

# **PUBLIC ACCOUNTS COMMITTEE**

**[Verbatim Report of Meeting]**

**HELD IN THE**

**COMMITTEE ROOM (EAST WING)**

**ON**

**TUESDAY, 20TH MARCH, 2018**



**VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS COMMITTEE HELD AT THE BIG COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON TUESDAY, 20TH MARCH, 2018 AT 9.45 A.M.**

**Interviewee/Submittee:                      Office of the President**

In Attendance:

- |    |                        |   |                                |
|----|------------------------|---|--------------------------------|
| 1. | Mr. Pene Baleinabuli   | - | Official Secretary             |
| 2. | Ms. Alena Mataitoga    | - | Principal Assistance Secretary |
| 3. | Ms. Kiti Temo          | - | Senior Assistant Secretary     |
| 4. | Mr. Krishnil Kumar     | - | Manager Finance                |
| 5. | Mr. Saimoni Ratukadreu | - | Manager Properties             |
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DEPUTY CHAIRPERSON.- A very good morning to everyone. I acknowledge and gracefully thank the presence of all the Officials from the different Ministries and Departments, in particular, the Office of His Excellency, the President of the Republic of Fiji. The team is led by the Official Secretary. Today in our Committee proceedings, we are accompanied by Officials from the Ministry of Economy (MOE) as well as the Officials from the Office of the Auditor-General (OAG). At the back, we have members from the media, I welcome you too.

My apologies, two Committees Members from the Government are not present this morning, the Honourable Chairman of the Committee, who will be chairing the Justice Committee in the afternoon has given his apologies and the Assistant Minister for Health, Honourable O'Connor, is on his Ministerial duties. Nonetheless, we do have the quorum.

I welcome Honourable Members as well, in particular Honourable Radrodro and Honourable Ratu Lalabalavu, as well as the Secretariat staff.

I am the Deputy Chairperson of the Committee and I believe there is only one issue to be discussed and it is quite an important one. So I would now give you the opportunity, Official Secretary, to lead us with the submission and take us through. Thank you.

MR. P. BALEINABULI.- Thank you Deputy Chairperson and a very good morning to the Honourable Members of this Committee. I am the Official Secretary and if I may, I would like to introduce the team very quickly.

(Introduction of Team)

Deputy Chairperson and Honourable Members, just before we proceed with the answering the question from the Committee, I would like to take this opportunity on behalf my colleagues and the Office to pay our respects to the late Ratu Sela Nanovo, who I am sure had been a very Honourable Member of this august Committee.

Thank you, Deputy Chairperson, the question that we had received from the Honourable Committee is to advise the Committee on the issue of anomalies in the Revolving Fund Account (RFA) and to inform whether this issue has been resolved, and if not then why?

Deputy Chairperson, the shortest answer that I could give to the Honourable Committee is an emphatic, yes. The Office has resolved the anomalies that had been picked up by the Auditor-General in the past couple of years. If I may, I would like to give the response that we have brought before the Honourable Committee.

The Operating Trust Fund Accounts are credit accounts in nature. The account should have credit or zero balance. The Office of the President, like all of the Government agencies, credit funds into their various Trust Accounts and effect payments or debit by the end of the month. The balance backlog in the RFA Account accumulated from 2008 and was cleared in 2016.

The particulars on the accumulated balances are stated below:

- 2008 to 2011, there was a balance of \$42,700 in the RFA;
- in 2012, there was still \$42,000 from 2013, it jumped to \$146,000; and
- in 2014, it jumped to \$746,300.26.

However, due to the lack of capability in the Office, there was a significant amount of mispostings in the Operating Trust Fund Account. This led to the significant debit balances or overdrawn accounts.

The establishment of a fully-fledged Accounts Section, in addition to the recruitment of a qualified and experienced accountant have helped to address the issue of mis-postings. Reconciliations have been carried out to identify the mispostings and this had been adjusted accordingly.

Extra trust allocations have been deactivated and closed by the MOE. At the end of 2015, all the Trust Fund allocations had a zero balance. There were no more debits or overdrawn accounts. The Office of the President and the MOE will continue to ensure improve, control and monitoring of the Operating Trust Fund Account. For instance, the Payment Clerk in the Office of the President can only payout the funds that have been credited through a particular trust allocation.

The monitoring is done by both, the MOE, the FMIS Division and the Office of the President's Accountant or Manager Finance. The Office is pleased to advise this Committee that with the assistance of the MOE, it has cleared its RFA through savings from other allocations in 2006. We have attached a GL-671 Report right next to this particular Report where you will note that remaining balance of \$3.25 is the unutilised RFA refund to the Government's consolidated Fund Account at HFC.

The Office commits itself in ensuring that the anomalies highlighted by the Auditor-General in previous years will not recur. The Office has put in place Risk Management Strategies that will ensure that the Office fully complies with the Finance Management Act 2004, the Financial Instructions 2010 and the Office's Financial Manual, amongst other relevant legislations. Thank you, Deputy Chairperson.

DEPUTY CHAIRPERSON.- Thank you, Official Secretary, for your response. Before I give the opportunity to Honourable Members, I just noted two points; one is that you have assured the Committee that there is a strict structure in place in terms of financial control. You mentioned that now you have more qualified resource personnel when it comes to financial transactions. I am just interested to know about the structure that you have. Who are the people specifically in the Accounts Department in the Office of His Excellency?

MR. P. BALEINABULI.- Thank you Deputy Chairperson. As part of our submission in the folder, we have also provided a full list of all the staff in the Office of the President. At this point in

time, the person in charge of our finance section is Mr. Krishneel Kumar, who joined the Office in late 2017.

He is very highly qualified with a Master of Commerce, majoring in Accounting from the University of the South Pacific. He has a degree in Commerce and has over 10 years of experience in a statutory body.

Prior to Mr. Kumar coming, we had Mr. Paula Naitoko, who helped resolved the anomalies within the Office of the President. Mr. Naitoko was specifically recruited because he had decades of experience with the FMIS. As we speak, I am happy to say that Mr. Naitoko resigned last year when he got a promotion in the Office of the Prime Minister and that is where he is right now.

To assist Mr. Krishneel Kumar, we had two equally qualified Clerks and as I speak, I would like to share this with the Honourable Members.

The Accounting Section is a newly created section in the Office of the President. It was just created in 2014. Prior to that for over 16 years there was a particular Official, God bless his soul, and he managed the accounting in the Office of the President for 16 years. With all due respect, he did very well but the problem arose when he left and there was a lack of capacity building.

You will notice that from 2012, 2013 and 2014 the issues were compounded because there was serious lack of capacity around that time, until we established the Accounting Section and recruited Mr. Paula Naitoko. Now, we have Mr. Kumar and he has two Clerks. Again, one of the Clerks that I mentioned earlier had resigned about two months ago to go for greener pastures. We are on the verge of recruiting, we have actually recommended the recruitment of another Clerk with Degree in Accounting. The other Clerk that we have has Diploma in Accounting. So we have a fully qualified team in the Office.

In addition to that, Deputy Chairperson, we mentioned that we have strategies in place and this was picked up also by the Auditor-General. This is work in progress for us. We continue to try and abide by the Regulations - the Finance Act and the Financial Instructions, and we have also developed some risk management strategies that we are beginning to put in place to ensure that the problems do not recur. Thank you, Deputy Chairperson.

DEPUTY CHAIRPERSON.- Yes, we do take note of the comments coming that as of 2015, there was zero balance in the RFA Account. If I can have the MOE resource personnel confirming that, that information is 100 percent true in nature.

MOE REP.- Thank you, Deputy Chairperson and Honourable Members of the Committee, regarding confirmation that the GL balance is zero, I need to go back to the FMIS system and confirm that to you. But I would also like to add on some of the work in progress that the MOE is doing with the Office of the President, following our PAC appearance in the 2015 Accounts.

They did evaluate our Section and we have put in place a Monitoring and Evaluation Unit. This Unit works closely with our Internal Audit Unit and the operations team. We try and analyse the financials of Ministries and Departments on a monthly basis and just recently we have issued the Permanent Secretaries a status on their six monthly accounts where we have highlighted their progress, we have showed them where their accounts needs to be rectified, what type of documentations is needed and we are continuously training our Accounting Heads through our Accounting Heads Forum meetings that we have so that these issues are resolved. We have seen a progress when we write to the Permanent Secretaries directly, through our Madam Permanent Secretary and response is really good. So for the balance whether it is zero, can we come back to you on that?

DEPUTY CHAIRPERSON.- Just a simple email would suffice to one of our staff, we just want this information so that we can take it on board whilst we are doing our report writing. Honourable Members, any other questions?

HON. RATU N.T. LALABALAVU.- Thank you, Deputy Chairperson, I seek some clarifications. Mr. Baleinabuli, thank you so much for what has been stated here and the comments that you have made, especially with the findings of the OAG on the \$48,000 of the 2016 Accounts.

You have been there for quite some time. The usual rhetoric that we hear is lack of capacity. The present Government is pushing for reforms. Can you guide the Committee, in the absence of this qualified officers or whatever, you in your capacity as the overall Head of this high Office, what would be some of the problems that you also foresee instead of this lack of capacity that has resulted in this? All of a sudden you have a very low balance in there. Thank you.

DEPUTY CHAIRPERSON.- I think a similar discussion was initiated earlier but just to inform that the Honourable Ratu Lalabalavu is a new Member of the Committee perhaps, you can briefly highlight about all the changes that you have made in your capacity when you join the Office of the His Excellency.

MR. P. BALEINABULI.- Thank you, Deputy Chairperson and Honourable Member. I will be very honoured to explain the developments that the Office has taken place since 2012 up until the present day.

The short of it is that by December 2012, there were less than 10 percent of 39 functional positions or officers at the operational level, who had qualifications and this includes both, academic and technical competency-based qualifications. Just to help us out, Honourable Member, we have got it under Appendix 2.

From 2012, we have implemented the Government's Reform Agenda and as we speak today, I am happy to announce that from that 10 percent in 2012, we have 92 percent of all the staff. They have academic qualifications up to Master's Degree, Certificates and competency-based training. Only three of our staff are left to be qualified in the chance and we are working really hard to try and get them qualified. We do not intent to use the lack of capacity as an excuse anymore. That was the reality of the past years but moving forward, that is no longer the case for the Office of His Excellency the President.

I hope that suffices but otherwise, Honourable Member, I could take us through the three pages that we have attached earlier, otherwise I am happy to say that it is the kind of capacity building that we have undertaken over the past five years. And we have done it through a combination of training people who are there before, people who have had vast experience but just needed some formal qualifications and we have done that. Importantly, with the Civil Service Reform we are required to recruit people based on merit and we have consistently recruited people with relevant qualifications both, academic and technical in nature. Thank you, Deputy Chairperson and Honourable Member.

HON. A.M. RADRODRO.- Deputy Chairperson, just a supplementary question. Thank you Mr. Baleinabuli for the explanations and the supporting documents that you have provided. In terms of your understanding of the Government systems and processes, doe your staff undergo what used to be called Civil Service Exams, like H1, H2 and S, to make them understand better the system and there is no repetition of this misposting exercise?

MR. P. BALEINABULI- Thank you, Honourable Member, through you Deputy Chairperson, absolutely! Our team as you would have heard from the MOE, that is part of our strategy as well. Our Finance Team in particular, starting from 2014 have been attending consistently every year, the trainings that are being offered in the Ministry in terms of the FMIS and accounting management.

Our Head of the Accounts Section attends the Head of Accountants Meeting and never fails to do that, and it is all part of our effort to make sure that we are on par with what Government is trying to do. But we are also going above that and we are encouraging our Manager Accounts and the Accounting Team to be members of professional institutions, like the Fiji Institute of Accountants and that for us is quite important; to bring new knowledge and to make sure that the Office of his Excellency the President is leading by example when it comes to accountability and transparency. *Vinaka Vakalevu.*

HON. A.M. RADRODRO.- Deputy Chairperson, just another question; one of the issues raised by the Auditors in this similar arrangement is lack of supporting documents and lack of supervision in the work that is being carried out, while allowing all those transactions to go through without proper supervision and monitoring. Can you just highlight to us your risk strategies in terms of?

MR. P. BALEINABULI.- Thank you, Honourable Member, yes, that has been the case in the past but as we progress, Honourable Members of the Committee, I hope that one day we can invite you to the Office of the President to see the physical structures that we have put in place. I think in our last meeting last year, we had provided some pictures of the developments we have made in the Office.

We have created a secure space for the Accounts Section, it was never there before, and within that secured space we have made sure that their filings are very properly done systematically. And with part of the training that we are going through, “misplaced documents” will be a thing of the past. That is a holistic approach that we are trying to implement within the entire office. *Vinaka Vakalevu.*

DEPUTY CHAIRPERSON.- OAG, 1.1-Audit Opinion; the conclusive statement is, it is a qualified Audit Report and that has been said because of the RFA Account. I was just interested to know what is the update on the 2017 accounts, if it is in process? What is the scenario now, qualified or unqualified?

AUDIT REP.- Honourable Deputy Chairperson, the audit of the 2017 accounts has been completed and the accounts has been signed off by the President’s Office and our Office. I am happy to mention that we have issued an unqualified opinion for 2017. The issues which we had seen raised in the 2016 accounts had been rectified and also just a few comments on the Official Secretary.

We also have seen good improvement, good progress made with the implementation of the strategies by the Office in terms of getting qualified officers on board. The establishment of a fully furnished Accounts Section, I think it is paying dividends for the office as a whole. We have also seen improvement in the supervisory cheques and improvement in the record keeping, so from our side, I think they are doing good as far as the accounting is concerned.

DEPUTY CHAIRPERSON.- I thank you all for your response to that. Just another question to the Official Secretary, now you have mentioned in your submission that this scenario has been in existence since 2008 and from what we believe, the Audit Opinion says in 1.1, and I quote: “The basis for the qualified opinion is that prior year balances ...”, so I believe this has to be from that time. That is what they mean in the Revolving Funding Account totalling \$776,847 were cleared by posting to various expenditure allocations without adequate supporting documents being provided to the audit.

Now, those few words itself is very concerning in nature and as you mentioned that there was no Finance Section in place during those times when these issues kept on escalating. I am just interested to know because this word here, 'without adequate supporting documents' itself is very concerning and this is coming from a very independent financial institution. Was there any action taken upon the individuals who were responsible for this?

MR. P. BALEINABULI.- Deputy Chairperson, the individuals who were responsible at that time are no longer in the Office, they have left the Office. They resigned, some of them left when we started to implement the Government recruitment process based on merit and they have been replaced. I am just going to refer very quickly to Honourable Ratu Lalabalavu's comment about finding solutions.

This Office recognises the various problems that had been there before and the strategy that we applied and we are very grateful that we worked with the MOE to try and resolve the anomalies. So ours was a focus on solutions, we looked for solutions and we looked at the way forward to make sure that it does not recur and that has been the effort that we have put together all this time until now. I think the result is just the OAG had mentioned, that the 2017 record should speak for all the efforts that the Office has undertaken with the support of our key stakeholders. Thank you, Deputy Chairperson.

DEPUTY CHAIRPERSON.- So OAG, this were only cases of mispostings, not misappropriation?

AUDIT REP.- Yes, Chairman.

DEPUTY CHAIRPERSON.- Thank you. Any other question?

Since there are no other questions, I thank Official Secretary for your responses. Apologies from the Committee that the issue was only one but part and parcel of the process of the Committee, even though there is only one notable issue. We want to know more in depth about what is going on, especially in terms of Financial Management in the Ministries and Departments.

(Vote of Thanks – Deputy Chairperson)

MR. P. BALEINABULI.- Thank you, Deputy Chairperson. Thank you again for this opportunity to be here to help provide clarification on the concerns of the PAC.

I would like to take this opportunity to also thank both the Committee as well as our key stakeholders, the MOE and the OAG. We look forward to continuing to strengthen our relationship so that we can together ensure that Fiji as whole is going towards a more progressive and a modern nation that we are able to handle operational issues as such. *Vinaka Vakalevu.*

The Committee Interview concluded at 10.14 a.m.



The Committee resumed at 10.50 a.m.

**Interviewee/Submittee: Ministry of Defence and National Security**

In Attendance:

- |    |                     |   |                                       |
|----|---------------------|---|---------------------------------------|
| 1. | Mr. Osea Cawaru     | - | Permanent Secretary                   |
| 2. | Mr. Kanuto Tugaga   | - | Senior Accounts Officer (Immigration) |
| 3. | Ms. Arieta Rokobera | - | Accounts Officer (Defence)            |
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DEPUTY CHAIRPERSON.- I thank you all for your patience in waiting for yet another Ministry to have their submission and on this note, I would like to most gracefully welcome the Permanent Secretary who is heading the Ministry of Defence and National Security and also his team which he will be introducing whilst he will be given the opportunity to go through his response.

Now, as per the Audit Report we have two major Departments and one is the Ministry itself. The other one is the Department of Immigration but since 2017 as per the structure, the Department of Immigration has now fallen under the Office of the Prime Minister. So, the Ministry of Defence will only be addressing issues of their Ministry specifically.

On this note, I would like to welcome the Team from the Ministry of Defence led by the Permanent Secretary and for your information, we have certain officers from relevant Ministries and Department, in particular the Ministry of Economy (MOE), who are on my far right and the Office of the Auditor-General (OAG), who are on my far left. We have our two Honourable Members from the Opposition, Honourable Aseri Radrodoro and Honourable Ratu Naiqama Lalabalavu.

The Honourable Ratu Naiqama Lalabalavu has replaced Honourable Ratu Sela Nanovo, who unfortunately passed away a few weeks ago and may God grant him peace and a beautiful space in Heaven. He was a very committed member of the Committee.

The other two Committee Members; the Honourable Chairman will be chairing the Standing Committee on Justice Law and Human Rights, he has given his apologies and the Honourable Alex O'Connor, who is also a Government representative of the Committee and is out on his ministerial duties. The rest of the staff in front are the Parliament secretariat.

Without further ado, I would like to give the opportunity to you, PS, to introduce your Team and from there on, lead us through your presentation. Thank you.

MR. O. CAWARU.- Thank you, Deputy Chairperson, and Honourable Members of the Committee, a very good morning to you all and good morning to all colleagues. I will introduce my team.

(Introduction of Ministry Officials by PS)

Deputy Chairperson, thank you for the invitation for us to appear before this Honourable Committee this morning and I think the question raised is; what assurance do we have in terms of improving the three audit queries?

The first one, unreconciled variance of \$94,196.80, the variance appears between two systems - FMIS and IBMS which is the Integrated Border Control Management System, currently operated within the Department of Immigration. If you do allow, Deputy Chairperson, for me just to refresh the

Committee Members on our response; I will go through the response and then we will focus on the answer to the questions on what guarantee we have to avoid non-repetition of the Audit queries.

First, Deputy Chairperson, on the Unreconciled Passport Revenue; the Department acknowledges the Auditor-General's recommendation. The IBMS is not linked to the Government's FMIS so all revenue receipted by the Department is journalized and posted daily to the FMIS. The Department is working towards fully integrated all revenue modules in IBMS and this includes - the issuance of permit fees, appeal fees, PI (Prohibited Immigrant) uplift fees, citizen fees and the bond, to ensure that there is no manual receipt issued for these services.

Training has been conducted for all technical officers and this integration will see the infrequent use of manual receipts, meaning once we improve these two systems it will minimise manual receipting. However, in unforeseen circumstances like power outages, natural disaster that does affect the power supply, the cashier has to resort to manual receipts so that our service continues and manual receipt is not reflected or part of the current IBMS.

Deputy Chairperson and Honourable Members, the Fiji Missions abroad also render this immigration service in receipting of payments as well for former Fiji citizens and they do collect revenue for the services rendered. The Ministry of Foreign Affairs here at Headquarters then journalises all the revenue collected on a monthly basis. So, these revenue is not reflected in the IBMS.

DEPUTY CHAIRPERSON.- I am very sorry for the interruption, Sir, you made a comment that the Department will not be responding to the issues of the Immigration Department since it is now under the Office of the Prime Minister, but you want to discuss issues on that as you are doing now?

MR. O. CAWARU.- Yes, Deputy Chairperson.

DEPUTY CHAIRPERSON.- All right. Thank you.

MR. O. CAWARU.- I feel Deputy Chairperson, it is appropriate because this is the audited report for 2016 and we were under the same Ministry. Thank you Deputy Chairperson.

The way forward that the Department has adopted is that, all manual receipts will be updated into the IBMS on a daily basis and all revenue collected from the respective countries, the Fiji Missions abroad, will be posted into the IBMS on a monthly basis.

Revenue reconciliations are to be carried out monthly, and the Department shall ensure that the two reports - IBMS and FMIS are reconciled. Just to summarise, Deputy Chairperson, my colleagues might want to add a few initiatives that they are currently doing now after 2016. The way forward now, what the Accounts Officer is now doing is that, he is now liaising with the consultant, who is from Sri Lanka and they look after this IBMS. There is a recent changeover from the old Systems Analyst and now we have a new Systems Analyst.

On the way forward now, what we are trying to improve is to create a module in the IBMS so that all journals being raised by the Ministry of Foreign Affairs here are put up in an excel spreadsheet and then they are uploaded monthly into the IBMS. The problem here is that, the FMIS and the IBMS, in layman's term, are not speaking to each other.

In terms of connectivity in the system, I have been told that we cannot connect these two systems - FMIS and the IBMS. So the only initiative, the only way forward now is the uploading of journals raised by the Ministry of Foreign Affairs here and also all manual payments done at the

Department of Immigration to be clearly checked and uploaded on a monthly basis, to ensure that the variance is limited. So that is the immigration issue, Deputy Chairperson.

DEPUTY CHAIRPERSON.- I just noted three points; the first one is the outsourcing of the consultation work. It is done by resource personnel from overseas countries. In regards to IBMS, that is the resource personnel from Sri Lanka. Why overseas people, why not local people?

MR. O. CAWARU.- To be frank, Deputy Chairperson, when I joined the Ministry, I think they were there then. Just briefly on the IBMS, it was brought in, its main purpose as to why it was established is that, a system to be adopted by the Immigration Services more on border information.

But now a small component of that IBMS is on this financial reporting and that is something that I have been told that the consultant here has just created within the IBMS but the core need of the IBMS is not on financial but moreso on border information. It is good that they can have this financial system uploaded in the IBMS as well, as part and parcel of financial oversight as well.

DEPUTY CHAIRPERSON.- So, when we specifically talk about the data from the different borders outside Fiji, that is the main reason why overseas consultants need to be here?

MR. O. CAWARU.- I think so, Deputy Chairperson.

DEPUTY CHAIRPERSON.- The second question; you mentioned that the way forward for the Department is (and I just hope that the Ministry is able to answer this because this is an update so update will be from 2017 and 2018 onwards) that all manual receipts are to be updated into the IBMS on a daily basis and all revenue collected, those from the Missions on a monthly basis. What is the update on that, is it being continued?

MR. O. CAWARU.- Yes, Deputy Chairperson.

DEPUTY CHAIRPERSON.- Are these updates happening?

MR. O. CAWARU.- Before there was no update done in the IBMS, like they were all totally reliant on the FMIS. Now that the IBMS is in use, they are trying to update that using IBMS, as well as a backup to the FMIS. But the only thing that they have to do now is the manual and the regular updating of those manual payments to be done.

DEPUTY CHAIRPERSON.- The third question; you have said that there seems to be a bit of collusion and lack of reconciliation between the IBMS and the FMIS. Do you think that this system is the way forward? Do you think it will align sooner or later with the FMIS, or the problem will continue?

MR. O. CAWARU.- For now, Deputy Chairperson, to be frank, this problem will continue until the time that this current Systems Analyst will find a solution to minimise this variance.

DEPUTY CHAIRPERSON.- That is exactly what the consultants are working on. All right, so the solution might come later.

Honourable Members, any questions on the Department of Immigration.

Thank you. So this consultation services, we get to hear a lot of issues coming out from the general public on why we are outsourcing people from overseas and as a matter of fact, we want to encourage the local people to be part of the new systems that are implemented in order to improve

things in the Government Departments. Are there any local people involved in this consultative process or is it just purely overseas resource personnel? Are they doing some in-house training so that when they leave, local people are there, trained and enough to carry out this new system?

MR. O. CAWARU.- Currently, we only have the consultants from Sri Lanka working on the system but I think if I can recall, while they were still part of us, we used to have an IT graduate as well. Part of his training was to learn IBMS and I understand we sent him to Sri Lanka as well, for him to learn more on the IBMS. That is when they were still part of the Ministry of Defence.

DEPUTY CHAIRPERSON.- It would be very good to have local people trained in this very important system. It is also about a matter of keeping our local people more knowledgeable and involved.

Ministry of Defence, if you can continue from ....

HON. A.M. RADRODRO.- The Security Licence Fee of the IBMS, where is it being operated from, Department of Immigration or the Ministry?

MR. O. CAWARU.- Thank you, Honourable Radrodro. That is being dealt with at the Headquarters, not with Immigration. IBMS is only meant for border management.

HON. A.M. RADRODRO.- The FMIS or the one that has been highlighted here?

MR. O. CAWARU.- Yes, that is what I will be presenting now, Honourable Member.

The first question was on the variance on the FMIS and IBMS and now, I will present on the Security Licence Fees and the Provisional Tax.

Deputy Chairperson, if you may allow, the other question raised is on the provisional tax. The Ministry should ensure that the revenue is posted to the correct allocation. I think in our earlier explanation, we admitted that there were some mispostings done. This is purely a misposting issue, Honourable Deputy Chairperson, and Honourable Members.

In terms of the way forward, we have improved our system. This is in terms of the retirement of accountable advance, meaning it will be receipted into the accountable advance account. The incidental retirement will also be receipted, so it is just a matter of posting into the right allocation, Deputy Chairperson, and Honourable Members.

In terms of the way forward and our improvement, we have locked in these key responsibilities in terms of the job description to the particular officers and also on the current systems and processes that are being ensured to be revised and followed up strictly.

That is on the agenda on mispostings, Deputy Chairperson.

DEPUTY CHAIRPERSON.- Sir, if I may, incidental retirement, what does that mean? Someone suddenly retires without the knowledge of the Ministry?

MR. O. CAWARU.- These are like, refreshments?

MS. A. ROKOBERA.- Sir, just to correct that, incidentals; this is part of the expenses that we normally pay out from Incidentals, for example, refreshments. If refreshment is needed in the

Ministry, we pull out \$30 from Incidental to pay for refreshment. So in certain cases if they acquit that back, we will receive a cash of \$0.20. We have to receive that \$0.20 back to the Incidental allocation.

(Inaudible)

MS. A. ROKOBERA.- Yes, it is kind of petty cash for the Ministry.

DEPUTY CHAIRPERSON.- So that is the word to be used, 'retirement'?

MS A. ROKOBERA.- Yes, Sir.

DEPUTY CHAIRPERSON.- But in actuality, it means meal allocation, refreshment allocation, et cetera.

MS. A. ROKOBERA.- Once we pay out \$30.00, the retirement is \$0.20.

DEPUTY CHAIRPERSON.- Thank you.

We only remember it as meal allowances. We did not know that there is a special jargon for that particular type of financial transaction. You can continue, Sir.

MR. O. CAWARU.- Thank you, Deputy Chairperson, and Honourable Members.

The last one is on provisional tax not withheld. In our earlier response, we acknowledged the Auditor-General's recommendation. We admitted in our last report that it was an actual oversight of the Ministry in the non-deduction of 5 percent provisional tax.

Since this was the first time, a payment to be done by the Ministry to a consultant was an oversight by the Accounts Department in not deducting this 5 percent provisional tax. As part of the way forward, we have ensured that the 5 percent is also incorporated in the contract letter issued to the consultants.

I understand that this is being done by some other Ministries as well, the issue on the deduction of 5 percent that will be incorporated in the consultant's offer letter and also the improvement in terms of the job description and the standard operating procedures for the Accounts staff that needs to be improved.

How do we guarantee that to this Committee? I think you can see there, Deputy Chairperson, towards the last paragraph. We wish to confirm that the Ministry has been deducting not 5 percent, but I think 15 percent provisional tax for similar payments, such as sitting allowances.

Other taxes, yes, we have been following that, Deputy Chairperson, and you can see on the annexures, those are the proof but on the 5 percent, this is in terms of one of the consultants we hired to review the National Security Strategy that we had developed in the Ministry.

When the issue was raised, we followed up with the consultant. We tried to follow up and request the consultant to pay back because it was purely an oversight of the Ministry. Dialogue are still continuing when this consultant passed on last month. This very briefly, Deputy Chairperson, is the update in terms of the agenda on provisional tax.

DEPUTY CHAIRPERSON.- I can see very extensive reports in your appendix. Just a question out of interest, the Board Members, MOE, how does tax apply to them, is it per sitting or it has to go until \$30,000? How does the system work for them?

MOE REP.- Deputy Chairperson, what I can confirm now is that, it would be per sitting when we receive the Board allowance, but looking at the submission now, I was thinking that the sitting allowance and provisional taxes are put together, let me confirm this with FRCS because we have noted previously and we are in discussions with FRCS on a lot of tax payments that has been happening which were not correct. What we have done is that, we have asked FRCS to evaluate our system. This was just for VAT but we have also included provisional taxes and other taxes like fringe benefit tax, et cetera, so that our Accounting Heads are aware when deductions are to be made. Sitting allowance seems to be an employment tax but we will have to come back and confirm that.

HON. A.M. RADRODRO.- Just a few questions here in terms of the provisional tax; one is the consultant that was engaged to prepare the National Security Strategy. There was no provisional tax withheld for that particular consultant. In the production of the report, was it finally produced, despite provisional tax not being deducted?

MR. O. CAWARU.- Yes, the report was prepared and the main task of the consultant here was just to review the current draft that was prepared but his main task was just to review the document itself.

HON. A.M. RADRODRO.- Did he produce a report upon the completion of his review?

MR. O. CAWARU.- Yes .

HON. A.M. RADRODRO.- In terms of the 15 percent as per your response on provisional tax deducted from sitting allowances, is this in line with the tax rules and regulations? That is for cash payout of sitting allowances the one that you are currently deducting now? Is it in line with the tax policy, rules and regulations?

MS. A. ROKOBERA.- Thank you, Sir. We get that from MOE for the confirmation of the 15 percent to be applied to all the Board Members who sit in the meeting. We have been applying that 15 percent from that time until today.

HON. A.M. RADRODRO.- On the advice of the MOE?

MS. A. ROKOBERA.- Yes, we also have liaised with FRCS.

HON. A.M. RADRODRO.- They said it is all in the application of rules and tax.

MS. A. ROKOBERA.- Yes, Sir.

HON. A.M. RADRODRO.- Just to clarify, I thought that individuals are not subjected to that but only companies. So, these two are there as individuals or are they representatives of their own companies?

MS. A. ROKOBERA.- They are representing the companies.

DEPUTY CHAIRPERSON.- But MOE, you mentioned that it is under review.

MOE REP.- Yes, Deputy Chairperson, maybe we will get back to that advice when it is provided but we are reviewing all tax payments that are happening and that include VAT as well. We have allowed FRCS to come to us; they came, reviewed and they have to come back to us on this note.

The discussions started, Honourable Member, in February when we were asked to approve some payments that we thought was not in line with the tax legislations and then we started discussions with FRCS and the Ministry concerned. We want to take a holistic approach, we want to provide practical trainings to our Accounting Heads on how transactions look in their books and how they are going to pay their taxes. We had asked them design a training plan for us so it is taking up a bit of time for them to put up a training plan so that when Accountants or Accounting Heads change, they have something to fall back on and not necessarily always have to go in organising trainings like this.

HON. RATU N.T. LALABALAVU.- Deputy Chairperson, just a question to the PS regarding the Security Licence Fees. Is this a new revenue collection? Who is in charge of this in the Ministry? What would you think appropriate here to ensure that the system in place does not have these mispostings, et cetera?

That question goes to the MOE as well. What should you have replaced to ensure that you are ready to receive this kind of things?

MR. O. CAWARU.- Thank you, Honourable Member. To answer the first part of your question, this is not new, it has been in place since 2010 and the way forward to answer to your question is, how we can improve?

I think it would just be the strict compliance and implementation of this particular legislation to applicants, meaning when fees are due we have to be strict in terms of compliance to due dates for payments.

DEPUTY CHAIRPERSON.- Out of interest because it is reflecting in the Audit report, I was going over Table 6.3, some of the receipts under the Security Licence Fees allocation and one of it is meal allowance MSG. So the responsibility of MSG falls under Ministry of Defence and not Ministry of Foreign Affairs?

MR. O. CAWARU.- Yes, thank you, Deputy Chairperson. Just to answer the Honourable Member's question, firstly, on strict compliance in terms of payments, this particular issue is just the issue of misposting. All these accounts here, like the retirement, travel and meal, are all being posted to this fees allocation which should not. It is only allocation that is meant for security fees.

Looking at these Audit queries, it is a matter of misposting so instead of posting to the actual allocation of meal, incidentals, travel, MSG to answer you Deputy Chairperson, yes, we do have an MSG allocation as well. This is to assist the officials from the Ministry in terms of our travel and accommodating agenda to MSG Meetings.

DEPUTY CHAIRPERSON.- So, what role does Ministry Foreign Affairs has in regards to MSG?

MR. O. CAWARU.- The Ministry of Foreign Affairs actually organise the meeting proper, papers but with this \$100,000 allocation on MSG, it is just to prepare the Ministry Officials in travelling and attending this MSG commitment if it is either held in the Solomon Islands, Vanuatu or Papua New Guinea.

DEPUTY CHAIRPERSON.- So, this \$100,000 is under your Ministry?

MR. O. CAWARU.- Absolutely.

DEPUTY CHAIRPERSON.- Alright.

HON. RATU N.T. LALABALAVU.- Deputy Chairperson, through you, further to my question regarding the misposting and on the second issue of non-retention of provisional tax, you have also admitted it was an oversight. Was anyone be held accountable here? You have stated here that the consultant had passed on.

MR. O. CAWARU.- It is a good question, Deputy Chairperson, that is in terms of how we .....

HON. RATU N.T. LALABALAVU.- accountability.

MR. O. CAWARU.- ... are going to recover this. Maybe, MOE can help us in terms of 'bad debts', the word there in accounting terms. But from my end that is another option I can consider as Chief Accounting Officer, as well surcharging my Officials in terms of non-compliance.

DEPUTY CHAIRPERSON.- I think the interesting question would be in regards to what Honourable Ratu Lalabalavu was asking, what is the policy on an officer who is doing misposting? What does the policy say? What type of action does the Ministry take or advise the line Ministry to do?

MOE REP.- Thank you, Deputy Chairperson. This is on posting of revenue?

DEPUTY CHAIRPERSON.- Yes.

AUDIT REP.- The issue of posting of revenues, we do discuss a lot on this and we also have our Fiscal Policy and Research Unit within the MOE monitors revenue recordings on a quarterly basis. When they monitor, they look at the actual collections posted against the budget, so any revenue that is posted, like we have a budget but we are not posting, or we do not have a budget and we are posting in a particular allocation, this Unit always revert to the operations team and are demanding answers why are we posting that as such.

I would also like to advise the Committee that the MOE has gone through a restructure and we have placed people who are monitoring different sections or the accounts as well. So this Fiscal and Research Policy Division just looks after revenue that had commenced in January.

Now, we are trying to address any issues and we have also taken into that it has forums, even in our internal audit findings and we discuss it, we flag it to the Accounting Heads that these are the issues that should not be appearing. These are normal accounting matters and we should be up to the par with it.

Unfortunately, we do not have any policy at the moment that can say that a particular accounts officer has misposted this particular revenue or put it into a different expenditure allocation that it should not be there. What actions do we take? But at Ministerial level, I believe management accounts are being forwarded to the respective Permanent Secretaries and these Permanent Secretaries are demanding answers from their Accounting Heads when finances do not match up. So before the management report goes to the Permanent Secretaries, there are middle managers who are signing off on these reports.

Middle managers are required to ask those questions and take actions before issues of this nature reaches up to the Permanent Secretaries. We have discussed with our Madam Permanent



Secretary if some issues that are recurring that are not being addressed, if this could be taken into the Permanent Secretaries' Forum where they meet and these issues could be highlighted as well.

HON. A.M. RADRODRO.- Deputy Chairperson, just a question to the MOE, things listed in Table 6.3. It seems like the old defects have been allowed to continue for the term of the financial year. It brings into the fore the question of monitoring, checking that those oversights are addressed on time and not await the OAG to come and detect those oversights. Can the MOE advise whether they did any internal audit in this Ministry during this year? And if not, why not?

MR. K. TUGAGA.- Thank you, Sir. The internal audit did not conduct any audit for the Immigration Department or the Ministry of Defence, however, what we did as was explained before by the Manager Accounting Services for my Treasury Section, the FMIS is working with us and we are sending on monthly basis the list of all outstanding transactions that need to be corrected.

HON. A.M. RADRODRO.- You have sent out these listing in the table as well ?

MR. K. TUGAGA. - All the outstanding balances are sent out to them.

HON. A.M. RADRODRO.- Table 6.3? Did you send out this listing to the Ministry for your notification before they address it on time?

MR. K. TUGAGA.- The monitoring section just started in January.

HON. A.M. RADRODRO.- What would be the reason? When there is an oversight in the Ministry, the internal audit is supposed to pick it up.

MR. K. TUGAGA.- For such errors, the normal process is that it will be detected through a simple reconciliation exercise. When a reconciliation is done and if it is done correctly, the Accounting Head would be able to identify all transactions that were misposted.

HON. A.M. RADRODRO. - Did you conduct a timely reconciliation?

MRS. A. ROKOBERA.- An apology, Sir, on our way forward we normally do that every end of the month to reconcile all the revenue receipts for the Security Licence Fees, that nothing else has fall into.

HON. A.M. RADRODRO.- 2016, which was not far off, and this was only six months?

MRS. A. ROKOBERA.- When that came out from the Audit Report we had identified the mispostings and we did liaise with the MOE but since it is the lapse of the financial year, they were not able to post out journals to rectify those years. But on our way forward after that report, we confirmed to you, Sir, that we reconcile every month.

HON. A.M. RADRODRO.- Deputy Chairperson, just another question to the Ministry on your appropriation statement. A lot of savings has been reflected from the Ministry amounting to operational costs savings of \$2.8 million and capital expenditure cost of \$1.7 million. In particular the capital grants, do you have the record?

DEPUTY CHAIRPERSON.- Are you referring to 6.2?

HON. A.M. RADRODRO.- Yes, 6.2. There is a capital grant of about \$750,000 that was budgeted but at the end of the year, you have only expended \$29,000, that is on SEG 10. What is that Capital Grant intended for?

MR. O. CAWARU.- Thank you, Honourable Member, this is from the Department of Immigration. We have been advised that this is on the decentralisation project of the passport processing, so it is supposed to have been decentralised to the Divisions in terms of the processing of passports. So I do not think that actually utilised the whole amount as it was intended.

DEPUTY CHAIRPERSON.- So, any idea as to why they proposed \$750,000 in the first place where they used only \$29,000? \$750,000 proposal and \$29,000 just the usage. It is all right, PS, the new Ministry can answer.

MR. O. CAWARU.- Deputy Chairperson, on the initial costing of the project, that was how we came up with the \$750,000 but the actual rollover of the project was low.

HON. A.M. RADRODRO.- On Question 6.4 - Accounting for Security Licence Fees, there is a variance there of \$21,410. Can the Ministry confirm whether this variance has been reconciled or written off?

DEPUTY CHAIRPERSON.- Table 6.4?

HON. A.M. RADRODRO.- Yes, Table 6.4 on Security Industry Licence Fees.

MR. O. CAWARU.- Yes, Honourable Member, we can come back to the Committee on this, in terms of how we have progressed on this variance.

DEPUTY CHAIRPERSON.- MOE, again, just on SEG 10 and it is completely understandable if Ministry of Defence is not able to give the full answer since the Department is not under the Ministry now. Since the Ministry was given this allocation, would you have any idea why the scenario is such - \$750,000 proposal, only \$29,000 used and \$720,000 not used?

MOE REP.- Thank you, Deputy Chairperson. I am not in a position to answer this one but we will provide you with an answer after consultation with our Budget Unit, who are in a better position to answer this.

DEPUTY CHAIRPERSON.- Thank you. We would be very interested to know that.

HON. A.M. RADRODRO.- For preparation of such an account, you are showing seven months actual expenditure against the 12 months budget. Why are you giving us those kind of status?

AUDIT REP.- Thank you, Honourable Member. I guess when the financial year changed by the MOE, the budget was not revised, it still had that 12 months figure in the preparation against which we had seven months actual expenditure. The OAG is not in a position to apportion the budget that has been appropriated and as such, disappearing in the appropriation statement.

DEPUTY CHAIRPERSON.- Thank you, I believe there will be no longer any questions.

On this note, I would like to thank you, Sir, PS, for your contribution in regards to the responses you have provided. Of course, it is understandable that there has been a major restructure in the two Departments, but in your capacity whatever information you have on hand and also provided with your

resource personnel you did so. Perhaps, the Office of the Prime Minister are the ones who will provide us with a current update.

On this note, I would like to thank you for your response. There are certain very pertinent issues we would like you to see and convey to us as soon as possible to help us in our report writing. Also, we would like to thank the contribution of the OAG as well and before we conclude this particular session, we would love to hear some concluding remarks from you, Sir.

MR. O. CAWARU.- Thank you, Deputy Chairperson and the Honourable Members. In terms of improvement on the way forward, I always tell my Accounts Team that our mission as a Ministry is always to target zero audit. Sometimes they tell me that it is impossible but over the years, I have seen a drastic reduction in terms of the questions that we have to answer.

Be rest assured, Deputy Chairperson and Honourable Members, that we will keep striving to reduce audit queries. As I normally tell the staff, it is not good to appear to the Public Accounts Committee when we control most of the things ourselves. But thank you for the intervention and the guidance today, I think 2016 was just a seven months period where we changed the financial year as well and come the seven months, most of the budget were not fully utilised because we have that other remaining five months. However, be rest assured, Deputy Chairperson and Honourable Members, that we will continue to strive for zero audit. Thank you.

The Committee Interview adjourned at 11.47 a.m.

The Committee resumed at 12.01 p.m.

**Interviewee/Submittee:            Judiciary**

In Attendance:

- |    |                    |   |                              |
|----|--------------------|---|------------------------------|
| 1. | Mr. Yohan Liyanage | - | Chief Registrar              |
| 2. | Mr. Kamini Ram     | - | Manager Finance              |
| 3. | Ms. Shannon Toutou | - | Chief Administration Officer |
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DEPUTY CHAIRPERSON.- I thank you all for your patience in waiting for yet another Ministry.

I welcome Mr. Liyanage, the Chief Registrar representing the Judiciary and his Team to the meeting of the Public Accounts Committee. Unfortunately, two of our Honourable Members from the Government are not with us today but nonetheless, we have Honourable Radrodro and Honourable Ratu Lalabalavu representing the Opposition, myself in my capability as the Deputy Chairperson. On my far right are the officials from the Ministry of Economy (MOE) and on my far left are Officials from the Office of the Auditor-General (OAG). Sitting on my right hand left are the Secretariat staff.

Sir, I welcome you once again to the meeting. We are here to discuss the 2016 accounts of the Judiciary Department, in particular the issue of it being a qualified Audit Report. I am sure that there is a very extensive reason, explanation and responses from your side so without further ado, I would like to give you the opportunity to very briefly introduce your team and perhaps, take us through your written response. Thank you.

MR. Y. LIYANAGE.- Thank you Honourable Deputy Chairperson. A very good afternoon to you and also to all the Honourable Members and also the support teams from the OAG and also MOE.

We are here today to provide explanations on certain noted items by the Auditor-General in their report that was provided after the 2016 Audit. With me today I have my Manager Finance, Ms Kamini Ram on my left and on my right, I have the Chief Administration Officer, Ms. Shannon Toutou. They will also explain if necessary, any procedures or anything that is there in the Department. With that, Honourable Deputy Chairperson, I would like to go through the answers or the reasons that had been submitted already in writing to the Honourable Committee.

If you look at the Report of the Auditor-General, it had already noted in certain areas as to why there are variations. for instance, under 11.3 - Appropriation Statement. This particular audit had been done, and it is on Page 2. The audit was conducted for seven months so that is the reason for the difference in this various Heads.

If you take the total expenditure, it is different from the previous year because this particular audit was only conducted for seven months. With that the Honourable Deputy Chairperson, can I read out our explanation and the response to the Audit findings?

DEPUTY CHAIRPERSON.- Yes, before you do so, the point is very valid because the financial year had changed. Just a question to the OAG, the change of the financial year is not actually the fault of the Ministries and Departments. But when you write that it is a qualified audit opinion that does not seem good on the Ministries because the valid reason is that, the audit year has changed. So what is the update on that, is it because your policy requires you too? I am sure they are fulfilling their

part of the responsibility and it is not their fault that the financial year has changed. Why are you still noting that as a qualified audit opinion?

AUDIT REP.- Thank you, Honourable Deputy Chairperson. I think the qualified opinion which has been raised for this particular Department, the change in financial year does not have any relation to that. If you read Page 1 of your Report, the Audit opinion is on the Trust Fund and I think the change in the budget has nothing to do with the audit opinion which has been raised.

DEPUTY CHAIRPERSON.- What is the issue with this seven months and this 12 month as being highlighted?

AUDIT REP.- Probably, just to mention a point, I think the Chief Registrar is just mainly trying to explain all this trying to draw your attention to the lapse of preparation where there is a huge saving. The Chief Registrar is merely trying to explain, trying to draw your attention to the lapse of appropriation where there is a huge savings and I think that is what the Chief Registrar is trying to...

DEPUTY CHAIRPERSON.- So, it has nothing to do with the change of financial year?

AUDIT REP.- No.

DEPUTY CHAIRPERSON.- Thank you.

MR. Y. LIYANAGE.- Thank you Deputy Chairperson.

I will go through our response and if there are any questions, the Honourable Members can ask those questions at the appropriate time. The 2016 audited accounts for the Judicial Department has been issued, again, with a qualified audit report, mainly as the OAG mentioned, it is because of the Department's reconciliations for Suitors, Maintenance and Sundries Trust Fund Account which only performed up to May 1992 as at 31st July, 2016. In addition a variance of \$501,308 existed between the Main Trust – Cash at Bank General Ledger and the bank balance in the FMIS.

In the Trust Fund Bank Reconciliation as at 31st July, 2016, some of the issues had been resolved and some had not, and these are the explanations for that:

1. The unsubstantiated variance in the Main Trust Account, there is a variance of \$618,546 between the Main Trust Fund, Cash Book Reconciliation and the Bank Statement Balance as at 31st July, 2016.
2. Out of this amount, \$92,688.20 was Unpresented Cheques which was not being presented.
3. The extra credit of \$29,774.35 has been paid out, these are monies directly deposited in the bank by companies and later paid out to the claimants.
4. Out of the extra debit, \$3,096; \$2,605.50 has been cleared so that leaves \$490.50 as debit balance and we have sent a query to the bank for clarification of this amount.
5. Also, we are still dealing with MOE for the funds of \$784,441.86. They have written to the bank for details of the lodgments and bank statements. Since this is an old issue, it is taking the bank longer period to provide the information as required or requested.

6. We are also working with MOE to determine the reason for the variance between SEG 52 and SEG 89. There is a difference of \$13,548.

So that is the answer for the first part of it. I will then move on to the main trust reconciliation.

DEPUTY CHAIRPERSON.- I apologise for the interruption, CR, but as we go along whilst you are presenting, we might have some supplementary questions.

MR. Y. LIYANAGE.- Yes, please.

DEPUTY CHAIRPERSON.- In the first one, there are two amounts - \$618,546 and then \$784,441.86; is it from the same Main Trust Fund account, why are the amounts different?

I apologise, I am just a bit confused, CR, you are explaining about the \$680,546 and then secondly, \$784,441.86. Can you just further elaborate on that?

AUDIT REP.- Thank you Deputy Chairperson. The \$618.546 is a reconciled variance between the Main Trust Bank Reconciliation and I guess that \$784,441.86 is just an explanation which the Department is providing as part of their response to this Audit findings.

I think that \$784,441.86 is not reflected in our Audit Report but I think it is just an explanation which is contributing towards the unreconciled variance, whether there is a difference (I guess) between the General Ledger and the Cash at Bank as stated in their response. They are dealing with the MOE and the bank to rectify that \$784,441.86.

DEPUTY CHAIRPERSON.- So, those records should reliably be with the MOE and not...

AUDIT REP.- I think the Ministry can also add on, when there was a changeover in the allocation and transport charges and that is all of the information that we have. Perhaps, I think the Department would be in a better position to highlight on that.

DEPUTY CHAIRPERSON.- Yes, CR?

MR. Y. LIYANAGE.- Deputy Chairperson, with your permission, can I ask my Manager Finance to explain this \$784,441.86?

MS. K. RAM.- Good afternoon, Deputy Chairperson.. The variances are caught because before 2009, all the monies used to be deposited into the Consolidated Fund Account (CFA). In 2009 there was a change, when the Trust Fund money was given to the Departments and then during the period of the change, the stations were still depositing the money into the CFA and then after they were told to stop, there were some funds which was deposited in CFA but not given to the Department. So, that is the money that we are liaising with MOE and once they verify their records, it will be given to us.

DEPUTY CHAIRPERSON.- So, this is as per your record after the changes?

MS. K. RAM.- Yes.

DEPUTY CHAIRPERSON.- So, this \$618,000 was the record as per 2009 or from 2009?

MS. K. RAM.- Yes, but it is \$784,000.

DEPUTY CHAIRPERSON.- But as per your record, the current record is \$784,000.

MS. K. RAM.- Yes.

DEPUTY CHAIRPERSON.- So, that records stays as it is, now no one can put the money into that account. It used to be the CFA?

MS. K. RAM.- Yes, Deputy Chairperson, but once the MOE verifies this, then they will provide the funds to the Judicial Department.

DEPUTY CHAIRPERSON.- Yes, that is exactly my question. So, this record needs to be verified for the Committee.

HON. A.M. RADRODRO.- Deputy Chairperson, , just a question, on that particular explanation; the depositing is done by the Department and the staff into the CFA?

MS. K. RAM.- Yes, Honourable Member.

HON. A.M. RADRODRO.- So, how can the MOE be able to pick that out or identify those deposits that are relating to the Department?

MS. K. RAM.- That will be from the bank statement and the lodgement forms.

HON. A.M. RADRODRO.- Is there any sort of instructions given to outside stations depositing funds into the CFA to make sure that they are easily picked out for reconciliation purposes?

MS. K. RAM.- Yes, we have our Department number, Org number from there, then MOE can verify which Departments deposited.

MOE REP.- Thank you, Deputy Chairperson. Yes, as Manager Finance has mentioned, we can identify the Ministry's organisation number and their deposits and even when we do our bank lodgement postings into our General Ledger, we pass charges to the Ministries through the bank lodgement clearance for which they clear on a monthly basis.

DEPUTY CHAIRPERSON.- The responsibility of the OAG will only come when this process is completed, the bank providing the full update, et cetera.

AUDIT REP.- Deputy Chairperson, I think the response to your comment is, when the MOE and the Department have resolved this issue perhaps, then they will make a reconciliation. Then we will come in and verify if they have reconciled. There is a physical transfer of funds from the CFA to the Trust Fund and then they will provide evidence. Perhaps, that is where our responsibility is going to come in.

DEPUTY CHAIRPERSON.- Thank you. I am very sorry to state this Chief Registrar (CR) but this is very important for the Committee to ask. You have mentioned here, since this is an old issue and it is taking the bank long to provide the information as requested. That is a vague statement.

We do not know the exact timeline and I feel that we should know the timeline. Has the bank given the timeline?

MR. Y. LIYANAGE.- No, Honourable Deputy Chairperson. The bank has not given any timeframe for this but we are continuously following up with the bank. In fact, recently also, we followed up but we did not receive any response yet.

I have informed and instructed our Accounts Department that we should take necessary legal action if they are not complying with our request because this is not something simple, that we cannot push it a side.

DEPUTY CHAIRPERSON.- It is quite surprising because every now and then we see in the newspaper, banks giving records of transactions, unclaimed monies, et cetera, for so many years. The people who had whatever accounts, it is quite surprising that such an important responsibility, the information they are not able to give you. May I know which bank is this or banks?

MR. Y. LIYANAGE.- Deputy Chairperson, I am instructed by my Finance Manager that it is Bank of the South Pacific (BSP).

DEPUTY CHAIRPERSON.- Can you just verify that and come to us later? Perhaps, if we will put that in our recommendation, that the bank should provide this information. Give them a timeline, probably that can solve this issue of delay. Any other question, Honourable Members?

Since there are no questions, you can continue.

MR. Y. LIYANAGE.- Thank you, Deputy Chairperson.

The Main Trust Reconciliation and listing not up to date; that is the second one that I would like to address. The reconciliation for Maintenance is updated until 31st December, 1994. The Sundries allocation is still 1st January. I apologise, there is a typographical error.

Sundries allocation is up to \$2,000. There is one zero missing in that response. For the Suitors, the Suva Suitors Account is up to date until 30th August, 2014 and Lautoka Suitors up to 31st December, 2007. The Labasa Suitors Account is up to date upto 30th August, 2009.

We have started with the current reconciliation of Maintenance and Sundries from January 2016 and we have completed reconciliation up to 30th June, 2016. We intend to finish 2016 and 2017 reconciliations this year and then start with the 2018 reconciliation.

Since the reconciliation is quite behind, we have proposed the current workforce of seven staff. We have identified the current workforce of seven staff unable to update the reconciliation. To provide some assistance, the Department is in the process of recruiting seven more staff on Temporary Relieving Clerical Officer positions on a project, whom will start work from 5.00 p.m. to 10.00 p.m. from Monday to Friday and 8.00 a.m. to 1.00 p.m. on Saturdays to carry out the reconciliations from January 1995.

We hope that this will speed up the reconciliation and due to shortage of space that we have at the moment, we are unable to recruit more staff. There are 26 allocations for which reconciliation has to be done. It is quite time consuming to do all the data entries into the system. We are trying to see if a software is available which is able to do the automated reconciliation, thus will fasten the reconciliation. Because of the backlog from so many years, we are unable to update the reconciliation soon but we are trying our level best to do what we can with the limited resources that we have. So that is the response to the second one, Honourable Deputy Chairperson.

DEPUTY CHAIRPERSON.- I believe this brings us back to the earlier submission. These records have been there for so long. This backlog and staff limitation and also the resource limitation. So right now, there is no software as I believe.



MR. Y. LIYANAGE.- At the moment, we have one created by our IT staff, but that is not the correct product or end product that we are looking for because although we feed certain information to the software to reconcile, what happens is that if you feed it, you have to feed it in the same way where you raise the receipt or the voucher.

The receipt and the voucher should have the same information. For instance, if there is a difference in the name, if there is a spelling error or let us say as an example, Asish Chand, Chand Asish or something else or just by the first name Asish, then it will not reconcile. So manually, someone has to go through all these records and see the case record and then reconcile. That is the difficulty that we have at the moment.

DEPUTY CHAIRPERSON.- Any questions, Honourable Members? That is a very extensive and time consuming work.

HON. A.M. RADRODRO.- Deputy Chairperson, we thank the Chief Registrar for the explanations given and rightly so, this is the same issue that has been ongoing. It is a concern to see that the Department is yet to complete this, despite the number of years, 24 years in total as at 2016.

You mentioned that you have also tried to update the reconciliation but never has the Committee been given a specific workplan and timeline on how the Department is trying to address this issue. All we have heard is, you are trying to update records but there is no specific timeline. Do you have a timeline, specifically in terms of addressing the 24 years of delay as highlighted by the Auditor-General?

MR. Y. LIYANAGE.- Yes, Honourable Radrodoro. I think the 24-year backlog is for the Maintenance Trust Fund Reconciliation. If you note the Sundries and Sutors, I have mentioned in our response that those Trust Accounts have been reconciled up to certain years. For instance, Sutors up to 30th August, 2014. Yes, we do understand there is a problem, there is a backlog of Maintenance Trust Fund Reconciliation from 1994. We have taken action to recruit more staff because the current problem that we have, we have seven staff but they are engaged in other daily routine work as well in the Account Department.

We cannot get more staff because we do not have space to accommodate them. How best can we address this issue? That is why we thought we will have it on a shift basis, then we thought whether to take the same staff and have them on shift basis. That is also not practicable because then, it is going to affect their productivity. If you ask people to work during night hours, then they would not be able to come during the daytime. That is why we thought that we will recruit seven more additional staff but their pure task is to work during night hours to finish this.

When we start that, probably seeing their output, we can set up a timeline for this reconciliation. I think this is the best or practical way of setting the timeline. As you can see that we have started the 2016 reconciliation, it has taken more than a year to reconcile six months up to end of June 2016. With that, I think you can see the depth of this task. When we recruit those seven clerical officers, by seeing their output, we can give a realistic timeframe as to when we can reconcile this backlog, especially the maintenance backlog up to 1994.

That does not mean that in the current scenario, the applicants are not receiving money, they are receiving money because we have checked, even recently with all our Registries nationwide. As soon as they receive a payment, immediately they will raise a voucher to pay it out, so there is no holding on to of these maintenance monies.

Very lightly, that is what we believe. These are unclaimed monies. Someone has paid into the maintenance account but no one had claimed that money. It can be due to various reasons because, in order to pay out some of those monies, we need certain information, like bank accounts and their details. So when we ask from the litigants; from the applicants to provide these information, sometimes they do not come back. Those things probably, could have contributed to this huge amount of accumulation. In the current system, there is no one waiting for their maintenance payment to receive.

DEPUTY CHAIRPERSON.- CR, just like the banks, do you advertise it in the newspapers, the unclaimed monies?

MR Y. LIYANAGE.- For unclaimed monies, we need to reconcile first because I will give you another example, Honourable Deputy Chairperson. There had been a maintenance payment ordered by one of the courts. This man had been making payments regularly to the Trust Fund but the lady did not come to claim the money because she thought that it is, sort of, a shame for her to come to the Registry and to claim this money because she had been employed somewhere. Then later, she decided, "Alright, I should go and claim this money." She came after three or four years, that is the very recent case that we have found out, and she got this money. She received about \$4,000 or \$3,000 accumulated in that Fund, so it is not happening for a particular year. For us to get that information, without getting that information, we cannot publish unclaimed list because we do not know whether these monies have been claimed in a different year.

DEPUTY CHAIRPERSON.- If no one is coming to claim, and you have said that six months reconciliation has been done, there are two things to note here; first one is the actual reconciliation process which is taking a lot of time due to various reasons and the other thing is, people are actually coming and taking this money which rightfully belongs to them. If the advertisement goes out for whatever six months reconciliation that has been done, I think that should, at least, ease the problem of collection. Do you have any plans?

MR Y. LIYANAGE.- Honourable Deputy Chair, our plan is to put these matters before the court, again, for the court to make an Order because there is a risk of publishing unclaimed amounts in the newspaper, especially if you publish that you have this much amount that belongs to this person, there can be lot of misrepresentations. There is a likelihood of doing that but without taking that risk, if the Court can verify, then the Court can issue a notice to the lady for her to appear before the Court.

DEPUTY CHAIRPERSON.- But that is another process itself?

MR Y. LIYANAGE.- That is another process, but I still think that is the right process without taking a risk. Otherwise, when we publish these things, a lot of receivers can get tempted.

DEPUTY CHAIRPERSON.-Would you be in a position to give the Committee individual records so perhaps, we can make a recommendation in Parliament that this is what needs to be done. Would you be in a position to do that?

This is a very stringent and long-going issue. For the past two years, we have been going through this and through that, and there seems to be no solution as per yet. There seems to be no solution and is still in the process. Would you be in that position to provide us the records?

MR Y. LIYANAGE.- Honourable Deputy Chairperson, you request for which records? Is it the statistics that we have?

DEPUTY CHAIRPERSON.-The Statistics.

MR Y. LIYANAGE.- I can share that information.

DEPUTY CHAIRPERSON.- I am sure that you must have requested the bank and you must have given the bank some records as well. What other records you gave the bank and you are awaiting response on that? Just the account number or something.

MR Y. LIYANAGE.- We are awaiting for our record reconciliation from our Accounts, not from the bank because the bank have this money. As soon as we verify with the payment voucher, then the Accounts will inform the bank to pay out this such amount to this lady or to this applicant.

DEPUTY CHAIRPERSON.- But you mentioned here that your Department has written to the bank of the details of the lodgements and bank statements. When you make that request, what information you gave them, the names and the account numbers?

MR Y. LIYANAGE.- Deputy Chairperson, you are referring to 1, that is the different one.

I think that is where they deposited into the wrong account, the CFA. They made the deposit to the Trust Fund and still some monies went into the CFA and that is why this variance occurred.

DEPUTY CHAIRPERSON.- But it is a huge variance.

MR. Y. LIYANAGE.- Yes, that is why we are liaising with MOE to get that money back into the trust account because if that money belongs to the parties then it should not go into the consolidated fund.

HON. A.M. RADRODRO.- Deputy Chairperson, just a supplementary question to the CR; this is very serious concerning incomes of the delay in clearing out the reconciliation of trust funds. These are monies owed to the respective individuals and the general public. It seems like that the source of this Audit issue is basically the staff within the Ministry or Department not giving the proper details in terms of banking into the right bank account whether the proper amount has been given out. I am just querying, what sort of actions had been dished out to staff when these kind of things happen in your Ministry?

MR. Y. LIYANAGE.- At the moment, our staff in all our registries know what to do when they receive, especially maintenance payments. I will explain about the Suitors and the Sundries also. They know as soon as they receive money that they have to issue a receipt and they have to raise a voucher to pay out, so that procedure is in place. It is a standard operation procedure for all level staff.

However, the reconciliation had not taken place to identify some of the unclaimed monies. That is what had happened in the past, so the reconciliation had gone into a side and as a result, it has accumulated and now we need to clear all the payment vouchers in order to see what the unclaimed amounts are.

HON. A.M. RADRODRO.- Reconciled amounts from 1992 to whichever years still remaining unreconciled?

MR. Y. LIYANAGE.- It is up-to-date.

HON. A.M. RADRODRO.- It is up-to-date now?

MR. Y. LIYANAGE.- The unreconciled amount is coming from the past years. I think the last reconciliation was done in 1988, now it is done up to 1994. I will ask my Manager Finance also, Honourable Radrodro, to explain this?

HON. A.M. RADRODRO.- It was 1995 and now it is 2018. How far back from 2018 is your reconciliation not been done from this particular trust fund account?

Discussing that, the MOE, taking into account the seriousness of the amounts that are involved, have you also conducted internal audit in this particular Department?

MOE REP.- Yes, we did it only in 2016 and 2017 and they were looking into the issues themselves. If we were to do another one this year, we will arrive at the same conclusion because they are still working on it.

HON. A.M. RADRODRO.- Is this in their reconciliation process rather than just highlighting and put it as file away, your comments?

MOE REP.- The onus is on the Ministries to look for solutions and during the budgeting process, if they need money, et cetera, it is for them to liaise with our Budget Section and look for ways of contracting it out or hiring people on a part-time basis. That is for them to decide.

HON. A.M. RADRODRO.- Is that part of your.....

MOE REP.- Yes, it was along the same line.

DEPUTY CHAIRPERSON.- MOE, this is also a unique case of a public sector liaising with a private sector, that is, the Judiciary liaising with the bank responsible to give them the information. What does the policy say in regards to that if the banks are delaying? Are there any policies in place where you can write and demand from them that we need this information as soon as possible?

MOE REP.- All Ministries can request banks for any deposits into their bank account which is controlled by them and if they want to identify the name of the person who deposited the money, they can fill that too.

DEPUTY CHAIRPERSON.- They can only request, which is why you mentioned CR that there are legal options as well to pursue this.

MR. Y. LIYANAGE.- That is correct, Deputy Chairperson. Also, if I very briefly explain about the Suitors Account it is up to 30th August, 2014. If you see the Auditor-General's Report, they had noted that \$18 million balance as at 31st July, 2016.

Deputy Chairperson, the Suitors Account is mainly for the FNPF monies that are been allocated or given to the minors so in certain cases when I get the information, the High Court Department has to hold that money in trust for the minors. In some of the cases, these minors inherit nearly \$100,000 from their parents when they passed on. So, you can imagine if you have like 10,000 accounts which is \$1 million already.

We have to hold this money for a longer period. This reflections will appear, even in future because there is no other way, it is ordered by the statute, so the High Court has to hold this money. Reconciliation will not be able to carried out because we have to wait for them to claim or to attend each and then for them to claim. Those are some of the practical things. We are looking at numbers but the story behind the numbers, I think we should understand and familiarise ourselves with.

DEPUTY CHAIRPERSON.- To a very extensive case referencing and all that perhaps....

MR. Y. LIYANAGE.- That is correct, Deputy Chairperson. In fact, in this Suitors Account we have cash bail bonds, so in cash bail bonds sometimes you have to hold that amount until the case is finished.

DEPUTY CHAIRPERSON.- Yes.

MR. Y. LIYANAGE.- Security for cost in appeal matters in the Court of Appeal and the Supreme Court, the normal writ in the Supreme Court, the security of a cost will order about \$5,000 for a party to provide that as a security until they get a determination on their appeal. So, these monies we have to keep in our account. These amounts will appear in future as well, so that is part of our responsibility or our function in the Judicial Department.

In Sundries Account, Sundries monies is mainly in the Magistrates Court. In the Small Claims Tribunal when they receive payment orders, it is the same as the maintenance orders, so the person who owes that money will pay it into the trust account and we will pay it out to the claimant. So, then again, we request that information from the claimants so they have to provide this information, otherwise we cannot pay that money out to them. So because of that, these accumulations had taken place but as soon as we get the verified information from the parties, there is no problem of paying this money back to them because all these monies belong to the parties. These are not State revenue.

DEPUTY CHAIRPERSON.- We have only 10 minutes left.

MR. Y. LIYANAGE.- I am sorry, Deputy Chairperson, I will very quickly take the Honourable Committee through the other responses.

DEPUTY CHAIRPERSON.- I think four is well covered, as you have mentioned that most of the projects are completed but perhaps, you can take us to the consultancy work which is on....

MR. Y. LIYANAGE.- That is right, thank you Deputy Chairperson.

The consultancy work is where we engage Construction Implementation Unit (CIU) of the MOE. They carry out most of the construction work for the agencies now and the practice is that, they will appoint a lead consultant to provide the architectural design work of all our needs or the courtrooms that we need. At the moment, we have already started the Veiuto Complex so the actual construction work had already started. We are planning to move our Court of Appeal and Supreme Court with some other Registries to this new premises after the renovations. So they are going to renovate the four main buildings in the first phase and then the plan is to move some of our staff to Veiuto Complex.

We are working currently on the Nasinu Court Project. The consultancy work had been done and they have provided the plans for the new Nasinu Court Complex. It will be at the same venue but in front of the current court premises. And then we tried to acquire Government quarters at Tagimoucia in Lautoka and convert that into two courtrooms but unfortunately, we came across this termite issue. So that is where, at the moment, the lead consultant had found that this problem is there, so we are now thinking of options whether to demolish the whole construction and start afresh because initially the plan was to convert the quarters to have two courtrooms. So those are the consultancy works at the moment.

DEPUTY CHAIRPERSON.- Honourable Members, any question on consultancy work?

HON. A.M. RADRODRO.- The engagement of consultant, this is basically the work of the consultant, what do you get out of this consultancy work?

For the first one, the engagement of consultancy services, what sort of consultancy service is that?

MR. Y. LIYANAGE.- In the consultancy, it is the CIU under MOE, they are the ones who get the consultancy scope done. So mainly the consultant should provide the plans and also to oversee the actual construction work, so that is the responsibility of the lead consultant. That is correct, Honourable Member.

DEPUTY CHAIRPERSON.- I think the next one is also very clearly stated and resolved but if Honourable Members have any question, we still have three minutes. I can take one final question before we conclude. We have another request on behalf of the Committee, we would like to see the data, the one I requested, so that we can make some stringent recommendations. This problem has been in existence for a very long time.

HON. A.M. RADRODRO.- Also on the Main Trust Reconciliation, can we ask the team from Judiciary or the OAG to also give us a year by year balances as per the 11.7 figure, 11.6 has no detailed year by year figure as a graphical representation from 1992 to whatever balances are for the years that follow?

AUDIT REP.- Your comments are noted.

DEPUTY CHAIRPERSON.- I thank you Chief Registrar, I know the responsibilities bestowed upon you is quite extensive, quite complex and it is quite demanding as well. Given the limited resources you have, it is completely understandable why these delays are in existence. Nonetheless, the Committee will try to assist the Judiciary very strongly by making certain very stringent recommendations and hopefully, those recommendations should be taken seriously.

On that note, I would like to just wish the Department to continue the hard work that you have been continuing. We have taken note of other concerns as well, especially in regards to the limited resources and the limited resource personnel because of space issue, et cetera, and be hopeful that we will be making these recommendations as well.

On this note, I would like to acknowledge your presence once again to the Committee and before we conclude, I would like to hear some final comments from you.

MR. Y. LIYANAGE.- Thank you, Deputy Chairperson, for giving us this opportunity to come and attend this meeting and also to explain what actions had been taken by the Judicial Department to address those issues. I must also thank the Honourable Chairman and also the Deputy Chairperson and all the Honourable Members of this Committee for seeing this problem from a problem solving mentality because when we have a problem, I think we need to find a solution. That is where I think we have to work together.

Thank you for understanding our difficulties, like you have mentioned, the limited resources and the practical issues, and we strongly believe that you will provide these recommendations to Parliament because finally, Parliament has the final authority to provide necessary resources and funds to the Judiciary to function independently. That is constitutional requirement and thank you for providing that.

I thank the Secretariat and also the OAG and the MOE for providing us with that guidance. Thank you very much.

The meeting adjourned at 12.58 p.m.