

PUBLIC ACCOUNTS COMMITTEE

[Verbatim Report of Meeting]

HELD IN THE

COMMITTEE ROOM (EAST WING)

ON

THURSDAY, 5TH APRIL, 2018

VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS COMMITTEE HELD IN THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS, ON THURSDAY, 5TH APRIL, 2018 AT 9.30 A.M.

Interviewee/Submittee: Ministry of Fisheries & Ministry of Forests

In Attendance:

- | | | | |
|----|----------------------|---|---------------------------------|
| 1. | Ms. Bernadette Welch | - | Acting Permanent Secretary |
| 2. | Ms. Sanjana Lal | - | Conservator of Forests |
| 3. | Mr. Semi Dranibaka | - | Director Research & Development |
| 4. | Mr. Maciu Waqa | - | Principal Accounts Officer |
| 5. | Mr. Ashneel Prasad | - | Senior Accounts Officer (TMA) |

Ministry of Fisheries

- | | | | |
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| 1. | Mr. Sanaila Naqali | - | Permanent Secretary |
| 2. | Mr. Taniela Naulu | - | Principal Accounts Officer |

Office of the Auditor-General

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| 1. | Mr. Mohammed Firoz | - | Manager Audit |
| 2. | Mr. Abele Saunivalu | - | Director Audit |

Ministry of Economy (Internal Auditors)

- | | | | |
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| 1. | Ms. Asinate Taukeinikoro | - | D/FMIS |
| 2. | Ms. Ana Waqanisau | - | Principal Accounts Officer |
| 3. | Ms. Asena Mae | - | Senior Financial Analyst |
| 4. | Mr. Semesa Masau | - | Financial Analyst |

MR CHAIRMAN.- Good morning, Honourable Members, members of the media and Parliament Secretariat; we are now ready to take our first submission this morning and for that purpose, today we have the Officials from Ministry for Fisheries and Forests as it was then, they are now separated with two Ministries. But we are looking at the accounts from the Ministries when they were together and for that purpose, we have the Ministry of Forests this morning.

(Introduction of Ministry of Forests Officials)

We are on Section 32 of the Auditor-General's Report Volume 4 which is your Ministry. To assist us today we have Officials from the Ministry of Economy (MOE) Internal Audit Department and also the team from the Office of the Auditor-General (OAG). They will assist us as we go along.

We have written submissions before us. What we would like to do is to take it from the start and there will be some questions that will be addressed further as we go along. What we have noticed from the Ministry's accounts as reported by the OAG is that, the Ministry had a qualified audit opinion. Qualified audit opinion resulted from three factors, as follows:

1. There was an unreconciled variance of \$224,312 between the fishing licence fees of \$405,640 and FMIS General Ledger balance of \$629,952. Consequently, the OAG could not confirm the accuracy of the revenue amount.
2. There was no independent audit verification carried out but the raw material account balance of \$16,792 and finished goods account balance of \$1,229 in the TMA balance sheet as at 31st July, 2016. Consequently, I could not confirm the accuracy and completeness of inventory amount.
3. There is unreconciled variance amounting to \$113,993 between the opening FMIS General Ledger balance of \$79,641 and the opening balance of the Trust Account Statement of Receipts and Payment of \$193,634. The MOE adjusted the FMIS General Ledger but did not provide the relevant audit evidence as project adjustment. As a result, the OAG was not able to ascertain the accuracy and the completeness of the Main Trust Fund balance.

What has happened here is that because of the missing reconciliations, the Auditor-General could not verify those accounts. We can flip back to the audit finding and this issue has been addressed further there, but we would like to hear on those three points before we go any further.

MS. B. WELCH.- Thank you very much, Mr. Chairman. I am Bernadette Welch, Acting Permanent Secretary for Forests myself and the Permanent Secretary for Fisheries and we will answer the questions that are relevant to our particular Ministries.

On the issues of the qualification, the first was a matter for the Ministry of Fisheries. I might hand over to my colleague or his PAO to respond to that issue.

MR. T. NAULU.- Thank you, Mr Chairman.

In terms to responses, the Ministry of Fisheries Offshore are working towards improving the standard working procedures on the issuance of fishing licence fees and also working closely in reconciling with the MOE (FMIS Unit) on improving their revenue input into the FMIS against their records. The checking mechanism is the issue that we will be strengthening from now onwards, given the fact that there is only one clerk who does inputs into the system for the two Departments or Ministries now.

That is one issue that we need to strengthen, the checking mechanism - inputting into the system and the records are on hand from the revenue collecting stations in the Divisions. That is one of the main issues that we face, the lateness of the records that come from the Divisions to HQ for processing into the FMIS and that is something that we will address, given the remoteness and their location in maritime areas.

MR. CHAIRMAN.- The main reason for this unreconciled variance as I note from your submission is that the records are coming in from remote areas and also there is only one clerk to enter this into the system. Therefore, there was partial human error as well. Are those the main reasons for these unreconciled variance?

MR. T. NAULU.- Yes, Sir.

MR. CHAIRMAN.- Any questions, Honourable Members, on that?

HON. A.M. RADRODRO.- A question on this Audit issue regarding the unreconciled variances. One is the fishing licence fees records \$405,000 and the FMIS records \$629,952, there is a variance there showing \$224,000. Which one of this is correct balance of the two records?

MR T. NAULU.- Actually, the FMIS is the one that we rely on, but when the records are not forthcoming from the Divisions or are late, that is the issue that some of these records were not inputted into the system during that financial period.

HON. A.M. RADRODRO.- Where does it originate from, the FMIS? Does it originate from there to the fishing licence fees? Is that another different ledger again, OAG? Is it another different record, book record, what is it?

AUDIT REP.- I think that is just from the general ledger and in here, we are comparing it with the summary the Ministry sent from the Divisions. What we would expect is for the division summary to tie up with the FMIS figure. .

HON. A.M. RADRODRO.- Are they summarised, where does it

AUDIT REP.- That is prepared by the Divisions.

HON. A.M. RADRODRO.- Who inputs into the FMIS?

MR. T. NAULU.- It is done at HQ when the records reach HQ and it is done centrally.

HON. A.M. RADRODRO.- Some records are coming to HQ without being recorded in the Divisions?

MR. T. NAULU.- No. All the soft documents come from the revenue collecting stations, from the Divisions. When they are received, banked and then the records are sent to HQ for inputting into the system. That is one of the issues that we find that most are not reaching or the other issue that I had mentioned earlier is the checking of the inputs. This is another issue that we need to strengthen since there is only one clerk who does that for the two Ministries; since we share services for the past years.

MR CHAIRMAN.- Thank you. Let us move to the next one, Question No. 2. There was no independent audit verification carried out for the Raw Material account balance of \$16,792 and Finished Goods account balance of \$1,229 in TMA Balance Sheet as at 31 July, 2016. Which Ministry is this, Fisheries or Forests?

MS B. WELCH.- This is the TMA for Ministry of Forests and the former Senior Account Officer who was looking after TMA is the PAO for Fisheries. I will get him to speak on this because he actually did conduct the verification in 2017.

MR. CHAIRMAN.- Alright.

MR. T. NAULU.- Thank you, Mr. Chairman. As per the response on paper, we agreed with the OAG on the findings. The oversight was due mainly to the pressing issues on the TMA operations at that time - the salvaging operation, milling of logs, so given the short period of time, this was an issue that was overlooked.

Looking back, they were short-staffed and we managed the pressure that was coming from the top on the processing and production of timber to meet the demand post-TC Winston but the

verification was made in 2017 on the raw material account. There was a representative from MOE and OAG, who were invited to do the verification.

MR. CHAIRMAN.- When we talk about raw materials of \$16,792, what exactly is that?

MR. T. NAULU.- These are logs that were salvaged.

MR. CHAIRMAN.- From the forests?

MR. T. NAULU.- Yes, from Dawasamu Pine Scheme, those resource owners whom we worked with, those e were the logs that came from there, from Nadarivatu. That was the main issue that we experienced, the pressure that was coming for us to process before they deteriorated.

MR. CHAIRMAN.- These logs were felled by source or did it happen through the cyclone?

MR. T. NAULU.- What is the question again, Sir?

MR. CHAIRMAN.- The question is that you said that you have to salvage these logs. These logs were fell by the source or did they fall during the cyclone?

MS. S. LAL.- Mr. Chairman, if I may, these were the logs that were actually felled during the strong winds of *TC Winston* and we were trying to salvage those logs before they deteriorated, so that actually resulted in large amounts of logs coming into the TMA to be processed.

MR. CHAIRMAN.- Alright, what are the finished goods we are talking about here, the finished goods account balance of \$1,229?

MR. T. NAULU.- Those are wooden products that we manufacture at Nasinu Forestry.

MR. CHAIRMAN.- Chairs, tables, desk, et cetera.

MR. T. NAULU.- All sorts that we sell.

MR. CHAIRMAN.- So, the issue here was, there was no independent audit verification carried out for the raw material account balance which is the salvaged timber and the finished goods which are finished products, for example, tables, chairs, et cetera, and you said that this was an oversight because of the volume of all that.

MR. T. NAULU.- Yes, to that extent, yes, we could say that it was an oversight on our bit, given the short seven months for that financial period and we were inundated with logs coming in with the expectation from our bosses then for the production and selling so that we could, at least, pay some remittance back to the MOE.

MR. CHAIRMAN.- So, has there been any checks and balance system implemented now to avoid this kind of situation from recurring?

MR. T. NAULU.- We have put systems and processes in place to track who the responsible persons are for the whole milling operation; from the sawmill, workshop, then treatment plant. It was quite a challenge, working with technical people who do not really have any experience on the standards.

MR. CHAIRMAN.- Because I understand that the logs that were felled, whether naturally or by source and brought into the mill, the diameters are all measured and they are weighed as well, so there is a very little chance that it will escape the system. Even one extra log will be found somewhere. Conservator of Forests, is that the process?

MR. S. DRANIBAKA.- Yes, and I am Director Research and Development with the Ministry of Forests. During harvesting, especially in the areas of Dawasamu and also at Nadarivatu we have officers out there who measure the logs and the volume. So each log has been accounted for and that has been transferred down to Nasinu where it is processed.

We have a record of all the logs that are coming in, as a basis of looking at the whole volume that is coming in. Also, we have a recording system at the sawmill where they are recorded and there is comparison with what was brought in and the amount that was sawn. So the volume is accounted in that way, how much was actually processed.

MR. CHAIRMAN.- So the accounting is there, just entry into the books that is the issue here?

MR. S. DRANIBAKA.- Yes, in the audit report that was done we still had some unaccounted logs which later was recorded also.

MR. CHAIRMAN.- Honourable Ratu Lalabalavu, do you have a question?

HON. RATU N.T. LALABALAVU.- Just the follow up to the question that you have raised on checks and balances. You are being charged with the responsibility of looking after the resources. The supplementary question to that, there are measures in place to ensure that you take care of our resources, probably maximise the return on their usefulness. What sort of measures do you have in place now to ensure that it does not occur and we prepare ourselves for the future in cases such as this?

MS. B. WEICH.- Thank you for the question, Sir . We have made a number of changes in the TMA since late last year since I came into the Ministry of Forests. One of the things that we did is, I brought in an accounting expert from the Treasury Section of the MOE, who is now helping to run the TMA.

He has introduced much better systems and processes to ensure that we properly account for everything that comes into the TMA. We have had the verification that was referred to in the Report. We have also introduced checklists and we have advertised for a Business Manager in the TMA so we can have a much stronger focus on proper business management in the TMA. And we are going out to the market to have the operation of the TMA reviewed, to make sure that it is properly aligned with Government policy and with its original purpose. We will be looking to those recommendations and to see what other changes that we need to make.

MR. CHAIRMAN.- That is alright.

Question No. 3. There is an unreconciled variance amounting to \$113,993 between the opening FMIS general ledger balance of \$79,641 and the opening balance of the Trust Account Statement of Receipts and Payments of \$193,634. The MOE adjusted the FMIS general ledger but did not provide the relevant audit evidence to support the adjustments. What was the issue here?

MS. B. WELCH.- I have put in my response there that it appeared this would be a matter for the MOE because it said that the MOE had not provided the audit evidence to support the FMIS adjustment.

MR. CHAIRMAN.- Alright, MOE.

MOE REP.- Thank you, Mr. Chairman. I have gone through the report for the Ministry early this morning, just to ascertain the issues that was highlighted. I have checked through the report for 2015 which should give the opening balance for 2016 and noted that all the charges were from the Ministry. There was no adjustment done by the MOE, so whatever balance of \$79,000, the General Ledger FMIS was all the updates from the Ministry.

MR. CHAIRMAN.- OAG, please tell us what actually happened here? The Ministry is saying that the MOE should know about it because MOE has checked it, they have said that they have not made an adjustment, so what is the issue here?

AUDIT REP.- Thank you, Honourable Chairman. The variance is the issue. What we obtained during Audit, I believe, is in the Audit Report, and that was the response that we received from the Ministry of Fisheries.

MR. CHAIRMAN.- The question here is that, the opening ledger balance was \$79,641 but when you add all the receipts it comes to \$193,000. So that resulted in a variance of \$113,000. So it is either a book entry error or there are some missing documents or receipts are overstated.

What is stated here is that, the Ministry had adjusted the FMIS Ledger but did not provide the relevant audit evidence to support the adjustment, and that is what is missing here. There was a variance from the books to what is the total receipts, plus the opening balance and what we are after is that evidence that was used to adjust, either the receipts were overstated or the opening balance was incorrect. Who can answer that, MOE? As noted there, the adjustment has been made. OAG, according to your Report the adjustment was made by the Ministry.

AUDIT REP.- Yes, Mr. Chairman. The variance was there but ...

MR. CHAIRMAN.- The only thing that was missing was the documents.

AUDIT REP.- The second part to that is, which Ministry did the adjustment. I think that is the one that we are trying to identify and whoever did that adjustment is supposed to provide those supporting documents.

MR. CHAIRMAN.- So, PS, is this the Forestry issue or the Fisheries issue?

MR. T. NAULU.- Thank you, Mr. Chairman. This is True Trust Account, the issues was ongoing one from previous years. At one stage, the debits and credits were not hitting the same default account. The credits were just accumulating and the debts as well, so that was way back but we did some adjustment so that they hit the same default account to give the true balance. As of this period, we are working together with one of the FMIS staff in order to try and correct the transactions and setup of the account.

In terms of the records, yes, that is something that we had been assisted by FMIS too on that bit in trying to tie the loose ends up and have it reconciled for audit purposes.

MR. CHAIRMAN.- In what circumstance, PS, would a problem like this arise where the book saw something else and the ledger balance opening saw something else, the receipts if you total them, it is more than the opening balance which leads that to a variance. In what circumstances does this arise?

MR. T. NAULU.- One of the issues here, Mr. Chairman, is the inter-funding.

MR. CHAIRMAN.- The inter-funding?

MR. T. NAULU.- Yes, the inter-funding. We operate three different separate bank accounts and there is only one cashier who does everything for these three funds. In some instances, where it was supposed to be an Operating Expenditure but the cheque leaf that was used to print the payment was a Trust. So these were some of the human error issues that were recurring.

MR. CHAIRMAN.- So it is human error as well. Yes, we will hear from Honourable Ratu Naiqama Lalabalavu.

HON. RATU N.T. LALABALAVU.- Thank you, Mr. Chairman. Just some clarification from the MOE on the Report that is before us. We have heard that the adjustments were made by the Ministry but all the Report says is that, all the adjustments were made by the MOE without any evidence. Can you guide the Committee on this? In fact, these are the basics that you solicited with the help of the MOE Officials to help with your FMIS input but this is quite serious. How can you guide us on this, especially to ensure that there is no repetition of this because it is quite serious?

MR. T. NAULU.- Thank you, Honourable Member. We note the importance of keeping proper records for bank accounts as such. One of the issue we believe is the way forward is for closer communication with the MOE in trying to clean up or balance up our accounts on a regular basis. But due to some reasons that are beyond our control, things happened and we feel that we will do a clean-up on this account that will appear at a later stage because the account for your information, Honourable Member, was set up for the one-third (1/3), two-thirds (2/3) subsidy for fishermen way back in 2004, if I am right. It has been in operation but the project has ceased but we still maintain this trust account.

We have also been using the account for other than its intended purpose, this is to retain retention monies and performance bonds for our construction activities and projects. That is something that is giving rise to these incurrences so the way forward as you have mentioned, is for us to be doing our checks on a regular basis and working closely with the MOE in trying to reconcile these discrepancies.

MR. CHAIRMAN.- This Trust Account, a question arising from that or the No. 3 issue is regarding Trust Account. What does this Trust Account deal with? What monies are deposited into this Trust Account?

MR. T. NAULU.- As mentioned earlier, Mr. Chairman, this was used for one-third (1/3), two-thirds (2/3) subsidy project for fishermen.

MR. CHAIRMAN.- Project for fishermen, such as?

MR. T. NAULU.- For those who would like to have their fish ponds constructed or boats, they give one-third (1/3) and the Ministry pays two-thirds (2/3). The one-third (1/3) is deposited into the Trust Account.

MR. CHAIRMAN.- So that money actually belongs to some other people, it does not belong to the Ministry?

MR. T. NAULU.- Yes.

MR. CHAIRMAN.- What is the status of these projects, are they still being carried out or this Trust Account has finished?

MR. T. NAULU.- The one-third (1/3), two-thirds (2/3) subsidy has ceased, yet we still maintain the account.

MR. CHAIRMAN.- So there are some money still sitting in that Account?

MR.T. NAULU.- Yes.

MR. CHAIRMAN.- That actually raises the bigger question then. According to the receipts, more money came in but according to the the books, the sum is smaller, and that is why the reconciliation. This is a serious issue because someday someone wants to come back and claim their money if their project has not been completed. How do we pay them back?

Honourable Ratu Naiqama Lalabalavu?

HON. RATU N.T. LALABALAVU.- Yes, Honourable Chairman . A further clarification to the PS Fisheries, that is, if the project has ceased, you have also said that there are other funds that are being deposited in the same Trust Account. Why did you continue to have this Trust Fund Account because it will end up like this all the time? You have some money there from other sources or users and this project has ceased, the very reason that this Trust Account was set up for, yet you still continue to do that?

MR. S. NAQALI.- Mr. Chairman, may I answer the question.

Yes, that is correct, the project has ceased since. It was also used for the one-third (1/3), two-thirds (2/3) for the inshore fisheries projects. However, we maintain the account so that we can put in the performance, more of construction works as earlier alluded to. However, the way forward that we identified because of what has recurred since the previous years, we are now working with the MOE to close off this fisheries one-third (1/3) subsidy scheme because the project no longer exists, and we will open a special trust account for what we have identified for putting in to suit the activity, where we have a special trust account for retention and other aid-funded projects that we will receive.

MR. CHAIRMAN.- What happens to those monies that are in this account? The purpose of this account has ceased, you will open a new Trust Account, so what happens to the balance here?

MR. T. NAULU.- Sir, we are reconciling all receipts that come in, in previous years. As per advice of the internal auditors and the Auditor-General, we will transfer those funds to the Consolidated Fund Account, but we will reconcile the retention monies that are still to be paid out.

MR. CHAIRMAN.- But once that deposit will reconcile and you have identified the people who paid those deposits. Maybe, the project is not restarted at some stage, then you have to pay the money back. The main thing is to identify those people who paid the deposit. If you are not going to

go ahead with their ponds or boats, you have to return that money. You have to identify who the people are. Any questions arising from that?

(There were no questions)

Let us move to the Part B: Audit Findings.

HON. A.M. RADRODRO.- A question regarding the Statement of Receipts and Expenditure.

MR. CHAIRMAN.- Yes, 32.2.

HON. A.M. RADRODRO.- There is revenue receipts there on Offshore Fisheries Management Fees. Can the Committee be enlightened on the operations of those fees, the criteria that was used? How many were being given licences as at the date of this audit, July 2016?

MR. T. NAULU.- Thank you, Mr. Chairman. We shed some light on that. The Management Fees that is part of the fees for Offshore. It is used for the work that the Ministry does to the industry, like the Observer covers and other Management Fees, giving them advice and other assistances that we give to the industry and to their vessels while they are out.

We utilise our Vessel Monitoring System (VMS). All these come under the Management Cost and to verify who we give licence to, we have a checklist. Based on the applications, there is a thorough consideration of the application through the checklist and that is how we give out licences, but Fiji has a total tag of just \$12,000 tonnes a year and we are utilising only 60 licences for Offshore.

MR. CHAIRMAN.- Any questions on the appropriation statement?

HON. A.M. RADRODRO.- Yes, Mr. Chairman. Another issue, maybe for the Ministry of Forests regarding the explanation by the auditors, the increase in special expenditure was due to the increase in spending for REDD+ projects. Can we be enlightened on that?

Also, there are allocations made for Gau, Cicia pinewood lot packaging, can we be given an update status on that? The equipment for the Lakeba Pine Scheme, all in this particular financial year, were they expended in 2016 or was it held back for later years?

MS. B. WELCH.- Sir, would you mind indicating for CF where in the Report you are referring to in terms of the REDD+?

MR. S. DRANIBAKA.- Thank you very much, Mr. Chairman. For the REDD+ projects, we have a funding supported by the World Bank, FCPF, of \$3.8 million. It was given in 2015 and also the Government operating funds that have been contributing with the provision of \$300,000 annually and in the last operating year, it was \$400,000.

In the REDD+, we have a specific work programme for the readiness - for our programme to finish by 2020. The Readiness Fund includes consultancy work, we have about five consultants who are currently working at the moment, to be able to prepare the Readiness programme by 2020.

So the spending is due to the payments that is done in accordance also with the World Bank requirements, that we have to spend the money that is given in the specific time period. So with the five consultants, the spending was due to the payments given to the consultants who were coming in. Even with those spending, we still have not utilised. Last February, we only utilised about 27 percent of that

\$3.8 million, so to get additional funding, we need to spend money on our readiness projects so that we can be able to get all the readiness programme ready by 2020. So that is why the increase in spending and the five consultants who had worked in producing the reports also cost (in Fijian currency) more than a million dollars. Hence the spending in REDD+ programme, climate change, so it is a very new issue and there is a lot of consultants from abroad that are been under the REDD+ project.

HON. RATU N.T. LALABALAVU.- Thank you, Mr. Chairman. A supplementary question as well to the Ministry of Forests. It is quite an expensive Readiness Programme (\$3.8 million) and a bulk of it goes to the five consultants. What is then left with the actual readiness that we are supposed to be preparing ourselves towards 2020? Can we be guided on that?

MR. S. DRANIBAKA.- Yes, actually we also have our REDD+ team that are operating on the project as well. So we have the technical advisor and we have the team as well that are being paid from the funds. We have the five consultants who are coming through, two of them are being paid \$1 million because of the very specific work that they are going to conduct. There is no skills available locally, who can then be able to conduct those consultancy work. But, yes, even though \$3.8 million has been provided by World Bank, we had only utilised 27 percent of that up until now. So the time that we have to finish by 2020 is on the hands of the work that needs to be done and that readiness report that will be submitted to help us be able to sell our carbon after 2020. So these are the reports that are required by the United Nations Framework Convention on Climate Change (UNFCCC) and also the World Bank that we have to provide.

HON. A.M. RADRODRO.- A supplementary question to the work that has been done, can you explain a specific area or forest that this REDD+ exercise is concentrating on and after 2020, what do you expect to get out of this REDD+, especially going down to the resources owners?

MR. S. DRANIBAKA.- Thank you. For the five consultancy works, we are talking about monitoring, verification and also looking at the inventory of our forest resources. We have our data and it is a matter of how we analyse our data to be able to get a baseline of actually how much carbon we have in stock and the amount of work, programmes or activities that are done to offset and actually to look at how much we are ready to trade from the emission from forests, so those works are tendered out. Also the work is done by a specific organisation, we have the University of Hamburg that is doing our MRB. What they do is look at a specific data and be able to analyse to be able to get the emission level from our forest, especially in Fiji.

We have the Strategic Environmental and Social Environmental Assessment (SESA) that is done with the consultant from USP. We have the redress mechanism, looking at the consultancy work from a company from USA's Integra Consulting Technology, looking at redress - how issues are brought from landowners right up to the Government; in terms of the carbon rights who owns the carbon, so these are very specific areas of study that are being sorted out overseas for the work to be done.

After that we will have a proper report from our national reporting that is done by the consultant. These reports are important for our emissions programme that we would be able to do after 2020. How much we are going to sell from the carbon available in Fiji. So, these reports are very important to help us able to do carbon trading after 2020.

MR. CHAIRMAN.- Thank you for that explanation, Sir. Let us move to Part B: Audit Findings. 32.7 - Governance Issues. The Report says, and I quote:

“The following governance issues were noted:

- the Ministry’s Strategic Plan for the period 2016-2021 were yet to be finalised as at the date of audit; and
- internal control deficiencies existed in the Operating Fund Account, Trading and Manufacturing Account, and Trust Account. Refer to *Paragraph 32.8.1, 32.9.1, 32.10.1*, for details.”

The main issues as noted here is that, and I quote from the Report:

“Without the strategic plan, the Ministry does not have identifiable objectives and lacks the focus needed to achieve corporate goals and develop plans that will move the Ministry towards achieving its strategic objectives. Moreover, the presence of weak or ineffective controls could lead to poor accountability and loss of funds in future.”

So, can you give some explanations on that, Madam PS?

MS. B. WELCH.- Thank you, Mr. Chairman.

The Ministry of Forests is just about to finalise its strategic development plan, it is a 13 year plan aligned with the timing of the SDGs and with the National Development Plan (NDP). In fact, the whole of the Civil Service is going through a strategic planning process in line with the NDP. Every Ministry is undergoing this process right now and operational plans are being developed and aligned with our budget for the next financial year. So, I think if audit came and have a look right now, maybe not at the 2016-2017 financial year but if they came and look right now, they would see that we are very advanced in terms of our strategic and operational planning next year. I will hand over to my colleague to talk about where Fisheries is at with that.

MR. S. NAQALI.- Thank you, Mr. Chairman.

Also, the Ministry of Fisheries had already put together its five year Strategic Plan for 2018-2021 and yet to be finalised after the Budget session because we have to put in the exact figures that will be approved by Government. Also, that refers to the Operational Plan which we have also completed, awaiting the final figures from Budget to be inserted into the columns. That too will affect the money that we are going to utilize, based on what we had planned and is in the Operational Plan. Thank you.

MR. CHAIRMAN.- What are some of the highlights or important aspects of this Strategic Plan? What is included in there?

MR. S. NAQALI.- Thank you, Mr. Chairman.

The Strategic Plan guides us to the National Development Plan where we have key outcomes that the Government wants. The Strategic Plans then defines all the other outputs that the Ministry will work towards to achieve what Government wants for the outcomes. That is what is included in the 2018-2021 Plan and this will guide our Operational Plan yearly as we go by compiling our Operational Plan that is annually done so that we align ourselves to what we have pre-planned for 2018-2021 and also its budgetary requirements and personnel.

MR. CHAIRMAN.- The things like; how much land is covered by natural forest, what is to be harvested, what is to be milled, et cetera, will be in the Strategic Plan?

MS. B. WELCH.- I will hand over to Conservator of Forests to talk to the details of what is in the Strategic Development Plan (SDP). But one of the things broadly that the SDP is focusing on is making sure that we are highlighting where we need to work in collaboration with other Ministries in order to get more Government-wide policy reviewed and developed, and we have set the timing by which we want to get certain parts of the legislative framework and the policy framework reviewed. Rather than saying this is something we need to do, we have actually allocated resources and timing to all these things through the SDP.

MS. S. LAL.- Just to further add to what PS has mentioned and as well to answer your question on whether the SDP actually has got the areas that are going to be harvested; one of the activities in the SDP which is a 13 year plan is that, we have broken it down into a five-year implementation plans. With that five-year implementation plan, we have to update our NFI reports, see how much forest we have and then we will also calculate the Annual Allowable Cut (AAC) which means how much we can remove on an annual basis. Then we will have, sort of, a quota system so our licence will be based on a quota system. That is all part of the five-year implementation plan. Then coming down to a costed operational plan, then we will see which parts we can do in one year, to do it in phases. So, within those five years we should be able to ascertain how much forest we can cut on an annual basis.

MR. CHAIRMAN.- It is also noted here in the Report that without a strategic plan, the Ministry does not have identifiable objectives and lacks the focus needed to achieve corporate goals. So, your strategic plan needs to identify the objectives that the Ministry needs to achieve within the first five years, as you have said and the 13 year plan. So, is that in order now? You have identified your identifiable objectives and the focus needed to achieve the corporate goals.

MR. B. WELCH.- Yes, the SDP, even now it is strategic, it is quite detailed in that regard and it is very closely aligned to the NDP and the SDGs as well. So, the Ministry has a clearly aligned strategy going forward and that fits into the operational planning process which ensures that when we go to the budget process, we have something that is properly aligned to our strategy and it is properly costed.

Also, there has been some consultation across with other Ministries to make sure that it is aligned with what they are looking at doing and what they have the lead on, but what we know we need to be involved in. So, those things are also recognised in our Operational Strategic Plans.

MR. CHAIRMAN.- The other notation here says, and I quote: "... the presence of weak or ineffective controls could lead to poor accountability and loss of funds in future." Does the plan also include effective control methods, staffing, et cetera?

MS. B. WELCH.- The plan does touch on the Ministry's capacity building. That is one of the key objectives in the plan but also rather than waiting until the plan is implemented, we have implemented a number of internal control measures.

We have strengthened our internal controls by changing our procurement practices and bringing in checklists. For our projects, we have introduced traffic light reporting which we did not have before, so we have what is more like a project board now that meets regularly.

We have got a number of other measures that we have put in place to strengthen internal controls, including identifying for every procurement which vote the funding is coming from and how much is available in that vote so that we will not experience the same kind of issues that we have had with funding coming from the wrong part of the budget.

MR. CHAIRMAN.- All right. Yes, Honourable Ratu Lalabalavu?

HON. RATU N.T. LALABALAVU.- Thank you, Mr. Chairman. Just a question to the Ministry of Forests; the strategic plan that you are working on, Madam, I find it conflicting. On one hand, you are trying to preserve and then you are also generating income. There are issues on effective control. This has been raised by the OAG.

There are types of land uses where your control is not that very strong, so to speak, like in clear-felling. How would you be able to explain that to the Committee? This is regarding effective control.

Secondly, whilst still on that you have other major policies that the Government has adopted like REDD+, et cetera, which is very much towards preservation. It will be interesting if you could just guide us on that as to how we are going to address these conflicting issues.

MS. B. WELCH.- Thank you for that question, Sir. I will hand over to the Conservator of Forests to talk about the details but as the Committee would know, it is not a zero sum game, we have to balance both, it is not one or the other. So we need to make sure that the legislative framework and the policies that support that enable us to have effective internal controls and an effective overarching framework for regulation and supporting the industry at the same time. So I will hand over to the Conservator of Forests to talk about the details of those questions that you have asked.

MS. S. LAL.- Thank you for the questions, Honourable Member. I want to elaborate more on your question based on clear-felling and what are the controls that we have.

Actually clear-felling has decreased a lot over the years, if you look at the amount of clear-felling that is being undertaken. It is because the Ministry actually works with Ministry of Agriculture as well as the Ministry of Environment, and there are legislations under the Ministry of Environment which govern all our activities. So any clear-felling which was so easy to do in the past would be more difficult now because an Environmental Impact Assessment (EIA) is required. So if the Ministry of Environment does not agree with the EIA, then there cannot be a clear-felling.

Clear-felling is mostly done by resource owners who want to clear their land for agricultural purposes but under the EIA, if the Ministry of Forests identified that area as a primary forest then they will not be able to do clear-felling, despite the fact that they own the land and the resources. They would still be under the legislation. They will not be able to do clear-felling in those areas because we have controls in place. We are closely working with the Department of Environment on those measures.

On your issue with REDD+ and how we are going to balance ...

HON. RATU N.T. LALABALAVU.- Excuse me, let me raise a question on the first limb of that question that I raised on clear-felling, I understand, Honourable Chairman, that there are two parallel licences being given; one by the Ministry of Forests and if it is over native land, iTaukei Land Trust Board (iTLTB) gives one. In that regard, having two different bodies giving licences, what sort of effective control then have you now?

MS. S. LAL.- Sir, the licence is only given by the Ministry of Forests to cut. The iTLTB gives consent to enter into an area, it does not give a licence to cut, it just gives a consent to *mataqali* members that this is fine, there is no boundary dispute, EIA is done so you have the consent to go and ask Ministry of Forests for a licence to cut your forest.

HON. RATU N.T. LALABALAVU.- I find that quite interesting, Madam, in the regard that over native land that iTLTB does not provide the licence because one provides the licence to enter and fell, the other one is to extract and sell. Has this changed because I am worried about the effective control?

MS. S. LAL.- Yes, it does not say enter and cut, it just gives consent for them to have access to the landowners that they have access to negotiate or to get contractors to come and have a look at that forest, to do volume assessment, so that is the consent given to enter and get all the information that is required before they can get a logging licence.

The iTLTB will not give a logging licence, Ministry of Forests gives logging licence. The iTLTB gives a consent for them to enter and get additional information.

MR. CHAIRMAN.- Is that satisfactory, Honourable Member? We can move to the next one.

32.8.1 - Weakness in Internal Control for Operating Fund Account; what has been noted here is that all PS and Head of Departments are required to submit monthly reconciliations to the MOE by the 15th of each month.

It says in the Report, and I quote:

“Audit review of the Operating Fund Account internal controls systems revealed the following weaknesses:

- Furniture and equipment purchased during the year were not recorded in the Fixed Asset Register (FAR).”

And there is Table 32.8, assets like office furniture, Ford Ranger vehicle, Kio Rio Sedan and 10 STIHL chainsaws were not recorded in the FAR.

MS. B. WELCH.- Thank you, Mr. Chairman. We acknowledge that the FAR is an ongoing issue, it is not just an issue that was raised in 2016. As a result, we are moving the FAR into the accounting area and we are changing the processes around how items get into the FAR.

We are going to conduct a stocktake. At the moment, we have a lot of our fixed assets that are managed out of the Divisions and they are just not making their way into the FAR, so we will conduct a stocktake of all the assets. I have already asked for an updated list from the Divisions that are not on the premises because we do loan out a number of large pieces of equipment. Then we will be updating the FAR and moving it to a different location, putting in place better systems and processes because clearly in the past whatever has been done has not worked, so we are going to do something different.

MR. CHAIRMAN.- Are you submitting your monthly reconciliations to the MOE by 15th of each month?

MS. B. WELCH.- Yes. I have listed here where we are at, in terms of our monthly reconciliations now. Most of them are up-to-date as at the end of February. There is one lot that the Drawings Account reconciliation, they are being done from December to March. I understand that we are waiting for December to be reopened so that we complete December, but apart from that, the reconciliations are done on a monthly basis.

Not only are they completed, PAO will attest to the fact that I make him and his staff come, sit down with me and take me through the reconciliation before I will sign it. I make sure that I fully understand what they have done when they did the reconciliation.

MR. CHAIRMAN.- Is the Ministry of Fisheries also following that rule?

MR. T. NAULU.- Yes, Mr Chairman. We are also updating our reconciliations on a monthly basis and the last batch update was signed by our Permanent Secretary yesterday, so we catch up on our outstanding reconciliation.

MR. CHAIRMAN.- Thank you.

HON. A.M. RADRODRO.- A clarification regarding Table 32.8., the listing of assets that has been highlighted by the OAG, can respective Ministries confirm that they have now been recorded as these were purchased in 2016, for example, Modulised CCA Timber Treatment Plant, Portable Sawmills, Fibreglass, has been recorded in the FAR?

MR. M. WAQA.- Thank you, Honourable Chairman. I am Maciu Waqa, the Principal Accounts Officer at the Ministry of Forests. I acknowledge this recommendation by the OAG. These equipment are assets that have not been entered in the FAR. As alluded earlier by Madam PS, we are going through the Divisions for them to update HQ with their assets. Most of these equipment were bought during *TC Winston* and were immediately distributed to maritime areas and around Viti Levu. So we are in the process, as alluded to earlier by Madam PS.

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

MR. M. WAQA.- Initially, the first draft copy of our FAR has already been submitted to MOE, but we will wait for the Divisions to submit, then we will send the....

HON. A.M. RADRODRO.- The last two items, the Ford Ranger and one Kio Rio; why does the Ministry have to record it in the FAR?

MR. M. WAQA.- Sir, these are the VAT plus vehicle, which was purchased by the World Bank.

MS. B. WELCH.- We have separation of the accounts that we have to go through with the two Ministries. The Ministry of Forests has been providing shared services to the Ministries of Fisheries while they have been recruiting their staff, and in order for us to do a proper separation we have to go through a very comprehensive process of updating the FAR and separating the two, doing a proper Board of Survey and also making sure that reconciliations and everything are up to date. We will be forced to do that through circumstances, and we have already talked about allocating a taskforce of staff between our two Ministries, asking the MOE to participate in that, to make sure that we do a proper comprehensive separation of our accounts.

MR. CHAIRMAN.- As we speak, there is a separate accounting team for the Ministry for Forests and a separate accounting team for Ministry of Fisheries?

MS. B. WELCH.- Only just recruited into Ministry of Fisheries. Actually, we are still providing shared services to the Ministry of Fisheries but that will be changing imminently, they are about to open their own bank accounts, et cetera.

HON. A.M. RADRODRO.- The vehicles as such, what is the normal process for recording into the FAR? Does the MOE records it or the respective Ministry does the recording themselves?

MOE REP.- Thank you, Honourable Chairman. For the vehicles, if it is purchased by the Government as using Government fund, it is recorded in the Ministry's FAR, which are all conciliating to the whole of Government Fixed Asset Register.

MR. CHAIRMAN.- We can now move onto 32.8.2 - Trading and Manufacturing Activity Support Initiative; what I have noted, PS, from your response is that the Trading and Manufacturing Account (TMA) of operation is an ongoing issue which is subject to both internal and external scrutiny, including a FICAC review. Can you advise us what actually happened there, which TMA is this?

MS. B. WELCH.- This is the Ministry of Forests TMA Account at Nasinu. There are a number of issues, sort of, raised in here about the TMA and they have been raised again in the recent audit that has just been completed which we have a draft management later on.

The TMA operation was, as I said, I have someone from the MOE to help on it. We have done an internal review and we have provided the outcome of that review to FICAC. They were already doing an investigation, they have added that to their investigation, and we have introduced controls whereby most delegations have now been lifted into my office.

We have these procurement check lists on proper processes around everything that is now done in the TMA and as I said, someone from MOE is helping to run it, recognising that there were ongoing issues that not just went to efficiency and effectiveness in internal control but also to matters of ethics. So the TMA Account is now the subject of significant amount of scrutiny.

MR. CHAIRMAN.- What is the issue with FICAC? What is that matter pending with FICAC?

MS. B. WELCH.- There were some allegations that went to FICAC regarding a number of different people within the organisation and included some procurements that had been approved through the TMA. When we did the internal review, we found further issues in relation to procurements. It is how procurements were being approved, the proper processes not being followed, they were not always getting quotes, they were not always going to tender, people exceeding their delegation, et cetera, and that is why I lifted delegations into my office.

MR. CHAIRMAN.- So the tender process here is controlled by the respective Ministries themselves and not by the Public Tender Board anymore?

MS. B. WELCH.- No, it is controlled by the Tender Board but the Tender Board has to know that a procurement is taking place.

MR. CHAIRMAN.- All right.

MS. B. WELCH.- The Ministry identifies when it is going to make a procurement of over \$50,000 and then has a tender process which the Tender Board is involved in. What happened in the Ministry of Forests is that, a lot of the procurements we do are based on volumes. Initially when contracts are entered into (this has not been done in the past), I review of how long that contract runs for and how much that volume might end up being overtime. So overtime procurements were ending up being much higher than was initially anticipated and they were running over that tender limit.

MR. CHAIRMAN.- What are some of the things involved in these procurements, like equipment or labour or machinery?

MS. B. WELCH.- We do all right with the machinery ones, it is quite obvious if you go and buy a thing that is worth over \$50,000 and then you have to go through the tender. It is mainly where we are hiring machinery over time or where we are hauling logs both, overtime and by volume and also where we might be using labour overtime. Those are the types of things where we can potentially end up exceeding the tender limit or not paying close attention to the amount of time and also the volume that we want to procure.

MR. CHAIRMAN.- There is a question.

HON. RATU N.T. LALABALAVU.- Thank you, Honourable Chairman. I seek some clarification from the PS, Ministry of Forests and this is to do with the \$2.5 million. Could you please, guide us on that as to how it came about having this \$2.5 million injected into TMA without Cabinet approval?

MR. M. DRANIBAKA.- Thank you, Honourable Member. I think the MOE, after looking at the salvaging operation that we were doing in Nadarivatu and also in Dawasamu, the idea of trying to increase the activity in our TMA. At that time in 2016 after *TC Winston*, there were requests that were coming in and there was a demand for the utilisation of those pine schemes where the owners requested as to what could be done to those pine schemes.

The idea came up about how can the team be able to assist in the salvaging operation, making use of those damaged pine trees that are in the areas and also in the maritime. The idea was to involve the TMA in terms of getting the logs and be able to process and operate under TMA.

A concept paper was written to the MOE by the former PS on how we can be able to increase our TMA activity with the injection of funds that can be able to operate and assist in other areas where we can be able to salvage those logs and also operate as TMA.

It was approved by the MOE; the concept paper and that is how the whole work on TMA in trying to get all other pine schemes, getting involved with the TMA. However, at the time as already highlighted on TMA, we had not prepared processes and systems to be able to increase the activity. The MOE has approved that the amount under the TMA to be able to operate and increase the operations and be able to utilise those logs that were damaged.

HON. RATU N.T. LALABALAVU.- Honourable Chairman, through you, can the MOE provide an explanation on this - unbudgeted for? With the approval of MOE, \$2.5 million was injected into the Ministry of Forests' TMA?

MOE REP.- Thank you very much, Honourable Chairman. This injection of the \$2.5 million into the TMA, the Ministry of Forests' TMA is operating a sawmill and we usually conduct annual site

visits to respective Ministries and Departments TMAs and one thing we noticed was that, they have been operating with obsolete machineries to assist them doing their service or producing their output.

The \$2.5 million was approved by the MOE to help the TMAs improve its machines. It was during the state of emergency that was conducted during that time post- *TC Winston* because there were a lot of fallen trees during that time and we want to utilise those trees to try to supply timber to respective communities.

Through the proposal, \$2.5 million also helped in the wealth distribution in the economy at that time. The funds were distributed to the communities where those trees had been fallen, so TMA bought the logs from those communities. Also the scheme needed those loggers so also hired the loggers, as well as transport the timber from the felling areas to the sawmill. That was where all the \$2.5 million was expected to trickle down into the economy where it will generate other economic activities.

MR CHAIRMAN.- Like an investment, that would put in \$2.5 million and generate

MOE REP.- Yes, Sir, we have to inject, then we will get the return.

MS. B. WELCH.- That actually came from the Ministry of Forests' budget. It was savings harvested from the Ministry of Forests' budget and were moved into the TMA.

MR. CHAIRMAN.- It is noted somewhere here it is moved from the Operating Account. The final answer there was that the \$2.5million was diverted from the Operating Account which was savings into the Emergency Fund to kick start the operations of the Forestry Department.

HON. A.M. RADRODRO.- The purpose that was budgeted for?

MS. B. WELCH.- They were savings from projects, yes.

MOE REP.- Thank you, Mr. Chairman. If I may answer that question; Honourable Member, during the state of emergency, Ministries and Departments are authorised to look for savings from within their budgetary provision in order to meet whatever that is required during the state of emergency. Thank you.

MR. CHAIRMAN.- That resolves that. We will move to the next issue.

32.8.3 - Payment of Subsistence Allowance.

MS. B. WELCH.- I have said here that we no longer have staff living in office accommodation and anytime we have movement within the Ministry, they have to come through me, thus recommendations have to be in compliance with the General Orders.

There have been some arrangements in the past, I guess, this has been an oversight in terms of the detail, but I work very closely with the Director of HR and if there are any proposed movements out from the Divisions or from Headquarters to the Divisions, then I need to be assured that it is in compliance with the General Orders and that we are assured of effectively managing our duty of care to our staff.

MR. CHAIRMAN.- This particular officer was posted to this remote area and he was promised a quarters but there was only one quarters available, so he lived in the conference room, was it?

MS. B. WELCH.- Yes, apparently.

MR. CHAIRMAN.- Conference room for three years and for which he was paid subsistence allowance. I note from your response that this is no longer practised and it was a breach of the General Orders. What was the proper thing to do there for him to be posted?

MS. B. WELCH.- The proper thing to do was not to send someone somewhere where they cannot be accommodated.

HON. A.M. RADRODRO.- ... (Inaudible)..... Maybe, you can get

MS. B. WELCH.- I mean, it would have been the same, looking after both.

MR. T. NAULU.- Mr. Chairman, on this, we have an ice plant in Vanuabalavu that needs to be manned. It was unfortunate that the former staff was transferred and the station was left on its own and the Senior Management then had proposed that someone had to go and man the station, and to be providing the ice plant services to fisheries communities in Vanuabalavu. So, that was the call made then, to send someone to mend the station and provide the service to the public.

MR. CHAIRMAN.- So that person who was living in the existing quarters was not working for the Ministry?

MR. T. NAULU.- He is the staff of the Ministry.

MR. CHAIRMAN.- He was the staff? The person who went and lived in the conference room was also a staff, altogether two staff? What it says was that, he went there but there was only one staff quarters available which was occupied by the officer in charge, hence the officer was accommodated in the conference room. The officer in charge was for which Ministry?

MR. T. NAULU.- Normally, the set up in the Divisions are specially for ice plants. We have Fisheries Assistant and there is an ice plant attendant. It was the Fisheries Assistant who went over to be the officer in charge for that station to run the operations. That was unfortunate that he was sent because of the vacancy there.

MR. CHAIRMAN.- Alright, but the office in charge was still occupying the quarters, he was employed by the Ministry of Fisheries?

MR. T. NAULU.- Yes.

MR. CHAIRMAN.- But you needed this technical staff to run the ice plant, the second person who went in?

MR. T. NAULU.- Yes.

HON. A.M. RADRODRO.- But who lives in the conference room?

MR. T. NAULU.- We now have a proper quarters at Vanuabalavu. We are thankful for the provision from the MOE.

MR. CHAIRMAN.- How many officers are there manning this Vanuabalavu Ice Plant?

MR. T. NAULU.- Only two of them. The officer does extension services within the area. He plays a very important role in terms of our services to the communities.

MR. CHAIRMAN.- Well, it seems reasonable that if someone was posted and there was no accommodation, that he be provided that allowance. There is a question whether the General Orders provided for such circumstances, but now there are quarters built so they resolved it.

I think in future, we have to be careful, that people should not be posted if there is no accommodation because that causes the breach of the General Orders. I think that is under control now.

32.8.4 - Provisional Tax Not Deducted

MS. B. WELCH.- Thank you, Sir. We will undertake review of our processes in relation to the five percent withholding provisional tax, to make sure that we have got better processes in place in going forward because I think that this is an issue that has been found again in the recent audit. So obviously, there is the processes that we need to strengthen.

MR. CHAIRMAN.- Thank you.

32.8.5 - Revenue.

MS. B. WELCH.- Again, this is something that has come up, that there are issues between the debtors' registers in the Divisions and the matching of the FMIS General Ledger because of the inadequate monthly reconciliations. We had rectified this at the moment and as I said before, we are working on all of our reconciliations right now but another thing that we were about to introduce, when the reconciliation are done from the Divisions, the staff coming to Headquarters use whatever computers that are available or they can borrow.

We are about to set up a hot-desking arrangement in our Headquarters for people who are coming in to reconcile accounts, to make sure that they can use their time efficiently, they have access to computers and that the reconciliations can be done effectively and in a timely way. So, we are trying to create environment that facilitates these processes being done effectively.

MR. CHAIRMAN.- Yes, there are two issues - provisional tax not deducted and revenue. They were real issues at that time but are you saying that there are processes being implemented to correct that?

MS. B. WELCH.- I was saying that with both of these issues, they were found to be problems again by the internal auditors who did the 2016-2017 Audit, and they are issues that we are currently rectifying.

MR. CHAIRMAN.- Thank you.

OAG, in the current audit, those two issues are not proper issues for this hearing now but have you identified those areas? Are they being corrected by the Ministry - the provisional tax issue and revenue issue?

AUDIT REP.- Mr. Chairman, as PS has already mentioned, provisional tax is a recurring issue for the Ministry. While we are still awaiting comments on the fishing licence fees from the Ministry in

our Draft Audit Memorandum, we will be able to confirm once we receive comments from the Ministry on that.

MR. CHAIRMAN.- Because actually they are two major revenue sources of the Ministry and what was also noted here is that, and I quote from the Report:

- “a variance of \$224,312 was noted between the audit calculation and FMIS general ledger balance for fishing licence fees (which we addressed earlier); and
- The Timber Revenue System (TRS) has not been integrated with the FMIS general ledger. Consequently, a variance of \$74,566 was noted between the audit calculation and the FMIS general ledger.”

There are two issues, forestry and fisheries where revenue is coming in but they were not recorded properly. So, the question was whether that in the current audit, are these things not audit properly?

AUDIT REP.- The issue of the Timber Measurement fees and the variance, we still noted there is a variance which the Ministry has taken note of.

MR. CHAIRMAN.- So, to both the PSs, this is an area that is just hitting one of the main revenue source of your Ministry. This should be recorded properly so that we can get a true picture. Can we look into that?

MS. B. WELCH.- Yes, that is correct. I was not aware of this until we had an interview recently with the auditors which is why it is something that has not yet been addressed.

The other issues we have talked about previously where I have already initiated changes and we have got better controls in place, things that were identified in the months as such with the Ministry. These are two issues that I was not aware of and now that I am, we will be putting new procedures in place to make sure that these issues do not get raised again next time around, and when we provide our Management responses audit, we will give details of what we are going to do to rectify them.

MR. CHAIRMAN.- Thank you.

HON. A.M. RADRODRO.- MOE, I raised similar questions previously, the conduct of your checking at the Ministry. Can you give us an update as to when was the last time you did your checking at the Ministry of Forests and the Ministry of Fisheries?

MOE REP.- Thank you, Honourable Member. The last audit that was conducted, I think for the Ministry of Fisheries we just did an audit in the last quarter and we have yet to discuss the report on that one.

MR. CHAIRMAN.- 32.8.6- Anomalies in Underline Accounts; another issue of reconciliation. It says in the Report, and I quote:

“The following anomalies were noted from an audit review of the Underline Accounts:

- Variances were noted between the total debits and credits of the Drawings Account reconciliation statement and FMIS general ledger.

- Variances also existed between the reconciliation statement and FMIS general ledger for Operating Trust Account.
- Included in the Unpresented Cheques listing of \$244,799 are Electronic Fund Transfer (EFT) payments amounting to \$38,219 which were yet to be cleared by the bank.
- Travel advances totalling \$443,497 were not cleared within the stipulated seven days resulting expenditure for the year ended 31 July 2016 being understated.

The above findings indicate lack of supervisory checks on the reconciliations prepared. Failure to retire advances within the financial year has resulted in material misstatement of expenditure. Similarly, variances not investigated and rectified on time may result in write offs in future.”

So, numerous things were highlighted there. Can we have some explanation on that, PS?

MS. B. WELCH.- Thank you, Mr. Chairman.

I will repeat what we referred to earlier in relation to the fact that we are now doing monthly reconciliations, but also we have had the Accounting Staff doing overtime, going through these old balances that keep showing up year in year out. They have been instructed to get to the bottom of why we have old balances that have not been cleared, why we have got so many unpresented cheques that have not cleared, et cetera, and our intention is that all of these are going to be cleared before the end of this financial year. Once again this is an issue that we have talked about with the OAG in the recent exit interview. So I have committed with the Ministry, to getting this matter resolved because if we do not, we are going to have the same issues coming up next time. We need our accounts to be cleaned up.

MR. CHAIRMAN.- Yes.

MS. B. WELCH.- And once they are cleaned up, if we do monthly reconciliations it is much easier for us to keep on top of what is happening. So that is our approach.

MR. CHAIRMAN.- You can capture the situation before it escalation to larger sums, if you do monthly reconciliation.

MS. B. WELCH.- Yes, and a lot of these things probably are not significant issues. It is hard to know when they keep accumulating or when they are not getting on top of what is behind them.

The other thing in relation to advances now, I do not approve any advance unless I get confirmation from the Principal Accounting Officer that all previous advances have been cleared. We have a lot of staff who have to travel to the outer islands, et cetera, who need advances. They cannot go unless they clear their previous advances.

MR. CHAIRMAN.- Yes, because that was noted here, and I quote:

“Travelling advance must be recouped within 7 days of completion of travel by submission of a voucher with documents to support the claim. Where a travelling advance has not been fully expended, it must be repaid to the agency within 7 days of the completion of travel. Where a travelling advance is not cleared within 7 working days of

the completion of travel, recovery must be made from the concerned officer's salary within 6 fortnights."

So has this practice been implemented, the recouping of the fund?

MS. B. WELCH.- Yes, my understanding is that, people are now debited if they do not clear their advances in the timely way, that is a pretty good incentive to clear advance.

MR. CHAIRMAN.- That is noted.

32.8.7 – Inappropriate Usage of Project Funds Provided Through SLG 84.

MS. B. WELCH.- We have introduced the checklist in the Ministry now which I referred to earlier. What the checklist requires is that the source of funding is identified. So in pulling all of the delegations back into my office or most of them other than a very small amount, I have also introduced a process whereby people have to identify exactly why they want to procure something, where they have got their quotes from, the amount and why they are recommending a particular supplier, what vote the money is coming from and what the balance is. So then it is transparent. If there is a payment they want me to make, they have to attach the original contract, et cetera. It is transparent to me what I am being asked to approve and where the funds are going to come from.

MR. CHAIRMAN.- It was noted here, and I quote from the Report:

"The following anomalies were noted from the review of the other financial assistance received by the Ministry:

- A total of \$12,060 was received from the Ministry of Economy for the purchase and installation of air conditions units for which \$1,550 was used to pay the airfare of an officer to attend a training workshop in Noumea, New Caledonia.
- The agreement between the Ministry and the donor agencies was not provided for audit verification for the following assistance received in the year:
 - (a) Community Based Restoration and Sustainable Management of the Vulnerable Forests of the Rewa Delta ...
 - (b) Carryover – Purchase of Computers ...
 - (c) Regional Observers Program – Data Entry Technicians...

As that date of this report, the Ministry is yet to provide the agreements for audit verification.

Diverting funds for other purposes increase the risk of abuse and mismanagement and may result in donor agencies refusing to provide further financial assistance...."

In here, one of the issues here is that the MOE provided funds for the purchase and installation of air conditioners, but money was utilised to pay for airfare for training staff in Noumea, New Caledonia. How did that eventuate? This is for Forestry or Fisheries?

MOE REP.- Thank you, Honourable Chairman. Sir, the fund was given by MOE and not the total sum was accommodated for the purchase of the air conditioners, so with the prior approval of the PS, some of the fund was diverted for the purchase of ticket.

MR. CHAIRMAN.- OAG, the notation is that it should not been used but the PS in this case had approved the virement, would that be proper?

AUDIT REP.- Honourable Chairman, I do not believe this was vired because the expenses were charged to SEG 84 which came from the MOE. Funds that come from MOE is for a specific purpose.

MR. CHAIRMAN.- Yes, for the installation of air conditioners?

AUDIT REP.- Yes, and they are used for other purposes which is an issue.

MR. CHAIRMAN.- So even the PS did not have the authority to change the usage?

AUDIT REP.- Yes, because the funds are appropriated from Parliament.

MR. CHAIRMAN.- Yes, for operating purpose.

AUDIT REP.- Yes.

MR. CHAIRMAN.- That seems a serious issue, the PS did not have the authority to divert the fund and yes, it should have come from Parliament under SEG84.

MS. B. WELCH.- I understand what you are saying, Sir, and I cannot answer for what the previous Permanent Secretary decided to do with that money, but I understand that we do not that, that the money that sits with the MOE is for a specific purpose. And as I said, there is now a checklist so it is very transparent when anything comes forward to be approved where that money is coming from.

MR. CHAIRMAN.- So this office, does it have air conditioners installed? The money given for it, is it alright, done now?

MR. T. NAULU.- Yes, Mr. Chairman.

MR. CHAIRMAN.- It looks like a fewer units or less powerful unit. The \$12,060 was provided for installation and \$1,550 was subtracted from, you are probably done with one less unit. Can we move on to the next one?

32.9 – Trading Manufacturing Account; I think we have discussed that, so we have covered that.

32.9.2 - Anomalies in the Trading Manufacturing Account; I think we have covered that as well in the first set of questions.

32.9.3 - Unsupported petty cash expenditure; the notation there is, and I quote:

“The Principal Accounts Officer approved a substantial amount of \$20,000 as petty cash for the TMA operations in Nasinu and Dawasamu. The audit noted that supporting documentation pertaining to the utilisation of the funds and petty cash reconciliations were not provided for audit verification.

Non-availability of supporting documentation and reconciliation creates risk of fraud and misappropriation....”

What was this fund approved for and who was your approving Officer?

MR. T. NAULU.- Thank you, Mr. Chairman. This was during the close of 2016 financial year. During the last month on July, the system was going to be put down for the opening of the new financial period so due to the volume of operations at Nasinu on the milling and savaging of logs, we thought that we should have some cash at hand to meet these milling operations .

One of the major issues that we normally faced was the maintenance of our machines and payments to logging resource owners . So this was during a meeting that we had with our Senior Forestry Management staff, the Fiji Pine Trust who acted on our behalf to the communities. We had requested for this to be on standby to cater for the immediate needs of the operations and that was how this came to the foyer and it was approved by our Permanent Secretary then, who was the leading role in this TMA concept project.

The challenge that we faced then was, our officers were going to Divisions for these rehabilitation works, conducting trainings, clearing areas and a lot of their commitments that they asked for, the returns, the acquittals were not forthcoming, and that was the major challenged that we faced. Some went to the islands and they were always on the move, so that is basically the challenge for us to gather the source documents, the acquittals from our technical officers.

MR. CHAIRMAN.- It says here, that the Ministry had since obtained this source documents.

MR. T. NAULU.- Yes.

MR. CHAIRMAN.- And in the submission by the PS, he says that all documents acquittals are attached but there is no attachments here. Where are those documents?

MR. S. DRANIBAKA.- We note that concern, Mr. Chairman. We had submitted everything to our Accounts Team and I just heard from the report that the documents were not there. I was working on trying to locate where the documents are. We all know there was a lot of movement of our files, our records and that has been one of our challenges, the missing records. So that is one of the challenge that we normally face and it is something that we have tried to strengthen - record keeping. We also have shortage of space for storage of our records, we undertake that we will look this issue up.

MR. CHAIRMAN.- If you have the documents located, can you please, pass it to us because \$20,000 is a large sum. The PS had noted that those documents at some stage were located. Petty cash has been retired with all supporting documents attached. So there might be some attachment somewhere, you can provide that to us and we will be able to cancel this out because what we are concerned about is the notation by the OAG which says, and I quote:

“Petty cash are relatively small amount of cash kept at hand for making immediately payments for small expenses.”

But here the expenses seem to be as you have mentioned, in times of emergency to pay to landowners and for other rehab works, those probably fall in another account, not in petty cash so it would be good to reconcile that.

Honourable Members, there are only few issues left before we finish with this Ministry. We will take the next one after the break.

32.10 - Trust Fund Account. 32.10.1 - Anomalies in the Fisheries Main Trust Fund Account; has that been dealt with? It says in the Report, and I quote:

“Audit review of the Department of Fisheries One-Third Subsidy Scheme...”

Yes, that is the one that has been dealt with.

PS, before we get to 32.10.2 -, you have noted in your submission in 32.9.3 that the petty cash has been retired with all supporting documents and acquittals attached, so those acquittals are not attached to our submission.

MS. B. WELCH.- No, they were attached to the retired account that went to the MOE, I understand.

MR. CHAIRMAN.- So MOE, can you pull that out for us please, whether the petty cash supporting documents have been returned to you?

What we are concerned about in here, PS, is that we had some explanation from the Accounts Officer that the money was used for Dawasamu and Nasinu Projects, which are still in the rehabilitation works. We agree to that, there was an emergency but it is just a question of \$20,000 being used from the petty cash which is usually reserved for very small expenses.

32.10.2 - Authorised cheques signatory list not up-to-date; it says in the Report:

“The Audit noted that the file for recording the names, designations and signatures of officers authorised to operate the bank account was not updated. Moreover, three of the cheque inventory are no longer employed by the Ministry.

The above anomalies indicate ineffective controls in the operation and administration of the Main Trust Fund Account. As such, there is a high risk of abuse and mismanagement...”

Has that been rectified now?

MR. S. NAQALI.- Thank you, Mr. Chairman, that has been rectified now. The Ministry of Fisheries has amended the cheque signatories for the Trust Account and submitted to the Treasury Unit of the MOE. Thank you.

MR. CHAIRMAN.- MOE, is that correct now, the signatories of this Ministry that have been changed?

MOE REP.- We will confirm, Mr. Chairman.

MR. CHAIRMAN.- Please, confirm that to us.

There are other issues at 32.11 - Follow Up on Previous Year Issues; OAG is doing a good job in highlighting to us what has been recurring issues and during the 2016 Audit, the status of the matters reported in the previous year was followed up. These matters as stated in Table 32.19 have remained outstanding as action is yet to be taken by the Ministry to resolve them.

The first one, I think, we have discussed there, the Training and Manufacturing Activity Account. Anomalies are still being noted and variances are still there, so has the Ministry taken any action to resolve that?

MS. B. WELCH.- These are the TMA issues.

MR. CHAIRMAN.- Has that been discussed earlier?

MS. B. WELCH.- We are taking a lot of action on the TMA, as I had explained before. Everything to do with the way that the TMA used to operate has been changed and as I have said, FICAC is looking into it, we have had our own internal investigations, new people, new positions, new processes, new delegations checklists, so it is a comprehensive new way of operating the TMA.

MR. CHAIRMAN.- Is there an operating manual for these TMAs that has been prepared by the Ministry, something that everyone has to follow?

MS. B. WELCH.- There is one that the MOE has and there is a Business Plan for the TMA but one of the things that we are doing is, rather than writing the operating manual first we are getting an external review done, we are getting a business manager in, a procurement advisor into the Headquarters of the Ministry and then we will document new processes because I want to make sure that we do them right rather than quickly.

MR. CHAIRMAN.- Medical and Police Reports of New Recruits not Provided; it was noted that the medical clearance and the police reports were not obtained for newly recruits. Is it under control now?

MS. B. WELCH.- Yes, I am advised by DHR that we now get this for our new staff.

MR. CHAIRMAN.- No Individual Work Plan; this is for the staff personal files for prior years. It says, I quote:

“Audit was informed that the Ministry advises each employee to develop their own IWP. However, IWPs developed by staff were not reviewed, approved or signed by the relevant authorised officers.”

MS. B. WELCH.- This has been addressed across the whole of the Civil Service now because we have all produced a new position description for every job under the job evaluation process. Every staff member now has to put together an individual workplan. The KPIs come from those approved position descriptions and under the new Performance Management Framework, that individual workplan is assessed when the performance assessments are done every year. So Civil Service-wide have a new framework and everyone has to comply.

MR. CHAIRMAN.- Thank you for that.

Anomalies in the Underline Account Reconciliation - Drawings Reconciliations; the first one was the TMA reconciliation, this is Drawings Account reconciliation of a variance of \$216,033 as noted there.

MS. B. WELCH.- Yes, we have referred to this before saying that our reconciliations are now up to date and that we are going back and looking at all the old balances that have been carried forward, and try to clear those out.

MR. CHAIRMAN.- Misallocation of Expenditures; the Ministry was charging expenses to unrelated expenditure allocations.

MS. B. WELCH.- Yes, again the checklist that we have introduced highlights where funding comes from and I do ask questions when things come to me and when it does not look right, which is the reason that I have introduced the checklist and I also gave instructions that we are not to use funds from other accounts so if that happens now, it is clearly in breach of the directive that is being given within the Ministry.

MR. CHAIRMAN.- Thank you.

Utilisation of Capital Expenditure Funds for Other Projects.

MS. B. WELCH.- It is the same issue.

MR. CHAIRMAN.- Settlement of Previous Years Outstanding Accounts; it says in the Report; and I quote:

“Ministry paid for outstanding accounts from 2014 in 2015 contrary to the requirements of the Ministry of Economy Circular Number 25/14. Ministry of Economy advised all Ministries and Departments in 2014 that they would not be facilitating any request to carry-over of funds from 2014 to the 2015 financial year.”

What was the issue there?

MS. B. WELCH.- Sir, this is an issue where procurements occur and invoices do not come in a timely way, and the payments happen in the following financial year. We have better processes now at the end of the month where we review our outstanding purchase orders but also we will be strengthening the end of financial year processes this time around, to make sure that word goes out within the Ministry early, when the accounts are going to close, the Divisions will be instructed to speak to all of their suppliers to get their invoices in early so that we can pay all of those accounts prior to the accounts closing at the end of the financial year and we will make sure that, that includes consultants who are doing work for us, et cetera.

MR. CHAIRMAN.- At Appendix 32.1 – Details of Items Approved for Write-Off; I note there some equipment have been written off. Who gives the approvals for these write-offs, is it the PS or the MOE?

MR. M. WAQA.- Mr. Chairman, this is the MOE’s approval.

MR. CHAIRMAN.- Any questions in that regard, Honourable Members?

(There were no questions)

That brings us to the end of the questions that we have. There is just one left, Appendix 32.2 - Detailed EFT cheques not cleared by the Bank from January to July 2016; there are some Unpresented Cheques here, is that under control now?

MS. B. WELCH.- These are the matters that the accounting area is working overtime on clearing. I do not know whether those particular ones have been cleared but any outstanding matters that we have in our accounts, we are going to go through them systematically and get advice from MOE on what we need to do to get them cleared.

MR. CHAIRMAN.- So, if the cheque is not presented within the six months, they become stale, that money is pushed back into what account – operation account?

MR. M. WAQA.- Thank you, Mr. Chairman. We are working closely with the MOE's FMIS Unit in regards to the audit cheques and the Unpresented cheques recently and we are updating all our reconciliations, all those variances. To answer your question, Sir, yes, it will go back to the operating account.

MR. CHAIRMAN.- MOE, when you are giving us the other updates please, let us know whether those Unpresented cheques have now been presented.

MOE REP.- For the Unpresented cheques, Sir, if it is not presented within six months and if it is in the same year, it goes back to the operating account.

MR. CHAIRMAN.- Those claimants, if they claim for payment again they have to have another cheque written to them.

MOE REP.- Yes, we will do a replacement cheque.

MR. CHAIRMAN.- Honourable Members and Team, that brings us to the end of the submission we had for the Ministry of Fisheries and Forests which is now two different Ministries.

I thank both the PSs for your appearance and the Team for your time. Your submissions will be taken into account, both written and oral and all the follow-ups with the Ministry and the OAG please, provide them to us before we do our reports. Should we have any other queries, we have your numbers here and we will contact you on those. Thank you very much and we will break for tea.

I invite all of you to join us for tea at the back of the room. We break for 10 minutes before we take the next Ministry which is the Ministry of iTaukei Affairs. Thank you.

The Committee adjourned at 12.24 p.m.

The Committee resumed at 11.54 a.m.

Interviewee/Submittee: Ministry of iTaukei Affairs

In Attendance:

- | | | | |
|----|-------------------------|---|----------------------------|
| 1. | Mr. Naipote Katonitabua | - | Permanent Secretary |
| 2. | Mr. Joseva Toganivalu | - | Acting Deputy CEO Board |
| 3. | Ms. Loraini Lagi | - | Senior Accounts Officer |
| 4. | Ms. Marilyn Korovusere | - | Director Development |
| 5. | Ms. Sereana Matakibau | - | Director Corporate Service |
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MR. CHAIRMAN.- Honourable Members, members of the Secretariat, media and the public, we are ready to take our next submission for this morning and that is from the Ministry of iTaukei Affairs.

I welcome everyone to this meeting. You are familiar with the setup here, so we will straightaway go to your submissions. Please, take us through your submission and we will ask questions as we go along. Any opening remarks before that, PS?

MR. N. KATONITABUA.- Mr. Chairman and Honourable Members of the Public Accounts Committee, we are also delighted to be here today to clarify issues that we have been requested for, for deliberation today. Today, we have our members of team.

(Introduction of Ministry Officials by PS)

If you may recall in our last submission, we are trying our level best to complete this auditing of the accounts from the iTaukei Affairs Board and also the 14 Provincial Councils. So, without further ado, I will now ask CEO or DCS to deliberate more on what we are trying to achieve.

In very brief, we are trying to see that by 2019 we should be able to get online in terms of real time audit of both, the iTaukei Affairs Board and the Provincial Councils Audit Reports.

MR. CHAIRMAN.- So, how long have they been pending and what is the progress like for these audits?

MR. J. TOGANIVALU.- Thank you, Mr. Chairman and Honourable Members.

In our submission, we have divided them. No. 1, the summary of Annual Accounts pending audit. Before 2014 when the audit started, the accounts was way back to 1999 and some in 2001. So, the total number of annual accounts to be audited in 2014 stood at 224.

In No. 2, those were the annual accounts submitted by year from 2014 to 2017. Until todate, we had submitted a total number of 89 accounts and we are left with 135.

As for the progress and also the targets remaining, I will ask Director Corporate Services to highlight that to us.

MR. CHAIRMAN.- Before we go there, the Provincial Councils are audited by the Ministry itself by using Audit staff. The Provincial Councils do not have any accounting officers?

MR. J. TOGANIVALU.- We are working with the Office of the Auditor General (OAG). They have a team working with us at the Office. As from 2012 to 2014, we had to train our officers and we had to get in qualified officers as well to assist in this backlog.

MS. L. LAGI.- Mr. Chairman, just on the progress as our Acting Deputy CEO had mentioned, we have submitted 89 out of the 224 that we target to submit to update the annual accounts and from the 135, we had our targets set out to the team.

I think in our last appearance here in 2017, one of the strategies that we highlighted was, there was a taskforce set up to focus on the annual accounts. So, in the 2018 targets we had targeted to submit 135 accounts, and this is to be compiled by this taskforce.

From 2008 to 2013, for all the Provincial Council Offices, including the Board we have 90 annual accounts that we target to submit by 31st July, 2018. From the 90, we have 41 accounts that are already drafted. The reason why we have not submitted these 41 accounts is because we are waiting for the OAG to complete their audit of the submitted accounts up to 2007 so we can finalise the 2008 balance and move on from there.

From August to December 2018, we target to submit the annual accounts of 2014 to 2016 which is a total 45 annual accounts.

As usual, the strategies that we have put in place (our new system), this will be the first system that will integrate all the 14 Provincial Councils and is expected to roll out in August 2018. The scoping phase has been completed and Datec which is the approved supplier, is now working on the development of the software.

We had managed to recruit qualified accountants, as already been alluded to. Also the plan in the Ministry and the Board is, once we get the annual accounts updated we will push back the preparation of the annual accounts to the Provincial Treasurers. So as a proactive measure that we have put in place, we have also started training our Treasurers on the compilation of these annual accounts so that when they take on the task, they should be competent enough to carry out the compilation of accounts.

We are also trying to maintain close collaborations with the financial institutions since these annual accounts have been long pending for the Audit confirmation. For the preparation of the rollout of our new financial systems, we have managed to get all our Provincial Councils connected to Govnet because the integration will require Govnet connectivity, except for our Cakaudrove Office which they are currently building our office complex.

For data security and retention, we have also purchased servers and they are now currently hosted at ITC.

MR. CHAIRMAN.- As far as the revenue for these Provincial Councils are concerned, your Ministry gives grants to them, as well as their own income?

MS. L. LAGI.- In terms of the revenue, Mr. Chairman, we have two sources of revenue; one is the Government grant which is covering personal emoluments of the officers and the other is the operational cost which is covered by the Provincial Rates that they collect from the community.

MR. CHAIRMAN.- From their own investment like...

MS. L. LAGI.- Yes, they also have investments, so dividends and interests are covering the operational costs as well.

MR. CHAIRMAN.- So, when you audit these Provincial Councils, do you look at all of their revenue or just the Government component, the grant component?

MS. L. LAGI.- We look at the whole transactions, including all sources of income.

MR. CHAIRMAN.- So, if they have gained some revenue through their own investment, such as provincial council buildings, you still look into that?

MS. L. LAGI.- Yes.

HON. RATU N.T. LALABALAVU.- Mr. Chairman, on income to the Ministry, probably to FAB. This investment with Fijian Holdings, how is that reflected in your financial statement, as income?

MS. L. LAGI.- Thank you, Sir. The investment with Fijian Holdings this is reflected in the budget in all the 14 Provincial Councils as part of their income that also helps to cover the operational cost of these Councils.

HON. RATU N.T. LALABALAVU.- What I am specifically seeking an answer here is, the investment through a Class B shares. How is that reflected in your budget?

MS. L. LAGI.- Thank you. This investment on Class B shares this is treated as the iTaukei Affairs Board Investment but the dividends are distributed to the 14 Provincial Councils. This is reflected as investment for the Board in the balance sheet.

HON. RATU N.T. LALABALAVU.- ... (inaudible) raised by Honourable Chairman, does that not affect your income from Provincial Councils through rates, et cetera, as you have stated? Does that not balance it off or complement it?

MS. L. LAGI.- Mr. Chairman, the dividend that we earn from the Class B investment at Fijian Holdings Ltd is distributed to the 14 Provincial Councils and this is reflected as their income, together with the other investments that they hold - with the provincial rates and the Government grant.

HON. RATU N.T. LALABALAVU.- (Inaudible)

MS. L. LAGI.- Yes.

(Inaudible)

MS. L. LAGI.- Currently, we are earning about \$2 million annually from the dividend.

MR. CHAIRMAN.- Yes, Honourable Radrodro.

HON. A.M. RADRODRO.- Thank you, PS and the Ministry of iTaukei Affairs for the explanation. I think what we have heard today is also what we heard the last time when the Ministry came here, about the submission of audited accounts to the Auditor-General. That is just one part of the solution but it does not resolve the issues that have been highlighted, the audited accounts.

What we would like to inquire from the Auditor-General is whether what has been submitted by the iTaukei Affairs Board, the status of those audit progress and when can it be ready, especially the 89 accounts that had been submitted as of last year. So, can we get an update from the OAG on the status of those submitted accounts?

AUDIT REP.- Thank you, Honourable Chairman. With regards to the audited accounts of Provincial Councils, the Office targeted to update the audit of these accounts up to 2017. In here, the OAG is looking at around 218 accounts to be audited.

However, for now, the target update is that the audits of all Councils up to 2007 had been completed and these involved around 81 accounts by the end of September, to be completed.

(Inaudible)

AUDIT REP.- Yes. The OAG is targeting to audit those 81 accounts by the end of September. Todate, as mentioned by the Board, we had updated seven Provincial Accounts up to 2007. Those Accounts involved 37 financial statements.

Just recently, our Office has also issued the audited accounts for Tailevu Provincial Council. Our Office is also committed to auditing these accounts as they come in and as mentioned, the OAG has allocated a whole audit team with one Director to oversee the completion of these Council Accounts as they come in.

MR. CHAIRMAN.- Why I asked that initial question was because the accounts will involve everything- all their revenue sources, expenditure, et cetera, but they are mandated to provide their acquittal reports for the grant money separately to the Ministry. Are the Provincial Councils providing you the acquittals for the grant as they are required?

MS. L. LAGI.- Mr. Chairman, through you, the quarterly acquittals are currently being compiled. We normally submit our acquittals through the line Ministry every quarter.

MR. CHAIRMAN.- Are they being done for the past years as well?

MS. L. LAGI.- They are being done and it is up-to-date.

MR. CHAIRMAN.- Then that leaves us with the actual audited annual accounts, that is the issue. Acquittals are coming in for the grant money, that is where the primary concern lies.

HON. A.M. RADRODRO.- Regarding Table 5.3 and the allocation of funds totalling \$3.2 million; can you just enlighten the Committee on what is the purpose of these funds that has been given to the iTaukei Affairs Board?

MR. N. KATONITABUA.- Mr. Chairman, Table 5.3 is just basically personal emoluments of the Ministry of iTaukei Affairs staff around the 14 Provinces, including Headquarters. Right now, we have around 247 employees, comprising those at Headquarters and the 14 Provincial Council Offices.

MR. CHAIRMAN.- What is the payment of \$509, 259 for?

MR. N. KATONITABUA.- Mr. Chairman, to be corrected, the iTaukei Affairs Board, that is the staff at the Headquarters and the Provincial Councils. Those are the staff at the 14 Provincial Council Offices.

Mr. Chairman, we in the Provincial Council Offices ...there are structures that are being approved by the Board, but there are some cases where the Provincial Councils themselves would like to have supplement officers to assist in the operation and that is also being paid from the Provincial Councils rates that are being collected.

MR. CHAIRMAN.- That was Honourable Radrodro's question. That money is for payment of staff who are employed by the Provincial Councils.

MS. L. LAGI.- Mr. Chairman, this was when the grant received from Government was only funding 50 percent of the total personal emoluments. As of last year's budget, the Government is now covering 100 percent of personal emoluments.

MR. CHAIRMAN.- So all of Table 5.3, that \$1.987 million for staff at Headquarters and Provincial Council Offices. The \$509,259 is for the additional staff that the Provincial Councils need. Am I correct on that?

MS. L. LAGI.- Mr. Chairman, that was the staff in the approved establishment.

MR. CHAIRMAN.- Where is it situated?

MS. L. LAGI.- At the 14 Provincial Council Offices.

MR. CHAIRMAN.- What about the *Na Mata* amount of \$25,000?

MS. L. LAGI.- We have a quarterly magazine that goes out. It is called *Na Mata* magazine and that \$25,000 is covering the publication cost of the magazines.

MR. CHAIRMAN.- Turaga ni Koro allowance? I think that has been taken over by the Government now or does it still come out from the Ministry of iTaukei Affairs?

MS. L. LAGI.- It is still being administered by the Board. It is a Government grant that goes out every quarter, once we receive their reports.

MR. CHAIRMAN.- And Mata ni Tikina allowance of \$214,000?

MS. L. LAGI.- That is similar to the Turaga ni Koro allowances.

MR. CHAIRMAN.- Is Mata ni Tikina, a separate office? A separate position from Turaga ni Koro?

MR. N. KATONITABUA.- Yes, it is a separate position. It looks after the district and is a member of the Provincial Council Meetings.

MR. CHAIRMAN.- Does this position still exists because I have never heard of Mata ni Tikina?

MR. N. KATONITABUA.- Yes.

MR. CHAIRMAN.- Any questions remaining there?

HON. A.M. RADRODRO.- Mr. Chairman, now they are 100 percent covering expenses for Provincial Offices, is there a standard number that Provincial Council should have that you are fully funding, because we note that there are different numbers in the respective Provincial Councils? So when you say 100 percent what do you mean by that, are there only the Turaga ni Koro and Roko Levu or Roko Veivuke or what is the logic behind your 100 percent covering?

MS. L. LAGI.- The 100 percent coverage includes Roko Tui down to the Provincial drivers. Roko Tui is the start, the assistant Rokos, the Provincial Treasurers, the Conservation Officers, the Clerical Officers, plus the Provincial drivers. For some of our Councils, they have outboard operators and that is also covered in their weekly wage as well.

HON. RATU N.T. LALABALAVU .- A question, Mr. Chairman, so what then is being paid by the Provincial Council levy as indicated by the PS?

MS. L. LAGI. - Provincial levies are covering the operational costs.

HON. RATU N.T. LALABALAVU. - Not staff?

MS. L. LAGI. - Not staff.

MR. J. TOGANIVALU.- Just clarifying on that Mr, Chairman, there are also some staff who are hired by the Provincial Councils, if they see the need for extra work load, especially the ones with sub-offices whereby they will need an extra clerical officer. So these are paid from Provincial rates which is approved at the Provincial Council meetings. *Vinaka*.

HON. A.M. RADRODRO.- A supplementary question regarding the levy; the Provincial levy has been used as a means of funding the operations of the Council. Now that the audit is still outstanding and you are working towards submitting and getting the accounts up to date, does Provincial levies belong to the Government or to the Provincial Councils? How will you account for that when it is being paid by individuals in the province?

MS. L. LAGI. - The provincial rates that are collected are reflected as income for the Provincial Office.

HON. A.M. RADRODRO.- The question is the delayed audited submissions, the submission of audited reports. We note that Government has now appointed Council Chairmen for Provincial Councils and the likes. What sort of checks and balances is the Ministry or the Department putting towards these appointments to ensure that they submit this reports on a timely basis rather than continuing this process of receiving Government grants while their audited report continues to be delayed in its submission?

MS. L. LAGI.- Through you, Honourable Chairman, we had put this in one of our strategies on the submission of the Annual Accounts, we have set up a taskforce. This taskforce is looking at the backlogged accounts so once we get the accounts updated, then we will push back the preparation or the responsibility of the Annual Accounts to the Roko Tui and Chairman and that is when they will start to be accountable for that. We had included that as well in our Finance Manual on the due dates of this submission of Annual Accounts.

MR. N. KATONITABUA.- Honourable Chairman, just to add more, we are now also assessing the performance of the Roko Tuis in terms of them as Chief Finance Officers in their respective Provincial Councils. The performance review that we are doing right now will be targeting those Roko Tuis that are not up to par in terms of their financial obligations that they need to submit quarterly reports to the Ministry. That is something that is collectively monitored by the Board and also the Ministry.

HON. RATU N.T. LALABALAVU.- Thank you, Honourable Chairman, just some clarification to the PS. Thank you for that statement, now the role of the Turaga ni Koro and Roko has become much more clearer. Now that they are being fully paid, what happens in the case of them holding positions in companies that are run by the Province?

MR. N. KATONITABUA.- Thank you, Mr. Chairman. On the questions of the role of the Rokos in Provincial companies, we note that they are just for advisory services to the companies. They should be in between the Provincial Councils and the companies and make sure that they are working towards the betterment of the province that they serve.

MR. CHAIRMAN.- Honourable Member, your question was regarding any company or just the Provincial Council companies?

MR. N. KATONITABUA.- (Inaudible).

MR. CHAIRMAN.- Yes, the companies that....

MR. N. KATONITABUA.- (Inaudible)

MR. CHAIRMAN.- In those companies, for example, the Kadavu Holdings, are they paid separately for that?

MR. N. KATONITABUA.- (Inaudible)

MR. CHAIRMAN.- I was not clear with the question, so now it is clear. The Roko Tuis hold a position in those companies?

MR. N. KATONITABUA.- Sir, they are being represented in the Fijian Holdings Annual General Meetings where they also participate in the appointment of positions within the Fijian Holdings. They are representing the Board in that institution. And for fairness, we invite all the 14 Roko Tuis to participate for the Board in the Annual General Meetings of Fijian Holdings Limited.

MR. CHAIRMAN.- But their role in those companies as you said are advisory roles, they are not paid salary separately by the company?

MR. N. KATONITABUA.- Advisory roles, they used to be (I think) in the past but now, they are just advisors.

MR. CHAIRMAN.- All right.

HON. A.M. RADRODRO.- In terms of representation of Roko Tuis in those companies, now that you have mentioned they are representing the Board instead of the Province needs and what the Provinces desire when they represent those companies in forums such as Fijian Holdings, how does the Ministry ensure that they are truly representing the Provinces' desire at the top level meeting rather than what the Board desires?

MR. N. KATONITABUA.- Mr. Chairman the issue on their representation, I assure you that the Board has the mandate to look after the 14 Provincial Councils and we normally call them for meetings before an AGM and brief them on what we need to do for the betterment of not only for one Province but for the 14 Provinces.

MR. CHAIRMAN.- Your point is taken. It is almost like MPs, once you are in Parliament, you are supposed to represent the will of the people but that does not prevent you from speaking your own mind.

HON. RATU N.T. LALABALAVU.- I want to seek some clarification, Honourable Chairman, the company as an entity in itself and the Board, that is the crux of what I am trying to seek your guidance there, PS, the private company against the Board.

MS. L. LAGI.- Mr. Chairman, through you, specifically for the Cakaudrove Provincial Council, the shares of the Provincial Council has now been transferred to the Provincial Company. In terms of the voting rights, the CEO of the Provincial Company gets to vote in the AGM and not the Roko Tui. Thank you.

MR. CHAIRMAN.- Is that clear now?

HON. A.M. RADRODRO.- Just going back to the earlier question on the Class B shares at Fijian Holdings dividend that is being received by the Board, what is the process that iTaukei Affairs Board put in place to ensure that these funds are utilised according to what it is intended for? Because as we see, the audited accounts are not up to date so there is a big risk there in terms of utilisation of those funds in terms of accountability and how the funds have been utilised, who gives authority of its utilisation, who holds the power in terms of what to spend in the respective Provinces and what is the backup check since the audited accounts are not prepared up to date?

MS. L. LAGI.- Mr. Chairman, through you, in terms of the strategies of checks and balances on the utilisation of funds, first we get the dividend, the return on investments, we reflect that in the budget of each of the Provincial Councils. This budget gets approved by the Board before it is....

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

MS. L. LAGI.- We have the budget of the iTaukei Affairs Board and budget of each Provincial Office that reflects this income from investment. So we get that approved by the Board and that is distributed out to the Provincial Office. The Roko Tuis and the Treasurers, they have delegation of authority, so we have limits in place for approval of expenditures. Anything above the limits is escalated to the CEO and anything above the CEO limit is escalated to the Board.

We also have our internal audit function that does site visits and conduct periodic checks on this utilisation. Also during our quarterly workshops, we track utilisation rate against the budget and that is when virement and additional provisions are processed. Thank you.

MR. CHAIRMAN.- We move on in the interest of time, we have to go to 5.5 – Unsigned Agreement with Native Reserve Commission; the Report says, and I quote:

“...the grant agreement between the Ministry of iTaukei Reserve Commission for the financial year 2016 was not signed by both parties until 17/02/17 or more than six

months after the financial year had lapsed. However, the Ministry continued to disburse funds to the Commission without the signed agreement.

Failure to have a signed agreement prior to the release of grant indicates that the agreement is not legally binding and may result in funds not being utilised for the intended purpose.”

The general idea is that, and I quote from the Report:

“A grant agreement must provide for the organisation or person receiving the grant to agree to keep proper files and accounting records in relation to the grant and to make these files and records available upon request by the administering agency or the Auditor-General.”

What actually happened there? Why was the agreement not signed before the grant was dispatched?

MR. N. KATONITABUA.- Mr Chairman, we had addressed this issue through our Finance Manual. We are now signing grant agreement with Native Reserve Commission before the disbursement of any funds. This just started in 2017 and 2018 where we were obligated or mandated to sign the grant agreement to address this issue.

MR CHAIRMAN.- Since 2017 and 2018 before the grant is disbursed, the agreement is signed and it is rectified?

MR. N. KATONITABUA.- Yes.

MR. CHAIRMAN.- That is taken note of.

HON. RATU N.T. LALABALAVU.- Honourable Chairman, I just want to seek some clarification from the PS and this is to do with the grant being given to the Reserve Commission. How many Commissions do you have?

MR. N. KATONITABUA.- Mr. Chairman, these are the grants paid through the iTaukei Land Trust Board and these are being used by the Reserve Commissioner of the iTaukei Lands Trust Board. The activities in terms of their programmes in the returning of Schedule A and Schedule B land, doing their consultations in the 14 Provinces. Part of their programme is paid by this grant.

HON. RATU N.T. LALABALAVU.- I take it Honourable Chairman that one is appointed under Native Lands Act and one is appointed under Native Land Trust Act. So they both get part of this grant or do they get only one?

MR. N. KATONITABUA.- Only one, Mr Chairman.

HON. RATU N.T. LALABALAVU.- Which one is that?

MR. N. KATONITABUA.- The one with iTaukei Land Trust Act.

HON. RATU N.T. LALABALAVU.- Thank you.

MR. CHAIRMAN.- Thank you, Honourable Member, for that question.

HON. A.M. RADRODRO.- Mr. Chairman, just a supplementary question to this unsigned agreement. It says that the funds are disbursed for meeting the operational needs of the iTaukei Reserve Commission. There were lot of activities that are supposed to be involved - updating of the VKB, the demarcation and land surveying. Are these all part of that process?

MR. N. KATONITABUA.- Mr. Chairman this is different from what the Honourable Member just highlighted. This is covered under the Ministry of iTaukei budget with the iTaukei Lands Commissioner activities through the Veitarogi Vanua and his team.

MR. CHAIRMAN.- 5.6 – Scholarship Bond Recovery Balances Not Transferred to TSLB; it says in the Report, and I quote:

“The Tertiary Scholarships and Loans Board (TSLB) was established by the Tertiary Scholarships and Loans Decree 2014 to handle all administration of scholarships effective from 18 December 2013. All administration of scholarship is to be handled by TSLB from 2014.

All Scholarships records including the Scholarships bond recovery documents were transferred to the TSLB in 2014. The documents were received by TSLB on 07/01/14.

The audit noted that the balances for scholarship bond recovery were still reflected in the Ministry’s general ledgers despite the transfer of the administration of scholarships to the TSLB from 2014. Refer to Table 5.5 for details.”

What is the issue there, “...the scholarship recovery bond and documents having transferred to TSLB but it still reflects in your books”?

MR. N. KATONITABUA.- Sir, we would like to acknowledge the joint efforts from the Ministry and the MOE and also the OAG whereby this was addressed. The recovery process has now been transferred to the MOE from July 2017, so it is no longer an issue that will be discussed.

MR. CHAIRMAN.- So it has already been done?

MR. N. KATONITABUA.- Yes.

MR. CHAIRMAN.- Have you any idea when your Ministry was responsible for recovery, what was the recovery rate for this scholarship bond? Was it a good recovery rate, people were paying up their bonds?

MR. N. KATONITABUA.- When it was transferred to the MOE according to our Senior Accounts Officer, there were only two direct deductions being received, that were paying their bonds. The others, I think, may be paying directly to TSLB. Were you able to cover your loan amount?

MR. N. KATONITABUA.- I think that arrangement was when the scholarship was with the Ministry where they need to work for three years to be part of their recovery but now when it is being transferred, it is a different.

HON. A.M. RADRODRO.- So all those being transferred is not covered under that arrangement, the new ones that fall outside of that?

MR. N. KATONITABUA.- Yes.

MR. CHAIRMAN.- So we have to check the TSLB when they are here on how is the recovery rate because when it was with the Ministry, they were requiring the recipients to serve a three-year bond or if they want to terminate earlier, they must pay back, so that was the recovery but now the TSLB would know what is their process like. Any further question on that before we can move to the next one?

(There were no questions)

5.7 - Diversion of Funds without Proper Approval.

MR. N. KATONITABUA.- Sir, this was capital funds for purchase of office equipment. Towards the end of that financial year, we were looking at having some National Employment Centre (NEC) officers to come and assist in the office. We paid their salary from this capital component.

We had not followed that procedure at that time of requesting approval from MOE, so we had addressed that through our new financial manual that this process needs to be followed in consultation with the MOE.

MR. CHAIRMAN.- Thank you. So there was money allocated to purchase new office equipment and there was a remaining balance of \$12,794 that was used to pay the NEC employees' wages for which prior approval of the MOE was not obtained. But the needed equipment was purchased and the date was there?

MR. N. KATONITABUA.- Yes, Mr. Chairman.

MR. CHAIRMAN.- So that money (\$12,794) was the additional leftover money for which approval for virement should have been sought from the Ministry. But you agree that it was not sought but the new finance manual will ensure that it will be done?

MR. N. KATONITABUA.- That is correct, Mr. Chairman.

MR. CHAIRMAN.- Any questions in that regard? The explanation was that there was some money allocated to buy office equipment and it was purchased. There is a detail of fund utilisation there - buying of Dell Latitude Series Business Notebook and Inkjet Printer, et cetera, the remaining money was diverted to pay the NEC employees' wages. There is an admission that there was no approval sought which is now in the Finance Manual, so that is excepted and we will take note of that. So, that was the last remaining issue we had with the Ministry for iTaukei Affairs.

I thank the Team - the Permanent Secretary, the Acting Deputy CEO, DCS and the Accounts Manager for your appearance before this Committee this afternoon. We will take note of all your written submissions and the responses have been noted and we will definitely report that in our report. The answers by the Accounts Officer, Loata was impressive, they matched with our findings.

With that, thank you very much for your attendance. Honourable Members, we will resume in about five minutes, thank you.

The Committee adjourned at 12.39 p.m.