance team which could have raised this issue earlier but I think they were all party to it.

HON. A.M. RADRODRO.- Ministry of Economy, it is a significant amount, accumulated over a two- year period, what was it that the Ministry of Economy's Internal Audit, did you do some exercise of auditing in terms of the TMA operations in the Central/ Eastern Division?

MS. A. TAUKEINIKORO.- Thank you Honourable Member. I think issue that is in question here was a result of an investigation way back in 2010. The figure has accumulated over the years because the court case was pending with FICAC so we cannot treat the outstanding amount until the investigation was finalised and the court's decision was reached.

MR. CHAIRMAN.-The court finally made a decision that this amount was the one that was misappropriated?

MS. A. TAUKEINIKORO.- That is right, Honourable Chair.

MR. CHAIRMAN.- That brought the matter to finality. Where that money ends up will be part of a civil action proceeds of crime. Same thing that happened to the Feroz Jan company.

HON. A.M. RADRODRO.- Sir, what is of concern here is the inconsistent disciplinary measures issued by the respective Ministries and Departments. Here we see, I do not know whether the internal disciplinary measures was undertaken by the Ministry. In some ministries that we have interviewed, they have spent so much money also on certain issues but they are exercising disciplinary measures without considering FICAC as the first option. What is the standard normal process in terms of these scenarios, the disciplinary measures? Probably FICAC is the first option that the Ministry referred to in this case? Why were disciplinary

measures not exhausted within the Ministry because some ministries have exhausted internal disciplinary measures, higher amounts rather than taking it to FICAC straightaway as a first option?

MS. A. TAUKEINIKORO.- Thank you, Honourable Chair. For such a scenario, the investigation report would have recommendations and the onus is on the ministries and departments to actually implement those recommendations. If the issue is criminal in nature, it will be forwarded to FICAC for further investigation and if the issue raised is of discipline in nature, it will be forwarded to the Ministry of Civil Service and some management would then take up whatever that has been recommended. But for the issue that is in discussion this morning, I think straight after the investigation was concluded, the eight officers who were involved were actually suspended effective immediately.

MR. CHAIRMAN.- They were not given an opportunity to pay up but just resign and go, because some of the ministries actually, some people pay up to save that criminal charge and that actually bring some money back because FICAC investigation was to put them in prison, it does not bring the money back.

MS. A. TAUKEINIKORO.- That is right Honourable Member. In the case if officers were indirectly involved, then the surcharge clause will take effect.

HON. RATU N.T. LALABALAVU.- Just a supplementary question, Honourable Chair to the PS again, maybe a second bite of the cherry. Would you advise the Committee as to how best can we deal with this; delegation of authority is one thing; the accountant was delegated the authority has been taken to task here. Accountability rests at the top. If we want to clear this and clean this, the amount is quite substantial as indicated by Honourable Radrodro. What would be your view on this if you want to make sure and ensure that there is no repeat of this thing? Because it is a two-year period, the accountant's boss was sitting idle all the time, maybe. Can you just guide the Committee on that as to what would be the best way forward for this?

MR. M. LESUMA.- *Vinaka* Honourable Member. We totally agree in terms of the issues and the concerns that has been raised this morning. This is one of the biggest fraud that had happened in the Ministry. We were really actually jolted the Ministry when this happened. The officers who were involved, because of the amount, were suspended as alluded to by our colleague from the Ministry of Economy. They were suspended pending investigations. The instructions by the Permanent Secretary then, when this came about was to, because of the criminal nature of the offence that had happened was to report this to FICAC to investigate.

After what has happened in terms of what the Ministry has tried to strengthen its area to avoid such instance. We believe that the processes that are in place basically as guided by the Financial Regulations, if followed through closely and properly will really avoid this. Because for reconciliations to happen when it should happen. We have conducted training and awareness for all our accountants basically looking at all the reoccurring audit issues, identifying the gaps, we have conducted training for our people out in the division. It is a big Ministry, Sir. From what had happened to now, we have actually done a lot of awareness to our people ensuring that in terms of accountability and transparency, it has helped us to strictly look at our processes. Because what actually transpired happened in different levels right to the officers who were really supposed to be reconciling the books. We have ensured that there is clear demarcation of roles and responsibilities in the accounting area. We have restructured our accounts team to ensure that we are more effective in addressing the accounting issues and be more proactive in that area. We have put in place strategies to help avoid this to happen again.

HON. A.D. O'CONNOR.- Chair, if I may, I have a question which is not directly to the audit findings, but perhaps to the Ministry of Economy. In each Ministry, who designs the organisation chart, from the organisation chart, who designs the position descriptions and then who designs the KPIs for each of those position descriptions? Thank you.

MS. A. TAUKEINIKORO.- Thank you Honourable Member. For KPIs and JDs, the Ministries and Departments design their own KPI's based on the core roles or the outputs of the Ministries. For the organisation chart or the structure of an organisation, that rests with the Ministries and Departments also because they are in a better position to know the role that they play and the output together with the strength that is needed to actually run the agency.

MR. CHAIRMAN.- Just like the machine and the user manual. The user manual is not designed properly, the machine does not operate well.

Can we just go back to 40.6.2 – can you just give a bit of explanation, you mentioned that now the Ministry has adopted cash and accrual basis of recording sales under FMIS compared to previous years. What was happening in previous years that led to the misposting, perhaps?

MR. S. JEET.- Honourable Chair, before we were recording only cash sales in the system which was designed in that way. Now, we are also incorporating credit sales so that it incorporates our accruals that is due.

MR. CHAIRMAN.- How are credit sales recorded previously, manually?

MR. S. JEET.- It was just in the department's ledgers, not in the system.

MR. CHAIRMAN.- The system would never match with department ledgers, but now you are doing both; accrual and cash basis. Are they now reconciled?

MR. S. JEET.- Yes, Sir. They are matching now.

MR. CHAIRMAN.- That was an issue Honourable Radrodro that we encountered in other ministries too. They were recording cash sales, credit were recorded in the ledger and they never matched the FMIS and that resulted in non-reconciliation. But now you are saying that that is under control.

MR. S. JEET.- Yes, Sir.

HON. A.M. RADRODRO.- What about cash and credit sales?

MR. CHAIRMAN.- OAG recommendation here was that it should be done on a monthly basis. It does not mention anything about cash and credit sales separately, but we have heard from the Ministry is that now they are doing both recordings; cash and credit which is now reconciled. Is that being done on a monthly basis now?

MR. S. JEET.- Yes, Sir, it is supposed to be done.

MR. CHAIRMAN.- Ministry for Economy, what is your position on that?

MR. S. MASAU.- Thank you very much, Mr. Chair and Honourable Members. Regarding the reporting issues of the Ministry of Infrastructure and Transport, the Ministry of Economy have implemented a standard reconciliation format in regards to Cash Reconciliation, Accounts Receivable Reconciliation and Accounts Payable Reconciliation in 2012. Before 2012 respective ministries and departments had different formats of reconciliation. So, we implemented this and all the ministries and departments are complying with this standard and as of today they have been submitting their monthly reconciliations which also enables us to compile the Whole of Government Trading and Manufacturing Account monthly reconciliation.

HON. A.M. RADRODRO.- What sort of scenarios where you engaged credit sales and cash sales?

MR. S. JEET.- Mr. Chair, the credit sales are recorded for plant hire. Once a machine or vehicle is hired for a week a debit note is sent. So, those are the arrears that we have only as debtors.

HON. MEMBER.- (Inaudible)

MR. S. JEET.- They pay on time.

MR. CHAIRMAN.- What sort of circumstances would those vehicles be hired? It is probably a current situation in the disaster zone where you will be hired by Ministry for Disaster Management, something like that or specific need based?

MR. S. JEET.- Sir, it is open to all the Government ministries and departments on their need basis and what we have with us. As I have mentioned earlier, suppose the Department of Energy has to go and fix some of its solar home systems so they will hire our 4 x 4 vehicles or machines to use to visit those sites.

MR. CHAIRMAN.- It is opened to general, all ministries?

MR. S. JEET.- Other ministries, they do hire.

MR. CHAIRMAN.- That is something to note when other ministries come in because if they hire, they will be creditors in their books, to see how they account for that in their books.

40.6.3 - Valuation of Inventories

Inventories must be valued at a lower of cost or net realisable value. That was not done properly.

MR. S. JEET.- Mr. Chair, the setup that was given by the Ministry of Economy from the inception of the TMAs, we have been following that valuation process. We had been liaising with the Asset Management Unit of the Ministry of Economy and the latest update is that they will be reviewing the TMA processes and when that is finalised then we will be able to follow the format they give us.

MR. CHAIRMAN.- Anyone here from Asset Management? MOE, what is the procedure now? Because of using the wrong value, the books did not show the correct balance.

MR. S. MASAU.- Thank you very much, Mr. Chair. Regarding valuation of inventories, it depends on whether the cost or the net realisable value whichever is lower, that is the one recorded. Regarding the Ministry of Infrastructure's operation, there are a lot of manufacturing products that are always valued at cost because some of their products were work in progress. So, you cannot determine the comparable values at the market because it has not been completed. Regarding the finished goods, the one that have been completed, that is where we are trying to build up the capacity of respective ministries and departments on how to get the market values in order for them to compare the cost and the net realisable value of those finished goods.

MR. CHAIRMAN.- What sort of finish goods are we talking about here?

MR. S. MASAU.- Furniture and what the Ministry is producing; especially Joinery and Plumber Shop products.

MR. CHAIRMAN.- What about solar installations, et cetera? Do they come under this one?

MR. S. MASAU.- That is not within the TMAs

MR. CHAIRMAN.- It is not under the TMAs.

HON. A.M. RADRODRO.- Under the new buildings, also part of your TMA?

MR. S. JEET.- Certain part of it, Mr. Chair, where we are required to manufacture doors or windows, et cetera. Any joinery work to be done then it comes to Joinery.

HON. A.M. RADRODRO.- Part of your team is undertaking repairs and maintenance to Government Ministries quarters and offices, they are still doing it?

MR. S. JEET.-Yes, Mr. Chair. We have a programme routine maintenance and that is a cycle of repair and maintenance work that has been carried out. If any joinery work is required under that then money is paid to TMA to produce or manufacture those goods. The others is through IDC or SLG. When any ministry or department requests for any maintenance work to be done, they pay us and it is under IDC or SLG account. If there is any requirement there then obviously TMA is paid to manufacture any furniture or anything that is required of that.

MR. CHAIRMAN.- At some stage there was some discussion Ministry of Economy to do away with these TMAs. I think we heard during your previous submissions. Some of these TMAs would be closed. What the progress on that? Are they still going to continue?

MR. S. MASAU.- Mr. Chair, regarding the TMA operation, we believe that the Ministry of Economy is very essential to the respective ministries in producing the output. Closing down TMAs it is only for those that are inactive or inoperative.

MR. CHAIRMAN.- But for this Ministry, the TMAs you are looking at are essential like joinery, et cetera.

HON. A.M. RADRODRO.- Supplementary question to that.

There was a number that was given where operating TMA, the last time you came to present, it was over 30, now it has gone down to 16 or 17?

MR. S. JEET.- Mr. Chair, we have only 17 TMAs.

HON. A.M. RADRODRO.- What is it for? What was the total TMA numbers before?

MR. S. MASAU.- Since the TMA inception it was 30 but there were a lot of inoperative TMAs so we are closing it down.

MR. CHAIRMAN.- 40.6.4 - TMA Account (Fund 4), Anomalies in VAT reflected in the Deposits and Deductions Balance.

How did that occur?

MR. S. JEET.- Mr. Chair, the anomalies in VAT have been regularised with the assistance from the Asset Management Unit of the Ministry of Economy and the Fiji Revenue and Customs Service. This has been verified by the VAT Unit of FRCS and we are still liaising with them on the amount that they are going to refund.

MR. CHAIRMAN.- Because these accounts are liability accounts where you deduct money on behalf of other entities such as insurance, premiums for employees, FNPF, VAT that should be paid to the Government and say by convention it should always have a credit balance. But even in this one, the audit noted that there was a variance of \$166,000 between the total number of VAT

receivables as per FMIS General Ledger balance and total VAT refund as per FIRCA statement of \$27,708. The Audit could not substantiate the variances at VAT reconciliation were not prepared by the Ministry.

The issue here is that if you collect VAT on behalf of the Government, there is a standard amount of 9 percent, at that time it was 15 percent. So straight away this money is deducted and kept in that account. In what circumstances would a variance occur? Why would there be a variance of \$166,000 in those days, when if some money that does not belong to the Ministry all you need to do is just reconcile and here the issue was, VAT reconciliations were not prepared by the Ministry. Can you explain a bit on that?

MR. S. JEET.- Honourable Chair, yes, we agree over the years this was not prepared and this was an ongoing variance that we had with us. Finally we have done a reconciliation with the Fiji Revenue and Customs Service. There is a refund amount which is supposed to come to the Ministry. The refunds for those periods were not coming back to the Ministry, so it was held by FRCS. After this exercise, FRCS is yet to come to us to confirm the amount they will be refunding.

MR. CHAIRMAN.- Now it is done, which I give credit to you and your Department. We should not have a problem in future. What could be some of the reasons why it was not done in those days? Because obviously the compliment staff there under your Department, under your head at the Accounts Section who are paid to do this job and either there is a lack of staff or they are not doing their job right or they doing their job right but the formula was not right from FRCS. What could be a reason why it was not done in those days?

MR. S. JEET.- Honourable Chair, this relates to the same group that we had in the Divisional Engineer, Central/Eastern Division.

MR. CHAIRMAN.- The same group of bandits - Ali Baba and his Forty Thieves were here.

MR. S. JEET.- It had accumulated. The other issue was that FRCS was not paying us the refunds so that led to a lack of reconciliation on our VAT Returns.

MR. CHAIRMAN.- Ministry of Economy, have you identified in any other Ministry that might have this group of people operating, unscrupulous people? A lot of money.

MR. S. MASAU.- Honourable Chair, regarding how that VAT was recorded in the FMIS then, the VAT on expense were always recorded on the

Income Statement Balance while the VAT on revenue is recorded on the Accounts Payable which is this account 863201. So in reconciling those amounts both ...

MR. CHAIRMAN.- Inward and outward?

MR. S. MASAU.- ...VAT payable and VAT on expense like in the TMA Operation, the VAT on expense they were paying exactly to FRCS. Also on their VAT payable which was sitting on their balance sheet, they were also recorded as a liability. So it is like both VAT on expense and VAT on revenue were both going out from all the respective Ministries. What we did in 2013, we realigned those systems in the FMIS for the VAT on expense and VAT on revenue to offset each other in only one account.

MR. CHAIRMAN.- So you just pay one cheque to FRCS.

MR. S. MASAU.- Yes, whenever there is a lot of sales, there will be VAT payable.

When there is a lot of expense, there will be VAT to be returned.

MR. CHAIRMAN.- Returned or refunded.

MR. S. MASAU.- That is how the account was set-up. We have to go to FRCS and discuss on how they can refund when there is a refundable. Since TMA is still under Government Departments, Government Departments are not entitled to receive refunds.

Yes, that is another issues that we are still rectifying.

MR. CHAIRMAN.- When was that system implemented that both the receivables and payables would go in one account; which year?

MR. S. MASAU.- Come again, Mr. Chairman.

MR. CHAIRMAN.- What I am asking is that you mentioned that the accounts are now kept together, receivable and payables. When was that merged?

MR. S. MASAU.- The idea is that TMA Operation is like operating on the accrual basis but the consolidated fund was operating on cash basis. We need to ensure that TMA fully operates on accrual basis so we started this.

MR. CHAIRMAN.- So is accrual basis across all Ministries or Departments or just for this Ministry?

MR. S. MASAU.- Only for the Trading and Manufacturing Account where we started to implement this in.

MR. CHAIRMAN.- Which year was the accrual basis implemented? After 2016?

MR. S. MASAU.- Once the Finance Manual Act was introduced in 2004.

MR. CHAIRMAN.- That should give us lesser problems in the future reports. Thank you.

Can we move on to the next one. 40.6.5 - Unreasonable Ceilings for the TMAs.

MR. S. JEET.- Honourable Chair, we agree with this unreasonable ceilings. These ceilings were practical when we had with us the Department of National Roads and Department of Water and Sewerage where our fleet and activities were quite substantial. We made a submission to the Ministry of Economy in 2014 to reduce the ceilings and we have been advised that after the review, there will make some decisions on it.

MR. CHAIRMAN.- So when the Department of Water and Sewerage was under this Ministry, the ceilings were kept at a high because you were purchasing the machineries, equipments, et cetera, yourself. Now it is given to FRA, for instance, they are doing the procurement themselves to private contracting so that expense has moved out to private contractors. Is that what the reason for asking for a reduction of the ceiling?

MR. S. JEET.- Yes, Honourable Chair, and that would allow us to remit more to Government upon closure off financial year. As it is, the ceilings are quite substantial and we are required anything in excess of ceiling be remitted to Ministry of Economy which we are unable to do.

MR. CHAIRMAN.- Yes, because it will give a clear picture to us, the Government and the Opposition of what actually is the true operating expenditure income and the aim of the TMA, is it not? By reducing that?

MR. S. JEET.- By reducing the TMA ceilings, Sir?

MR. CHAIRMAN.- Yes.

MR. S. JEET.- For example our TMA Ceiling for Plant Hire is \$400,000. Now upon closing of account if we have in bank anything in excess of \$400,000, we have to remit to the Ministry of Economy. But as it is now, our ceilings or cash at bank is lower than the ceiling so we are unable to remit. Once that is reduced, say a 50 percent reduction, so we will be able to remit more.

MR. CHAIRMAN.- Remit more to the Government and then that money comes in the general fund.

HON. A.M. RADRODRO.- Question regarding the Plant Hire. What the Ministry used to have is all those bulldozers and graders. You still have them now, now that operations of DNR has gone to FRA? You still have those big machines?

MR. M. LESUMA.- Most of the machines have moved over to Fiji Roads Authority.

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

MR. M. LESUMA.- Yes, but we have a few fleets that still remains with the Ministry at the moment.

MR. CHAIRMAN.- The ones that is with the Ministry what are they being used for?

MR. M. LESUMA.- We have been involved in some cane access roads in the West, likewise there were some contractors also requiring additional fleets which they have to hire from Government also. So with the ones that are currently with the Ministry, those are being used for those purposes.

MR. CHAIRMAN.- They are hired out?

MR. M. LESUMA.- They are hired out under the Trade and Manufacturing Account.

MR. CHAIRMAN.- The Ministry is not doing the access roads themselves but they are hiring the equipment to private contractors et cetera?

MR. M. LESUMA.- For the ones in the West was done by the Ministry. The machines are operated by the Ministry staff, so if they normally hire this, they hire it with our operators.

MR. CHAIRMAN.- Won't that cause a duplication of jobs between FRA and the Ministry?

MR. M. LESUMA.- It really depends because for cane access, normally FRA does not do those roads.

MR. CHAIRMAN.- FSC is responsible.

MR. M. LESUMA.- Yes.

MR. CHAIRMAN.- FSC hires your equipment, you send your equipment to assist them ?

MR. M. LESUMA.- Yes, through FSC.

MR. CHAIRMAN.- Who pays the cost for this hiring out, FSC's paying it?

MR. M. LESUMA.- Yes.

MR. CHAIRMAN.- The quality of cane access roads has actually improved in some areas. It depends on the weather too, but that is what I have noticed. So probably the Ministry is doing the right thing there.

40.6.6 - Anomalies in determining the Sale Price for Joinery TMA. So there is some anomaly in deciding the correct price for the joinery. As a matter of interest, what joinery are you talking about here? What sort of joinery is the Ministry supplying and to whom?

MR. K. PRASAD.- They are providing tables, chairs, long benchers in churches if they require, office furniture, school.

MR. CHAIRMAN.- For other departments.

MR. K. PRASAD.- Yes, Sir.

MR. CHAIRMAN.- And the price of this is determined by churches, community halls et cetera? How is the price determine for this joinery?

MR. K. PRASAD.- Sir, a costing is done and the standard items, the prices are submitted to the Ministry of Economy. And once that is approved, that is used

for standard items. There are some items which are non-standard, the costing is done based on the design and the material that is to be used.

MR. CHAIRMAN.- Once those long benchers in churches are quite strong and can withhold a lot of weight, some furniture in other ministries are breaking and falling apart?

HON. A.M. RADRODRO.- The operation of this service, a lot of Ministries and Departments are buying chairs from outside. How does the Ministry assist in those situations, do they also tender for the provision of chairs and tables in terms of Departments and Ministries buying furniture?

MR. M. LESUMA.- I think in terms of the furniture that are being procured by Ministries, they have done so in their own processes. Hardly there has been any bulk buying whereby they are required to call for tenders. But we have from time to time received requests to supply furniture to Ministries.

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

HON. A.D. O'CONNOR.- If I can answer that question, the chairs are manufactured by MOIT with the old workshops in Walu Bay and in Labasa. And if I can also mention here that when I joined the Ministry of Health as the Assistant Minister, one of the very things that I found was that, yes, because I came through the Government too, where my dad was in the Forestry Department.

All the issues were Government issues and I think I have already had discussions with the Director himself about procurement for the Ministry because we do have this. But because of Government processes in acquiring three quotations before purchases, I have instructed my divisions to get the two extra quotations from outside sources, but we will end up procuring it from Government because the money is going back into Government coffers. We are slowly moving in that direction, I have started with the Northern Division and ensuring that nurses' quarters and nurses' clinics or clinical facilities are procured from Government. Thank you.

MR. CHAIRMAN.- Thank you for that Honourable Minister. The notation here are at 40.6.6 by OAG, is that the important details such as cost of materials and labour were not recorded. In addition, the approved basis or guideline by the Ministry of Economy on determining the mark up of 10-15 % charged by the Joinery TMA was not produced for audit. As at the date of audit (4/11/16), the mark-up was determined by the Foreman as the position of Supervisor was vacant.

The supervisor position was vacant and the foreman who was deciding it, that is probably why few things went missing. So is the Supervisor position now filled?

MR. K. PRASAD.- Yes, Sir.

MR. CHAIRMAN.- The explanation on 40.6.6 was worksheets are updated and when jobs are carried out and Job Records Sheets (JRS) are filled and surplus and deficit is calculated. The Supervisors ensure that there is a profit generated once the job is completed and expenses are not exceeding the selling price. A revised Job Record Sheet form has been introduced and implemented for all divisions which captures all necessary returns from procurement costs, production cost and profit which at the end of the project is signed off by the Divisional Engineers to close and complete the JRS. When was this implemented, after this date or before this date of 4th November, 2016?

MR. K. PRASAD.- Honourable Chair this was implemented after this audit was carried out. In fact the records were maintained but maintained separately, labour cost was maintained separately and material cost. But what we have done in this revised JRS is it is all in one. All information are recorded in one place with the estimate cost and the actual cost, these are signed off after the completion of the project and the divisional engineers sign off.

MR. CHAIRMAN.- How many of these workshops do you have around the country in each division?

MR. K. PRASAD.- Three divisions, Sir.

MR. CHAIRMAN.- West, North and Central?

MR. S. JEET.- Yes, Sir.

MR. CHAIRMAN.- And all of them have the same procedure here? One of them is a supervisor and all of them have this new updated forms to fill?

MR. K. PRASAD.- Yes, Sir.

MR. CHAIRMAN.- 40.6.7 - Joinery Items Sold at a Loss. That is something that I highlighted. It is a bit worrying to see that there is TMA being operated, it is supposed to earn money but operated a loss. What could be a reason, it has been sold at a loss?

MR. K. PRASAD.- Honourable Chair, as alluded above, the records were maintained but all the records were not maintained at the same place. When these prices were determined, they had left out some of the costs, so with the introduction of the new JRS, now all costs are captured in one document and it is easier to monitor.

MR. CHAIRMAN.- That is probably a better way of doing it because if you do the material separately and labour separately you will not know the minimum selling price. That was probably what was happening because the foreman was in charge, the supervisor was missing. Is it under control now?

MR. K. PRASAD.- It is under control now, Sir.

MR. CHAIRMAN.- These accounts were also reconciled every month - TMA's?

MR. K. PRASAD.- Yes, we reconcile monthly with TMA's.

MR. CHAIRMAN.- It is not part of this account but have you seen any improvement, are you able to arrest this situation from happening again?

MR. K. PRASAD.- Sir, we have monthly meetings with the PS and the Divisional Engineers have also confirmed that whatever jobs they undertake, they are signing it off.

HON. A.M. RADRODRO.- Supplementary questions in terms of this activity. It involves a lot of costs, there is labour, material and all other overheads. Has the Ministry considered using a Job Costing Information System rather than relying on a manual job card system to ensure that it is addressing these anomalies once and for all?

MR. K. PRASAD.- Mr. Chairman, that can be taken on board during the review and we will consider that job costing system to be implemented.

MR. S. MASAU.- Regarding the operational matters of all respective TMA's, that is one thing that we are working on, in trying to automate all those reporting into the FMIS system. So, we have tried to introduce the job costing system with Government Printing around last year, but we are still working on developing how we can capitalise this so it will help the ministries and departments on how to do the job costing system.

HON. A.M. RADRODRO.- Especially for manufacturing costing system.

MR. CHAIRMAN.- Local suppliers to provide that system.

40.6.8 - Anomalies in Joinery and Plumber Shop TMAs - The PAO, SAO, AO and AAO have the sole authority to approve all journal adjustments. The Clerical Officer (Ledgers) must ensure that the Journal Vouchers are numbered in sequential order with all supporting documents attached to the voucher. The SAO, AO and AAO must ensure to check and verify that:

- i. all relevant details are included on the voucher;
- ii. GL balances are adequately supported;
- iii. the correct allocations have been debited and credited

The Clerical Officer (Ledgers) must ensure that the approved Journal Vouchers must be posted into the appropriate ledger and the general ledger system (FMIS).

The audit noted that the sales journals were prepared, approved and posted into the FMIS solely by the AAO responsible for TMA Joinery Account. In addition, the journals for the Joinery and Plumber Shop TMA did not have adequate supporting documents. There was no basis on how the transfer of accrued revenue for the projects which were to be completed for the Ministry from the operating budgetary allocations was journalised to record as sales. Details such as the amount charged for materials used, direct labour and mark-up were not attached.

So, here the procedure was that the Senior Accounts Officer should also view those accounts but it is now done by Assistant Accounts Officer or Clerical Officer. What could be the reasons for that? Why were the Principal Accounts Officer, Senior Accounts Officer who have the responsibility of approving the journal adjustments were not doing their part? It is causing a direct loss, is it not? It could become a FICAC matter as well. I understand the current practice would be that the SAO and PAO are checking all these things? What was I missing that time? Why was it not done in 2016?

MR. K. PRASAD.- Mr. Chairman, we had a short of staff during then and all the accounts staff were all sitting in different team in different locations. So, what we have done is, we have brought them in to the central accounts and they are now being monitored or under the supervision of a Senior Accounts Officer, we have appointed a Senior Accounts Officer and we have an Accounts Officer and Assistant Accounts Officer. Now, all these are being taken care of.

MR. CHAIRMAN.- So, currently it is under control.

MR. K. PRASAD.- It is under control now. Even the JVs and all those that you have mentioned, before the Clerk used to sign and process it, but now without the approval of the Senior Accounts Officer and without the supporting documents these are not entertained any more.

MR. CHAIRMAN.- We had a discussion with the Office of the Auditor-General and the Ministry of Economy in our own separate meeting, like the private sector, these chain of stores whether be it MH which is now Max Value or New World, et cetera, they run shops all around the country but their main accounts are checked from headquarters which actually minimizes these instances of non-reconciliation or the Senior Accounts Officer not checking those balances. Those private entities are geared to make profits. Has that private sector mentality being adapted in the Ministry; controlling things from the central headquarters so that you know if someone is not doing right, one shop is doing better than the other. We can easily catch where the fault is, some sort of practice like that implemented?

MR. K. PRASAD.- Mr. Chairman, the only form of control we have is closely monitoring our reconciliations. The other issue, Sir, while we have people in cost centers, the Accounts team, because during the time of audit, the auditors request for physical evidence of transactions and storing all that in headquarters will be a storage problem as we have been facing that problem over the years. And for that operation to be running smoothly for procurement, payment of wages, processing of orders and receiving and issuing of stores, it is necessary to have those decentralized.

MR. CHAIRMAN.- What happens is that as we have seen in the previous case, if those documents are kept in the center say in the North or East and you do not have the paper to verify the reconciliation, those documents go missing and this people have a lot of problem in trying to make the accounts. So, whilst we understand your explanation that those documents have to be decentralized for wages, for other reasons, how do you verify that those accounts kept there are accurate when you do your accounting for the whole ministry?

MR. K. PRASAD.- Sir, as I have said earlier that we have reconciliation and then we have the Ministry of Economy's Internal Audit Team which is based with us and they have a programme, they discuss with us on their audits and whatever findings they have, we discuss and correct them.

MR. CHAIRMAN.- The single most important document that you use to verify whether they are telling the truth or not are the reconciliations.

MR. K. PRASAD.- Reconciliations and the source documents that are binded and kept at the cost centers. Sir, for example just like Divisional Engineer Central/Eastern, it is spread over two locations. So, what we have done is, we have brought all the clerks in to the central accounts section where it is easier to monitor what they are doing, what records they are keeping and verification to be done by the Senior Accountant that is appointed there.

MR. CHAIRMAN.- So, who is there at that base center? The clerk is here at your headquarters, who is doing the accounts there at the....

MR. K. PRASAD.- Just like in Walu Bay, just opposite Carpenters where we have the Joinery and the other one is towards Fiji Gas, the Government Shipping services area. The clerks would all be in those centers/locations. So, we have brought them, they are maintaining all the records in the Divisional Engineer Central/Eastern Office and it becomes easier when we have more staff, segregation of duties and there is compliance, checks and everything is being carried out there.

MR. CHAIRMAN.- Also the issuing of invoices, receipts, et cetera or filling of the ledgers is done here at headquarters.

MR. K. PRASAD.- It is done at Divisional Engineer Central/Eastern.

MR. CHAIRMAN.- What about other centers like the Western Division?

MR. K. PRASAD.- We have done the same in the Western Division because across the road there is a plant pool and towards the sea side is the main joinery and the main office. So, we have brought all the staff in one location. Similarly, we have done the same in Labasa.

MR. CHAIRMAN.- So, instead of going to six locations now you have to go at three locations.

MR. S. JEET.- Yes, Sir.

MR. CHAIRMAN.- I see some sense in that but it is more uniform when you have a centrally operated system. Any questions on that Honourable Members?

MR. S. JEET.- We have implemented this after the 2016 audit.

HON. A.M. RADRODRO.- 1 year.

MR. S. JEET.- Sir, 3 years, we are in the third year now.

MR. CHAIRMAN.- This was around November 2016 this audit was done. So, November 2017, November 2018, just over a year so we should see some results or the fruits of that in the next report. Let us go the next one.

40.6.9 - Anomalies in Plumber Shop and Plant Hire TMA. Just a general question, Mr. Jeet, all your officers are aware of this Finance Manual. Are they familiar with the requirements of the Finance Manual?

MR. S. JEET.- Yes, Sir.

MR. CHAIRMAN.- So anomalies in the Plumber Shop and Plant Hire TMA. Audit noted a variance of \$354,217 as the total sales between Job Record Sheet (JRS) and the general ledger for the Plumber Shop TMA. What could be a reason for that and what is the position now?

MR. S. JEET.- Sir, as mentioned earlier, we had a shortage of staff in the entire division and there was poor record keeping. All records were maintained but the JRS which we are talking about was separately filed. For example, labour costs were maintained separately. These officers could not track down and provide evidence. With the introduction of new JRS, we have seen that all records are maintained and it is easier to reconcile and verify.

MR. CHAIRMAN.- I appreciate the changes that have been made to keep proper accounts. But we will soon be 50 years after Independence since 1970. What is this? 2018. I am a bit worried that it took us 48 years to fix a lot of these problems. Can you advise why these things were not done much earlier? This centralisation of clerical officers, this proper account keeping and record books. This is a recurring problem.

HON. A.M. RADRODRO.- Can you advise us on the whole operations of the Ministry? While you are doing these changes, what about the whole operations of the Ministry? Has it reduced in terms of operational capability as compared to what used to happen before?

Now that you are centralising it, which is good, but what about the operations of the Ministry in terms of what used to happen before? Is it also reduced as a result of these changes?

MR. M. LESUMA.- Thank you, Honourable Member. Sir, the activities that the Ministry used to be involved in, has reduced. When we used to have Department of National Roads (DNR) and Department of Water and Sewerage, the operations of this TMA was really maximised because we had a big fleet.

There were a lot of work activities that was actually involved that required the services of these various TMAs. After the formulation of the two corporate entities, our customer base has reduced so the business for these TMAs has actually reduced.

In terms of the outsourcing policy also that now is in place with Government, ministries have avenues to look elsewhere to do the business that used to be provided for by the Ministry. A lot of businesses now are slowly coming in because it took us a while to invest in our fleet. When Fiji Roads Authority (FRA) came in, machines that were working were actually the ones that had moved across. Those that were sitting in our mechanical garages were the ones that were left behind. So through our TMA, we invested in these machines. Now we have a fleet of graders that are running and available for hire. Also it has been very much used by the Commissioners during national disasters. They have actually hired the machines from excavators and trucks to graders.

In terms of the services, yes. It has reduced a bit. For our building maintenance work, the Ministry of Economy through Construction and Implementation Unit (CIU) is now looking after our Government Quarters. That is what the Ministry used to carry out with the budget that was annually provided for by Government to look after Government Quarters.

What we have now is \$1.5 million just to look at Government Offices. The Ministry is no longer looking at maintaining Government Quarters because there is a unit that looks after that but we are working with client ministries in upgrading the Government Offices with the budget that has been provided for. But yes, the activities have reduced.

With what has been alluded to by our Principal Accounts Officer with regards to centralisation of our accounts, basically one of the main contributing factors of why we had to do that was because we had a lot of our officers leaving. We had to bring all in one just to ensure that we have enough officers to carry out the activities that are required in the accounting section. That was also one of the main challenges that the Ministry was actually facing was the turnover of our staff. So having to centralise them, does not really mean that it has affected the activities that these departments were currently doing, but really just because we did not

have enough manpower to man the separate offices also. So it was working well when we put them altogether to carry out those activities.

MR. CHAIRMAN.- Principal Accounts Officer, what is the complimentary staff do you have in your department. How many staff?

MR. S. JEET.- We have a Principal Accounts Officer, four Senior Accounts Officers, three Accounts Officers and there are about 10 Assistant Accountants.

MR. CHAIRMAN.- So this team looks after the operations of the whole Ministry.

MR. S. JEET.- Yes, Sir, which includes the Department of Energy, Department of Water and Sewerage, Department of Transport, Corporate Services at headquarters and the three divisions, both operating and TMAs.

MR. CHAIRMAN.- The Department of Energy, they do not have a separate Accounts Officer.

MR. S. JEET.- They had only three accounts staff. One Senior Accounts Officer, one Assistant Accounts Officer and two Clerical Officers.

Over the years, the auditors have also recommended that there was a lack of segregation of duties. So what we did, we combined the whole Accounts Team at Nasilivata House into one accounts that includes Department of Water and Sewerage staff, Energy, Transport and Works.

MR. CHAIRMAN.- Is there regular training for the staff?

MR. S. JEET.- Yes, Sir. We have our meetings and we also do a follow up on the divisions.

MR. CHAIRMAN.- It is noted at two or three places that there is lack of supervision by Senior Accounts Officers of their juniors. Has that issue been corrected now through training and monitoring?

MR. S. JEET.- Yes, Sir.

MR. CHAIRMAN.- We take a short tea break for about 10 or 15 minutes before we come to 40.7 to give the staff a bit of rest. Members, we will resume at 11.15 a.m. from 40.7.

The Committee adjourned at 11.00 a.m.

The Committee resumed at 11.22 a.m.

MR. CHAIRMAN.- Thank you Honourable Members and the team from the Ministry for Infrastructure and Transport, OAG Office and Ministry of Economy and also the media personnel. Let us now take issues from the next line that is 40.7:

40.7.1 - Underline Accounts

The Principal Accounts Officer can address us on that. The main issue that was picked up there by the OAG was the Ministry had five programmes and 20 activities in the approved budget under Head 40 of 2015 and 2016 Budgetary Programme. As at date of audit, 18th October, 2016 the Ministry was yet to transfer the closing credit balances of \$1.859 million as at 31st December, 2015 for various operating Trust Fund Accounts from programmes five, six and seven to programmes three, four and five as opening balances.

MR. S. JEET.- Honourable Chair, these allocations have been cleared and after the change in the programmes, these allocations have been de-activated, there are no longer active now.

MR. CHAIRMAN.- It is no longer active?

MR. S. JEET.- No longer active, Sir.

MR. CHAIRMAN.- And why were those funds of \$1.85 million left without being transferred to Heads three, four and five?

MR. S. JEET.- Sir, the year in which these Heads were for, when we were doing our mapping process, we had some details that we had to extract to properly substantiate those figures and have it transferred to the right allocations. That took us a bit of time in doing that.

MR. CHAIRMAN.- All right. Any questions on that Honourable Members. That is probably an old issue, sort of recurring. In addition, details of security deposits totalling \$13,209 and tender deposits totalling \$951,202 were not provided by the Ministry despite several requests. The tender deposits, I understand when people apply for tender they do a deposit and details of that was not provided to OAG. Any comments on that?

MR. S. JEET.-Honourable Chair, these figures were posted in lump sum and we still could not substantiate these figures. We have checked with FMIS and the details of how these figures have come up are not available.

MR. CHAIRMAN.- Those people who are unsuccessful tenderers, they are entitled to refund of their deposits?

MR. S. JEET.- Yes, Sir.

MR. CHAIRMAN.- Those moneys have been paid out?

MR. S. JEET.- It was supposed to be paid out but there have been no claims against this money coming to us and these figures have been static over the years.

MR. CHAIRMAN.- There is an amount sitting in the bank and it also appears in the ledger but there are no claimants for that?

MR. S. JEET.- No.

MR. CHAIRMAN.- The Ministry must not have advertised probably or the companies might have closed down. That will keep on sitting there. It is a credit account, you cannot write it off. What steps are you thinking of taking?

MR. S. JEET.- We have been liaising with FMIS, we will be again putting up a request to Head of Treasury to regularise in which better way it can be, because it cannot be written off. Maybe it can be taken in equity or liability for future claims against it.

MR. CHAIRMAN.- Ministry of Economy, what has happened here there are some tender deposits collected by the Ministry showing in their accounts totalling \$951,000 but there are no claimants for that, so how do you regularise that? We cannot write it off, it is a credit balance.

MS. A. TAUKEINIKORO.- Sir, we are awaiting their request for the regularisation of the account and we will analyse the transactions before any action is taken.

MR. CHAIRMAN.- Because even if the companies have gone into liquidation, the official receiver will be entitled to those sums to distribute among the creditors. Please let us know what is going to happen to those because if we transfer it to some other department, someone springs up one day to claim it, you

will have to source funds from elsewhere. Any questions on that Members? We can move onto the next one.

The notation at that time when the OAG was there was no evidence to indicate that appropriate action was taken by the Ministry to clear the amounts. The above findings reflect lack of proper monitoring and supervision by the officers at the Ministry to clear the operating Trust Account in a timely manner. The Ministry should liaise with the Ministry of Economy - FMIS section on the correct classification of the Trust Account above to ensure that the operating Trust Account balance is supported. So they have taken some action, the Ministry of Economy is also seeking advice on that.

40.8 - Headquarters - Grid Extension

Provision of electricity to rural areas. This is a Government initiative to provide electricity and we have heard today from the Deputy Secretary that about 66,000 houses have been provided with the electricity under the scheme.

40.8.1.1 - “Grid Extensions” projects yet to commence. A total of \$21.06 million have been paid for 72 grid extensions to provide electricity (power poles and electricity lines) in rural areas for the last four years. The audit noted that out of the total \$21.06 million paid for 72 grid extensions project for the last four years, works for projects totalling \$20.48 million of 57 grid extension is yet to commence. That is a capacity issue as well. So that year is \$21.06 million total, money was allocated and only \$20.48 million was unused; 57 grid extensions yet to complete.

MR. CHAIRMAN.- DS, do you have any update on that, what is the position now on grid extensions?

MR. M. BELENA.- Thank you, Honourable Chair. For grid extension projects, in relation to 2016, actually there was a total of 31 grid extension projects, which is for 2016 alone with a total around of around \$11.5 million was paid to FEA. Out of these 31 projects, about 77 percent were completed and the remaining will be completed in mid-2018.

As you are aware that also in 2016, Government had also removed the community contribution so that also increased the number of applications received for rural electrification both in terms of FEA grid extension projects and also for solar home system. There were some projects that we have already paid FEA even before 2016. All the projects have already commenced, some have already been

completed but there were quite a few that were still pending due to some external issues.

With the increasing number of projects that we currently receive, especially the applications, the applications from the community, with the removal of community contribution, we actually received, there were 20 communities that also qualified for Government assistance. So, we have been working together with FEA in terms of monitoring and follow ups on all the projects that we are currently implementing. We have monthly meetings with FEA together with Ministry of Economy to follow up on the updates of individual projects and if there are external issues which are causing delay of projects, we try to address those issues with the respective stakeholders.

MR. CHAIRMAN.- As of today, how many grid extensions were approved? There were 72 as at 2016 and of those 57 were pending. There is more obviously.

MR. M. BELENA.- Yes, 72 was during the audit. As I mentioned that some of the projects were from previous years; 2014, 2015 and 2016.

MR. CHAIRMAN.- Currently, if you go to the paragraph 40.8.12 which notes the audit noted the following anomalies from review of the “Grid Extension Agreement” numbers:

- The timeline for completion of the “grid extension” in five villages is agreed upon as 2016 – 2018. Specific timelines for completion of each “grid extension” is not stated.
- The “detail of works” for the “grid extensions” in Schedule 2 of the agreement does not have timelines for the completion of the works in stages that include negotiations and the consent from landowners to construct power poles, the drawing of the design and the scope of work and construction of the “grid extension”
- The “project plan” following the payment for the “grid extension” in villages as per the agreement were yet to be finalised between Department, the Contractor and the Department of National Planning (now Strategic Planning Office) as at 12 September 2016.
- Although the Department of National Planning is mentioned in the agreement for consultative project plan, it is not represented in the signing of the agreement.

The issue here is that there are some anomalies in the agreement in terms of completion dates and the right parties, Department of National Planning. How will we address that?

MR. M. BELENA.- In terms of the project completion date, that is something that we are currently working together with FEA at the moment. What normally happens is that they have their own internal processes in designing, tendering projects before the actual construction is done. With the monthly meetings that we normally have with them, they provide us with the tentative timelines on the completion of these projects. That is where we monitor the progress of each projects during those meetings.

Also with the contract that we currently have with FEA, we are also trying to improve in terms of putting in clauses, the timelines and the design; those are the important issues which has been raised too by the Solicitor General's Office and similarly with the Auditor-General on the importance of having those clauses in the contract agreement.

MR. CHAIRMAN.- Currently the Solicitor-General's is vetting your agreements?

MR. M. BELENA.- Yes Sir.

MR. CHAIRMAN.- Which was not done at that time so now that seems to be under control.

These monthly meetings that you hold, which entities are present in that meeting? Your department, FEA?

MR. M. BELENA.- We have Ministry of Economy, the Strategic Planning Unit, FEA and the department.

MR. CHAIRMAN.- The private contractors are not part of that meeting? That is FEA's responsibility?

MR. M. BELENA.- No, Sir. The meeting is merely to discuss on the progress.

MR. CHAIRMAN.- Any questions, Members, on the grid extension programme?

HON. A.M. RADRODRO.- Chair, just a question to the Director Energy in terms of costings for the grid extension. This is determined by FEA alone or consultation with the Ministry?

MR. M. BELENA.- The costing is done by FEA.

HON. A.M. RADRODRO.- For these 72 grid extensions at \$21.6 million is averaging around \$292,000 for one project. Taking into account the extension that has yet to commence, it is now 57 yet to be done at \$20.8 million. That is about 300 which has gone up for the costing for each individual contract.

One of the challenges faced by the consumers is trying to meet the costs that is levied to them. This is one of the ongoing questions that I have been asking the Ministry in terms of assisting at affordable cost in terms of provision of grid extension and electricity especially for those houses that are on a stand-alone basis as compared to community basis. There is always a difference in costing and what is levied to individual home owners as compared to communities is high in terms of affordability. Has the Ministry also taken into consideration negotiating with FEA about costing process that we are involved in regarding grid extensions?

MR. M. BELENA.- Thank you, Honourable Chair. For costing for grid extension projects, there are a number of factors that are considered when the costing is done. For instance, the number of customers, even the distance where you need to pull the grid. Even though there can be one household that you want to pull the grid to, but the cost will be much higher for those that, let us say for instance, five or more communities. Distance is one of the main factors that contributes to the variation in costing. There are some quotations that FEA provided to us, we also asked them to relook at. They also have factors to consider when providing us with those quotations. As I mentioned, now with the costing of materials, that is also one factor which also contributes to the variation in the quotations.

MR. CHAIRMAN.- This Department of National Planning, does it exist anymore or is it gone?

MS. A. TAUKEINIKORO.- Mr. Chair, they are part of the Ministry of Economy.

MR. CHAIRMAN.- Alright, they have been merged there because in the Ministry's comments ...

MS. A. TAUKEINIKORO.- They are part of the Ministry. They have been transferred within the budget division.

HON. MEMBER.- (Inaudible)

MS. A. TAUKEINIKORO.- Yes.

MR. CHAIRMAN.- There is a notation here by the Ministry's comments in the last line is that the Ministry will recommend to the Solicitor-General's Office to remove the mention of "Department of National Planning" from the agreement. So, it is just because of that reason, they do not exist on their own anymore.

40.8.2 - Poor Monitoring of Bua/Macuata Solar Home System Project.

It is probably one of those areas very close to Honourable Lalabalavu's district.

The main objective of the maintenance and servicing works for Individual Solar Homes Systems in Bua and Macuata was to provide reports of maintenance works carried out for 895 Solar Home Systems in Macuata and 918 Solar Home Systems in Bua as specified in the agreement. The GTB approved cost for the maintenance and servicing works for Macuata and Bua was \$69,989 and \$71,787.60 respectively.

The audit noted that the comments in the inspection report of the houses visited by the contractor indicated that several houses could not be accessed during the inspection.

The Senior Scientific Officer (EDP No. 91628), explained that the reasons for the houses not being visited by the contractors was that the customers may have been out in the farms during the contractor's visit; customers tampering with their systems and not paying their monthly bills and the contractor not having any spares to repair the systems to be operational. However, the Ministry did not provide a list of house owners for which the meters were tampered with and those not paying their monthly bills.

The audit findings indicate lack of proper monitoring and supervision of the maintenance works by Ministry officials resulting in Government's interest not being fully protected.

It is noted here and I have also privy to some other areas too where the private contractor gives one reason for not being able to access the place and the actual reasons seems to be something else. So, what is the Ministry doing in terms

of supervision of these projects to see that the private contractors are telling the truth or not?

MR. M. BELENA.- Thank you, Mr. Chair. What normally happens is that after we receive a report from the contractors on the inspection, we have our staff on the ground that normally do the verification. But what we have implemented now is to improve this issue. We have now liaised closely with the *turaga ni koro* and the advisory councillors to advise them when the contracts would be coming around for inspection. Sometimes the contractors may miss out a household because it is far away from the road or other reasons. So, we have put in place measures when contractors go out to individual households if the owners are not there, they need to provide us with the reasons. If he is out in the farm or has gone somewhere that has to be signed off by the *turaga ni koro* or the advisory councillor.

MR. CHAIRMAN.- A particular household that you missed out, the first person they should see is the *turaga ni Koro* or the advisory councillor to go back to them for them to relate their message to the ministry?

The question is, if some households have been missed out by the private contractor, who is the first point of contact these people can go to?

MR. M. BELENA.- The point of contact will be the advisory councillor and the *turaga ni koro* because they will need to sign off from the inspection report that house owner is not there.

MR. CHAIRMAN.- For example in this particular case here if the monitoring is not there, for the individual to go and report it to the proper channel then the information still comes back to the Ministry.

MR. M. BELENA.- Yes, Sir. What we also have at the moment is that we have also decentralised our offices.

MR. CHAIRMAN.- Alright.

MR. M. BELENA.- At the moment we have officers based in the Western Division and also in the Northern Division. So, rather than the issue being brought up to head office, they can just report those issues to our divisional offices.

MR. CHAIRMAN.- So, that is Lautoka and Labasa.

40.8.3 - Anomalies in Project Records and Delay in Project.

The audit noted in the review of the project records for Repair and Upgrade of Public Building maintained by the Divisional Engineer Central Eastern (DECE) office that project records were not properly maintained. The following anomalies were noted.

- Complete payments details were not entered in the manual ledgers for three different projects namely Laucala Meteorological Office Quarters, Lami Government Shipping Services (GSS) Quarters and DPP's Office Building 30. Some projects done but the records were not maintained.

MR. S. JEET.- Mr. Chair, what the practice was with the divisions that they were maintaining the side ledgers and all these information was not captured in the normal commitment expenditure ledger that we keep. Now the departments are maintaining the commitment and expenditure ledgers. There was the mentality that we had gone online, and we do not keep commitment expenditure ledgers, but we have made sure that we maintained the ledgers which captures all the PO numbers, cheque numbers and everything. Details are recorded.

MR. CHAIRMAN.- 40.8.4 - Internal Controls Weaknesses

The audit noted that the monthly signed report was not provided to the Permanent Secretary contrary to Section 60 of the Finance Instructions, 2010. As such, the following internal controls were neither checked regularly nor in place for the financial period ended 31st July 2016:

- Unresolved audit issues continued in the new financial year.
- The following administrative controls were absent:
 - The Ministry carried out beacon works in February and June at Ellington, Bau and Ovalau Waters, respectively. However, the Ministry did not provide for audit the reports on the beacon works carried out in February at Ellington Waters for verification.

So, what sort of controls are there that the work is being done at a place like Ellington, the verification has to be provided to the Ministry.

MR. J. LAWANIYASANA.- Thank you, Mr. Chair. I can confirm that the beacon works was conducted in February 2016 from the 11th February to 26th February. We find that there is a difficulty in trying to locate that voyage report at

the moment but we have sent a couple of reports that are related to the trip to the Principal Accounts Officer of the Ministry.

As you probably may be aware that on 20th February, 2016 *TC Winston* struck Fiji. So, basically they have installed a couple of beacons at Ellington. We adhered to go across to Nabouwalu on completion of installation of beacons at Ellington. However, due to the approaching *TC Winston* they seek shelter at Vitogo River in Lautoka. Basically the installation of beacons in Ellington was not completed. So they came back and I think the area was covered again in mid - 2016 and the last quarter of 2016 to finish off the beacon works at Ellington.

MR. CHAIRMAN.- All of these would have appeared in the monthly report but that report has not ...

MR. J. LAWANIYASANA.- The voyage report that is normally sent by the captain's on board.

MR. CHAIRMAN.- What happened in this case, they did not give their report?

MR. J. LAWANIYASANA.- I am not really sure, Sir, because of the hype of activity post *Cyclone Winston*, they could have sent the report to us. However, as I said I have sent a couple of reports that I have that are related to the trip but the reports that we are after are the reports of the actual installation of the beacon, the positions and when they were installed.

MR. CHAIRMAN.- What was noted here in the absence of the report, several instances were noted where the Ministry was incorrectly clearing the retirement of accountable advance to the revenue allocation contrary to Section 10.1.15 of the Ministry's 2016 Agency Finance Manual was one of the issues. Before that was FEA and then this Ellington and Ovalau beacons. There are three instances where the internal controls are missing where the retirement of accountable advance cannot be properly done. It is not only with the Ellington issue, it is also that \$6.862 million FEA fund and the retirement of accountable advances. So there is a general lack of internal control matters.

MR. M. LESUMA.- That is probably not related to this Ellington issue.

MR. CHAIRMAN.- Yes, it is a separate bullet point.

It is one of those issues, but they are saying is that the following administrative controls were absent:

1. Ellington beacon;
2. FEA;
3. Agency Finance Manual in terms of Retirement of Accountable Advance;
4. Revenue receipt book in the use of Energy Trust Fund;
5. Receipt books issued for field officers who collect revenue for Solar Home Systems;
6. Ministry paid for an outstanding account from 2013 in 2016 for the Ministry's Agency Finance Manual.

So a general lack of control issues. Can the Ministry give us some explanation on the beacon one? There was *TC Winston* and they had not given the report or probably they gave their report in.

MR. K. PRASAD.- Honourable Chair, the collection of revenue for Solar Home Systems, revenue collectors were appointed and they were given revenue receipt books. In fact these are technical officers who were appointed as Revenue Collectors when they went out in the field to carryout maintenance.

MR. CHAIRMAN.- Maintenance, right?

MR. K. PRASAD.- One Revenue Collector based on the area that he would cover, he would be given a receipt book. Some areas were vast and some are smaller areas. So, the Revenue Collector that covers a bigger area would finish off a revenue receipt and then he would come back and request for another one. Whilst the revenue receipt has been issued in between might not be fully used, so the revenue receipts were not recorded in sequence; they were missed out. But there was a mix-up. As for advance, we had issues on that, we had untrained staff but this has been taken of and these are now verified through our monthly reconciliations.

MR. CHAIRMAN.- So things like a trip to Levuka, a trip to Nadroga/Navosa, training in the Northern Division, they are given some advances for per diem, is it? When they come back, they must retire those funds with the acquittals. That is the process, right?

MR. K. PRASAD.- Yes, Sir.

MR. CHAIRMAN.- Is it being followed now?

MR. K. PRASAD.- This has been followed, these were retired but not properly done.

MR. CHAIRMAN.- Not properly recorded.

MR. K. PRASAD.- But we need to ensure that these are properly done and those advance accounts are closed off upon completion of the trip.

MR. CHAIRMAN.- Any questions in that regard, Honourable Members? We have had explanation on all four of them; beacon works we have heard that there were some intervening factors, FEA one, the receipt books and the retirement of funds.

40.8.5 - Payment of VAT from SEG 13 for Operating Grant. There were some operating grant given to the Ministry. There was a payment of VAT that was supposed to be made. The Ministry should ensure that payment of VAT is made from correct allocation. The Audit recommendation - acknowledge separation of VAT from SEG 6 and posted in SEG 13 was an inadvertent error as there was staff rotation in the Accounts Section. The incoming payment officer was not experience in facilitating shipping franchise scheme subsidy payment. There was a shipping franchise sub-scheme subsidy.

MR. K. PRASAD.- Honourable Chair, we agree because SEG 6 was used for giving grants to our statutory authorities and that subsidy payment was also paid out from SEG 6. As grant we do not charge VAT, that is correct but making out payment for services provided, the staff had overlooked and charged VAT on that. In fact it was VAT inclusive so that has been regularised and we do not payout VAT portion from that allocation but it is included in SEG 6 – subsidy payment.

MR. CHAIRMAN.- That is under control?

MR. K. PRASAD.- That is under control, Sir.

MR. CHAIRMAN.- 40.8.6 – Anomalies in Revenue – Fiji Meteorological Services. The Cabinet on 16/08/2005 approved that Airports Fiji Limited (AFL) reimbursed Fiji Meteorological Services (FMS) 50 percent Meteorological Aviation costs for Nadi Terminal, Nausori Terminal and En-route only and backdating to July 1997.

AFL on 15/04/2008 wrote a letter to FMS agreeing to pay \$50,000 per month until independent study is carried out. The FMS from 2006 recorded arrears of revenue.

The audit noted that after a lapse of 11 years, FMS, is yet to carry out a review of the cost structure with AFL and finalise the agreement for the provision of weather services. The Audit noted variance in revenue from AFL amounting to \$103,710 for the period ended 31/07/2016. The difference is due to a debit posting of \$86,957 and charging of VAT at 15 percent instead of 9 percent.

No supporting documents were provided.

The findings indicate non-compliance of the Ministry with Cabinet Decision on 16/08/2005 and the lack of monitoring by Senior Officers in the Department. As a result, the revenue is understated.

The issue here is that Cabinet Decision said that AFL has to pay Fiji Meteorological Services for their services and for 11 years there was a failure to review the cost structure. What is the explanation for that?

MR. R. KUMAR.- Thank you, Mr. Chairman. We do note the Cabinet Decision of 2005 as well as the Cabinet Decision of 2008 which required Fiji Meteorological Services to undertake an independent study to determine the actual cost that AFL should be reimbursing to the Government.

It is also noted that it has lapsed 11 years, however, there has been some laxity in the previous administrations. We have taken up from 2016 where we wrote to the Airports Fiji Limited Executive Chair highlighting the issues especially in terms of the decision to pay only \$50,000 per month rather than 50 percent of the operational cost.

The process so far, we have gone through several consultations with AFL as well as we have revised the SLA that was signed in 2009. The SLA has gone through two processes of SG's vetting. At the moment the comments are with Airports Fiji Limited for consideration and come back to us.

In parallel to that, we have also initiated a terms of reference that will determine the deliverables of the independent consultant to devise an appropriate structure on the costing. This is where we are at the moment, Mr. Chairman.

MR. CHAIRMAN.- So currently the services you provide to AFL they are paying what percentage for the services?

MR. R. KUMAR.- This is only for the weather services for aviation and this has got almost about 50 percent to 60 percent of our staff time that goes to work to provide that service. And this is where the previous consultancies that determine the cost apportionment, the recent one was for 50/50 percent of the operation cost. I would strongly recommend for AFL to honour the Cabinet Decision, and continue paying 50 percent until such time the cost structure has been determined, provided whether it will be more or less, we will honour that as well.

MR. CHAIRMAN.- How is AFL paying now, are they paying 50 percent?

MR. R. KUMAR.- No Sir, they are only paying \$50,000 instead of 50 percent.

MR. CHAIRMAN.- Was it agreed?

MR. R. KUMAR.- They wrote in a letter back in 2009 stating that Fiji Met Services did not act appropriately within the timeline that was given within the decision. They will only pay \$50,000 per month instead of 50 percent and that has continued until today. This is where the arrears of revenue appears.

MR. CHAIRMAN.- So that is why there is an arrears of revenue of \$2.671 million accumulated over the years?

MR. R. KUMAR.- Yes Sir.

HON. A.M. RADRODRO.- Clarification 50 percent is equivalent to what dollar value?

MR. R. KUMAR.- Okay, 50 percent will vary in terms of the operational cost that is provided by the substantive budget and that could be around between \$2 million to \$3 million per year.

MR. CHAIRMAN.- Paying 50 percent of \$2 million or \$3 million, they are paying \$50,000 per month?

MR. R. KUMAR.- Yes per month. So in fact instead of \$2 million to \$3 million per year, they are only paying us about \$1.2 million.

HON. RATU N.T. LALABALAVU.- Sir, I seek some clarification from the Director Meteorology, and is to do with this decision of Cabinet. I must declare my

interest here, I was a member of Cabinet then, and one of the things that was part and parcel of this paper was the setting up of the weather station in Labasa.

That is the blind spot and it affects aviation and most damaging winds that we have encountered have come from that side - Labasa to Udu Point. That is a blind spot area. What has happened to that, because that is part and parcel of this? You are getting a percentage of what comes out of AFL, because of the big income that they generate with airspace. This is to do with weather and how it affects aviation, Honourable Chair. So the issue that I wish to raise here, what has happened to that station that was supposed to setup in Labasa near the airport, I understand we paid some huge sum out?

MR. R. KUMAR.- Thank you for that question. I think this question is in regards to the establishment or the installation of the new radar. And the new radar is installed at Vatudamu Hill, it has been in operation since 2012. In addition to that, we have also through Government funding, have an office which is under construction and very soon it will be completed. We will be putting up a manual station at the aerodrome once it becomes an International Airport. So at the moment AFL is providing the weather services from the Airport to Fiji Met Services.

MR. CHAIRMAN.- Thank you for that Director.

Now 40.9, Head 41 - Water Authority of Fiji. Recurring issue on Retention Funds from the Department of Water and Sewerage. Trust money is money that the agency is holding in the trust. Trust money is to be kept in a separate bank account and accounted separately from “public money” and “other money”.

Audit noted that the Ministry maintained retention money totalling \$1.161 million deducted from the contractors engaged in water and sewerage projects in the Ministry’s Operating Trust Fund account. As at 31st July 2016, the Operating Trust Fund account had a balance of \$1.161 as retention money. The retention money reflected in the Operating Fund were not supported by actual cash to pay off these liabilities. The main issue here is that the retention funds from the contractors were withheld and deposited in the Operating Fund.

That money was obviously used because retention money reflected is not supported by the cash to pay off these liabilities. How would that happen? That is the very basic principle that retention money is to be kept separately in case there is no fault for the project liability period because money has to be returned.

MR. S. JEET.- Honourable Chair, when the payments were made these were just book transactions that were undertaken to record the retention sum into the Operating Trust but no cash transaction took place. In actually fact, Honourable Chair, when the Department of Water and Sewerage was corporatized as Water Authority of Fiji, all assets and liabilities was supposed to be taken across, all the records were taken across and some of the Accounts staff of the Ministry also went across.

After that the Accounts staff were sent back but records were all kept by Water Authority. When these issues were raised earlier, we had requested Water Authority to provide details of this, whether these contracts are still going on. There were few payments made but thereafter nothing came from Water Authority of Fiji. We have been consulting with Ministry of Economy and there is a recommendation from Ministry of Economy that we maintain that money in trust. We have also written to Ministry of Economy and our last discussion with the Head of Treasury, that we had to seek again confirmation from Water Authority. Is there any forthcoming claims from contractors or the details of those contractors, upon their confirmation then the Ministry of Economy would regularise these figures.

MR. CHAIRMAN.- So it is an issue of depositing the retention money into operating account, is that regularised?

MR. S. JEET.- We are waiting for confirmation from Water Authority. Unfortunately, one of our staff had a breakdown of this amount but Water Authority could not confirm. But we have cent to cent record of this amount and awaiting confirmation from Water Authority. We will put up a submission to Head of Treasury, Ministry of Economy for regularisation of this sum.

MR. CHAIRMAN.- The danger here is that if Trust Funds are deposited in an Operating Account, it could be used up. And then when it comes to paying off the liability, there will be no money left. Is there a chance of that happening? You are saying it is book value, but is the money there; that \$1.161 million Trust Account? Whatever happens with Water Authority when they verify it, it is a later thing but that amount is there somewhere?

MR. S. JEET.- Yes, it is in our record in our Operating Trust.

MR. CHAIRMAN.- In the records?

MR. S. JEET.- Yes.

MR. CHAIRMAN.- Is it reflected in the Bank?

MR. S. JEET.- No, the Operating Trust that we maintain, it is reflected there.

MR. CHAIRMAN.- Operating is separate from Trust Account, right? So where is that money kept at the moment - operating or trust?

MR. S. JEET.- It is in the GL the records that we have.

MR. CHAIRMAN.- Records is okay. The actually deposit, where is that money held?

MR. S. JEET.- It is not the really cash that was deposited. It was the payment part that was journalised, the retention sum was journalised to operating trust. The cash transaction did not take place.

MR. CHAIRMAN.- What they note here is that, the retention money reflected in the Operating Trust Account were not supported by the actual cash to pay of these liabilities. You are saying that there is no cash transaction, it is just a book entry?

MR. S. JEET.- Book entry.

MR. CHAIRMAN.- So if and when those people come to claim their retention money, where will you be paying that from?

MR. S. JEET.- It will affect the current budget.

MR. CHAIRMAN.- Current budget.

MR. S. JEET.- Yes.

MR. CHAIRMAN.- Is that satisfactory, Honourable Members? The retention amount, there is no actual money exchange that took place, it is only a book entry. It is noted in the ledger. When they come back for their retention after the defect liability period, if that happens, then there will have to be an allocation made from the budget to pay that off because there was no actual cash transaction.

HON. A.M. RADRODRO.- The Office of Auditor General, your audit findings refers to one Appendix 40.2. Can you direct us to that appendix, please?

MR. CHAIRMAN.- Appendix 40.2

AUDIT REP.- Thank you, Honourable Member. Apology – Appendix 40.2 is not attached but we can get back to the Committee with that appendix.

MR. CHAIRMAN.- Perhaps if the Ministry of Infrastructure can also do something about this air-condition. It is raining ants, ants are falling on my head.

40.10 - Follow-Up Issues - During the 2016 audit, the status of the matters reported in the previous year was followed up. These matters have remained outstanding as actions were yet to be taken by the Ministry to resolve them.

This is an actual indication that some actions was not taken, there were these recurring issues. The first one is TMA – Department of Government Shipping Services, anomalies in maintenance of tally cards. The Department keeps 4 different types of stores which comprises of Office Supplies, Fuel and Lubricants, Repair and Maintenance materials and Docking and Maintenance materials. The Department did not maintain the tally cards for Office Supplies and Repair and Maintenance materials for year 2015. The Department started maintaining the tally cards for these stores from year 2016. The audit noted that the tally cards were not updated by the Department's storeman as at the date of audit on 31/3/16 for the Office Supplies, Fuel and Lubricants, Repair and Maintenance materials stores.

Why this is important to maintain these tally cards because in other places we have found out in other ministries that if the tally cards are not updated then stocks actually goes missing. So, what is the issue here as it has been a recurring issue in the Department?

MR. S. JEET.- Mr. Chairman, we have addressed this and the vacant post of the storeman have been filled. The storemen have also undertaken training and after this audit report there were two specialized trainings for these storemen that the Ministry had conducted in maintaining records and tally cards.

MR. CHAIRMAN.- What is the usual qualification for a storeman?

MR. S. JEET.- Previously it used to be Form 6 or Form 7 pass.

MR. CHAIRMAN.- And now?

MR. S. JEET.- After the closure of Government Supplies, Mr. Chairman, we have been facing this qualified storeman issues because when Government Supplies was in existence, they used to provide trainings and we used to have the

Service Exams and we used to have qualified storeman. But now when with a low pay, people do not want to stay long.

MR. CHAIRMAN.- Pay is an issue for storeman.

The next one is Department of Energy - No Delay Damages Charged for Delay in Project Completion. This has been picked over various years as there is delay in project completion, there is no penalty. The penalty that is being charged is not applied.

The recommendation was capital projects are properly planned and reviewed to avoid delays. Delay damages are claimed from the contractors for works not completed as per the contract. Terms and conditions of the contract are complied with at all times. The delay is mainly for the late supply of materials from FEA who is a sole supplier. The delay is for the late supply of materials; the department is responsible for the supply of materials for the two project and not the contractors themselves.

MR. M. BELENA.- Thank you Mr. Chairman, for these two projects, the Department was responsible for the supply of materials but the work was carried out by the two contractors. So, FEA was the sole supplier for these materials, these includes the poles, pine poles and the wires. There were some unforeseen circumstances in terms of the availability of materials with FEA so that was the main reason why there was a delay in the project because the materials were not available on time.

MR. CHAIRMAN.- But the question is here was that, when there is a delay, then there is a penalty that is applied. So, the delay was caused by whose fault this time?

MR. M. BELENA.- The delay was from the Department

MR. CHAIRMAN.- From the Department itself and that is why it was not reasonable to apply the penalty.

MR. M. BELENA.- Yes, Sir.

MR. CHAIRMAN.- The other one was the revenue arrears for Solar Home System Scheme. The audit noted that the arrears of revenue for the Solar Home System Scheme fees were prepared up to 30/6/15 only. The Department was still in the process of updating the arrears records. The Department's arrears of revenue for the Solar Home System Scheme as at 30/6/15 was \$548,124. In addition out of

the total arrears of revenue \$548,124 for Solar Home System Scheme as at 30/6/15, the Department managed to recover only \$155,447.80 or 28 percent as at 30/1/16. A balance of \$392,676.20 or 72 percent of the total arrears of \$548,124 was yet to be recovered by the Department as at 31/01/16. How come there is an arrears in the Solar Home Scheme?

MR. M. BELENA.- Thank you Mr. Chairman, for Solar Home System as you are aware that the individual households are paying monthly rentals and it is \$18 per month. So, our last update was done in August last year and we had actually recovered around \$256,000 from the balance that was highlighted in the report. We still have a balance of around \$135,000 that we need to recover but we had engaged our technical officers that normally go out to the field to collect this revenue or the monthly rentals. So, I think we will be having an update in the next month where will be able to provide an accurate update on the remaining arrears that needs to be recovered.

MR. CHAIRMAN.- So, this \$18 per month is for equipment hire or is it for the bills?

MR. M. BELENA.- Actually, that \$18 is like a rental fee that households have to pay.

MR. CHAIRMAN.- For the equipment?

MR. M. BELENA.- Yes for the equipment.

MR. CHAIRMAN.- And I understand that these solar projects are mostly in very remote areas.

MR. M. BELENA.- Yes, Sir

MR. CHAIRMAN.- Where the income revenue of this people must be very low. So, how do they afford this \$18 per month? How did you come up with this amount of \$18 per month?

MR. M. BELENA.- We actually did a study back then, initially it was \$14 but because we have actually upgraded the capacity of the system, we have also increased the rental to \$18. The basis for that was mostly on the amount that each household spends on the purchasing of kerosene. They spend more compared to what we are charging now.

MR. CHAIRMAN.- They spend more on kerosene.

MR. M. BELENA.- They spend more on purchasing of kerosene and other fuels for electricity needs. So it is more compared to the \$18 that Government is charging.

MR. CHAIRMAN.- They have to pay \$18 forever or until the cost of the equipment is recovered?

MR. M. BELENA.- The model that we are currently adopting is such that the communities will continue to pay that monthly rental and Government is responsible for the servicing and maintenance of the system.

MR. CHAIRMAN.- When they are not paying up, what sort of action do you take? How do you recover these monies?

MR. M. BELENA.- There are procedures that we have in place. If communities are not paying, we normally issue them with warning letters. We actually issue three warning letters before we take actions in terms of removing the system.

MR. CHAIRMAN.- You can also remove the system?

MR. M. BELENA.- We remove the system if they are not paying the monthly rentals.

MR. CHAIRMAN.- Somebody has to go out collecting it monthly or are they paying through Post Fiji?

MR. M. BELENA.- Some they pay through Post Fiji but I think majority of the monthly fees are collected by our solar revenue collectors who normally go out. We normally engage on a six-monthly basis trips.

MR. CHAIRMAN.- Six-monthly?

MR. M. BELENA.- Yes. Six months.

MR. CHAIRMAN.- That six months will probably accumulate if they do not pay on time; on a monthly basis, they accumulate a lot of money.

MR. M. BELENA.- Yes, Sir. But what we have done, we appoint solar managers for each of the communities. They are the ones who collect from the

communities to make it easier for our officers to come and collect from those communities.

MR. CHAIRMAN.- Now the question of gender analysis. I was alerted that we have to ask that question as well.

110.2 - Has the Ministry ever considered the gender balance component in any of the planning stages to ensure that the Ministry achieves a desired result for betterment of all people?

The issue here is that when you plan these projects, do you see the population breakdown of different genders, two mainly? How are these projects going to affect those people? DS, the Ministry's perspective?

MR. M. LESUMA.- Sir, we have always seen gender balance as an issue that is of importance. Currently, the makeup of the Ministry itself, as much as we encourage gender balance, the nature of the work that the Ministry is involved in, is very technical.

However, we have had our fair share of, a number of technical female officers who are actually in those ranks holding engineer's positions in the Ministry. We have structural engineers who are ladies. Our highest level basically for electrical is a Principal position and we have a Principal Engineer who is also a lady. As much as we continue to encourage that in the Ministry, we have not been able to have successful candidates and the Ministry is basically trying to align itself to that initiative.

MR. CHAIRMAN.- Thank you for that, DS.

MR. M. LESUMA.- Yes. That was very unfortunate for those ladies that were implicated in that case.

MR. CHAIRMAN.- Yes, but probably a very well-planned scheme by those ladies so we cannot blame the Ministry for that. Everyone deserves to be in prison if they have done something wrong.

That brings us to the end of the questions we had from the Ministry. I thank the representative of the Ministry for their time.

HON. A.M. RADRODRO.- The solar system. I note the arrears here in Muani and Kadavu. The report says

MR. CHAIRMAN.- Where?

HON. A.M. RADRODRO.- It has not been properly monitored and most of the time, it is not working. The solar system that has been installed in Kadavu.

MR. CHAIRMAN.- Is it not working? Where does it say?

MR. M. BELENA.- Can we have the name of the community? For these two, Honourable Chair, the one that is highlighted in the report, those are hydro projects in Muani and Kadavu *koro*.

MR. M. BELENA.- Yes. They are working.

MR. CHAIRMAN.- That is not solar? That is hydro.

MR. M. BELENA.- They are hydro projects.

MR. CHAIRMAN.- So finally that brings us to the end of the presentation. I thank the team from the Ministry of Infrastructure and Transport for your contribution. You have assisted the Committee with your detailed response. We will definitely consider those written and oral submissions in our report writing. Should we have any further questions, we will address it back to you.

Having said that, it is remarkable and encouraging to see that a lot of issues have been addressed and very few issues remain. I hope that future reports will have fewer issues. I also commend the office of the OAG for highlighting to us the previous year's accounting control anomalies in this report. So the ones that are outstanding can be reported in the future volume so that we can compare and see how they have been resolved.

You have assisted the Committee a lot today, DS and team. The work that you are doing is quite good. We can see a lot of Government projects are being handled by you and we hope that the electrification projects continue at a quick return rate with all the stakeholders. Any final comments, DS before we close the session.

MR. M. LESUMA.- *Vinaka*, Sir. Just to update the Committee on the issues surrounding the grounding of the *Spirit of Altruism*. Total passengers were 187 plus 15 crew members. The vessel had departed Natovi on 2nd April at about 7.40 a.m. It ran aground at 9.55 a.m. The rescue ship was in position at 2.00 p.m. Transfer of passengers was safely completed by 7.45 p.m. The *Spirit of Harmony* berthed at Natovi at about 12 a.m. with all transferred passengers. The vessel was

refloated at 6.a.m. yesterday and was towed to Natovi. All vehicles disembarked at Natovi. It was later towed to Suva. Currently it is in the Suva Harbour awaiting dry-docking. There were no casualties and no oil spills fortunately with only minor damages to the ship's rudder. Currently the Maritime Safety Authority of Fiji (MSAF) is conducting its investigation on the mishap. *Vinaka.*

MR. CHAIRMAN.- Thank you once again, Members. Let us adjourn for about 5 to 0 minutes. Thank you very much.

The Committee adjourned at 12.28 p.m.