

VERBATIM NOTES OF MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS , HELD IN THE COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON TUESDAY, 27TH MARCH, 2018 AT 9.35 A.M.

Interviewee/ Submitter:

Republic of Fiji Military Forces

In Attendance:

- | | | | |
|----|-------------------------|---|--------------------------------|
| 1) | Brig-Gen Aziz Mohammed | - | Deputy Commander, RFMF |
| 2) | Captain (Navy) John Fox | - | Director Force Development |
| 3) | Commander Lepani Vaniqi | - | Director Finance Logistics and |
| 4) | Ms. Talei Hicks | - | Manager Finance |
| 5) | Mr Ledua Vuli | - | Principal Accounts Officer |
| 6) | Mr Vanaisa Ledua | - | Principal Accounts Audit |
| 7) | Mr Nichols Peters | - | Audit Unit |

Office of the Auditor-General

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| Mr. Moshin Ali | - | Director of Audit |
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Ministry of Economy – Internal Auditors

- | | | | |
|----|-------------------------|---|----------------------------|
| 1. | Ms Lanieta Senibulu | - | Internal Auditor |
| 2. | Ms Ana Waqanisau | - | Principal Accounts Officer |
| 3. | Ms. Asinate Taukenikoro | - | Director, FMIS |

DEPUTY CHAIRPERSON.- A very good morning to everyone and in particular, I acknowledge the presence of the resource personnel and officers from the Republic of the Fiji Military Forces, led by none other than the Deputy Commander. So, I welcome you, Sir, and your team.

I believe there are lot of pertaining issues, so we will not indulge a lot of time on the introductory remarks, but perhaps we will be interested to know from your team that are here today, and also if you can briefly introduce them to us, and from there we can move on straight-away with the audit issues. Thank you.

BRIG-GEN. A. MOHAMMED.- Chair, good morning, Members of Parliament and the Committee: I thank you for those introductory remarks.

May I briefly introduce the team. On my far left is Mr. Ledua Vuli, who is one of our Principal Accounts Officers, Ms Talei Hick, our Principal Officer looking after Finance. On my right is Mr. Lepani, he is the Director Finance; Mr. Ledua who looks after our audit and also Mr Nicholas Peters.

Having said that, in front of you is a submission we have prepared in answers to the issues pertaining to the audits. We have the privilege of putting forward a document that captures all issues that were raised by the Auditor-General in the audit for the year presenting.

DEPUTY CHAIRPERSON.- I thank you, Sir, for your introductory remarks. May I suggest, if we can just move on straight to the written submissions that you have.

BRIG-GEN A. MOHAMMED.- Sir, are we on par that we start with 19.6, or do you want us to transgress right from the beginning?

DEPUTY CHAIRPERSON.- I was having a look at your written submission and I believe you have started your written response from 19.6, but the Honourable Members are also more interested in a full 100 percent about all the issues that are there. Perhaps, if we can be highlighted about 19.5, that is the governance issues and given a feedback as to what the scenario is at the moment, has the annual reports been given or not? 19.5.

BRIG-GEN A. MOHAMMED.- Sir, in terms of the annual reports, the issue has been brought to our attention by our line ministry. All I can report at this time is that preparations are underway to formalise that request and have a proper submission done through our line ministry.

DEPUTY CHAIRPERSON.- Thank you.

HON. A. RADRODRO.- A question in terms of the provision of annual reports. What the auditors have highlighted, Deputy Commander, is that Annual Reports for 2015 and 2014 are yet to be prepared and submitted to the Honourable Minister. Can you just inform the Committee on the status of this year's Annual Report as being highlighted by the Auditor-General?

BRIG-GEN. A. MOHAMMED.- Sir, the findings of the Auditor-General were proper. There were no reports submitted. As I have said, we are currently compiling these reports. You would understand that this is the period where we have a change-over of commands; from one Commander to another. There was an oversight and we are now regularising this issue.

We were caught out because this was not a practice we were accustomed to. We have finally realised that we had to basically comply with those requirements, which we are trying to honestly do and get together. I can assure that only two days ago, we were given a reminder through our line ministry of the requirements to submit this report and I can assure that this will be done, and in future, we are ensuring that it is done in a timely manner.

HON. A.M. RADRODRO.- Recommendations of the Auditor-General, apart from the submission of the Annual Report; "the Compliance Unit needs to be properly resourced and management takes appropriate action." Have you also attended to the resourcing of the Compliance Unit and the strengthening of the internal controls for improving compliance?

BRIG-GEN A. MOHAMMED.- Thank you. This is a follow up of what we had submitted to this august forum in our last attendance here. We had recognized the need to make changes to the way we were functioning. In that, we have mentioned to this august forum that we will be staffing our Finance Department with civilians, which we are proud to say we have done.

For good reasons you see in front of us are members who are now compositing the audit team: Mr. Nichols Peters, he used to be a former member of the Ministry of Finance now joins us in the auditing with Mr. Ledua. We also now have civilian members controlling sub accounts section and units, these are civilian members.

So, in terms of fulfilling the requirements and been compliant to what has been laid for us we have ensured that there are persons who are trained and adequately capable of undertaking these tasks, ensuring that all that is required is fully adhered to.

HON. A.M. RADRODRO.- Thank you for that, Deputy Commander. The importance of the annual report has been rightly highlighted by the Auditor-General allows the Minister to assess the performance of the entity. So, from 2014 to 2018, how many years reports are you working on now to comply with this compliance issue?

BRIG-GEN A. MOHAMMED.- Sir, we will do a yearly report on the years that we have not submitted for.

HON. A.M. RADRODRO.- The other question is directed to the Ministry of Economy. The work that you do apart from the compliance unit at the RFMF, how often do you carry out your work at the RFMF? Why was this issue not picked earlier on?

MOE REP.- Thank you, Deputy Chair. The last audit that we conducted for the RFMF was in the first quarter of the 2016 financial year. So, we picked up this issue and one of our recommendations was to have a consistent preparation and submissions of the reconciliations. So that I believe is being undertaken by the RFMF. Also, we had seven staff, some of whom have been directed to the salaries unit for the RFMF. We also had one budget officer and one from the FMIS unit.

DEPUTY CHAIRPERSON.- I think the gist of the message of the Deputy Commander is that they are fully working on to address these issues. As he has mentioned earlier that even the civilian are now part of their audit team. So, we will await for this issue to be fully addressed and once the reports are tabled, then we will have that assurance that it has been addressed. But so far, as we speak, the process is under way and we will wait for it to be completed.

We will move on 19.6, as I have said, there are lot of audit issues and we want to cover it in one session, so if Deputy Commander can take us from 19.6, thank you.

BRIG-GEN. A. MOHAMMED.- Captured from Page. 6 of our submission.

19.6. Operating Fund Account (OFA)

Sir, this is the year we will recognise that was a shift in the financial calendar year of the Government, as such, the recordings were noted.

19.6.1 Weaknesses in Internal Control for OFA

HON. A.M. RADRODRO.- The question on the 19.6.1, the purchase of tents, photocopiers, generators, they were not recorded in the fixed asset register. Has this now been rectified?

BRIG-GEN. A. MOHAMMED.- Sir, we have now completed a Board of Survey and updated the fixed assets register as of last year. A copy has been sent to Ministry of Economy and its referenced as Annexure C in your submissions which are in front of you.

DEPUTY CHAIRPERSON.- Thank you, Deputy Commander. I believe there is a very detailed information about all these equipment which are part of your Board of Survey. But nonetheless Honourable Members if you have any other questions in relation to that you are most welcome to do so.

The information provided there is very precise, to the point, these are named, with the description; everything is there. It is very detailed, but if there are any other questions, you are most welcome to ask.

BRIG-GEN. A. MOHAMMED.- As I mentioned, the BOS of all fixed assets have been sent to the Ministry of Economy and we have reference that as Annexure C in our submissions. Similarly, Sir, there were issues about reconciliations. Again, that is the evidence as in Annexure D of our submission. We are now taking monthly reconciliations and our submissions are made to the Ministry of Economy. Now, we are trying to be compliant, ensuring that all these submissions are done by the 15th of each calendar month.

DEPUTY CHAIRPERSON.- Thank you, Deputy Commander. I believe the documentary evidence to that is provided in Annexure D.

BRIG-GEN.. A. MOHAMMED.- Yes.

DEPUTY CHAIRPERSON.- Alright, so Honourable Members, there is also very precise information on that as well.

HON. MEMBER.- (Inaudible)

DEPUTY CHAIRPERSON.- The reconciliation updates.

BRIG-GEN.. A. MOHAMMED.- The reconciliation updates of accounts.

HON. A.M. RADRODRO.- 19.6.2. – the state of naval vessel.

You note that the RFMF has spent a total of \$2 million on the *RFNS Kiro* Patrol Boat.

DEPUTY CHAIRPERSON.- We have not come to that yet. We are still 19.6.1.

BRIG-GEN.. A. MOHAMMED.- Shall we proceed to 19.6.2 on the state of the naval vessels.

Sir, this was the highlight of the auditors in terms of the money spent on these vessels. As you know that most of the naval vessels we had at that time, in terms of life expectancy, they had reached the maximum life span. Technically, they should have been dead and buried by then. That is in common language.

Now, to make these vessels economical and be able to serve our needs, we had done a Life Extension Programme, basically we injected money and brought this standard of these vessels up so it could be sea worthy again.

Now, this extension programme was only to the extent that we were able to make it useable and fulfil the naval requirements. That is where the money was used in terms of extending the capabilities of these vessels.

Currently our naval vessel *Kikau* is in Australia undergoing a refit. For a full refit, we have currently been told that one vessel will cost approximately \$AUS12 million. That will give an extended life programme of this vessel. These are the vessels collectively thought of. So, we can see the quantum of money that is required to basically bring it to be fully operational.

Also associated with this, and we did mention this in this forum during our last gathering that once you are undertaken this programme of trying to refit our vessels, there were sanctions imposed against individuals who were trading or assisting the RFMF in trying to bring services in terms of the Life Expectancy Programme. For example, the only services we could get was out of Australia. In 2009, Australia introduced the Autonomous Sanctions Act. What it basically stated was:

“That any Australian trader who contracted with RFMF would be subject to sanctions in Australia. It was not the persons but also their properties will be affected”.

So, we had difficulty getting very dominant and qualified individuals to come and assist us in this programmes. But we are fortunate that certain individuals did come forward and assisted us in bringing the standards of this Life Expectancy Programme on naval vessels.

Sir, we are quite happy too that once we were faced with all these predicaments, we managed to wade through and have vessels present to service the needs of the Fiji Navy. A lot of these were testament in trying times when we had floods and hurricanes, basically devastating our maritime nations and also areas that the naval had to be deployed in.

Actually, Sir, the money that was allocated to us was well utilised and unfortunately the money that was not used was more to do with the sanctions that were imposed at that day.

DEPUTY CHAIRPERSON.- So, we believe the allocation was there but in order to use this allocation, the RFMF needed assistance from overseas countries, namely Australia. But this was a problem because of the sanctions imposed during that time.

BRIG-GEN A. MOHAMMED.- That was one of the issues.

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

HON. A.M. RADRODRO.- Thank you, Chair, just before we go further into supplementary questions. A question to the Deputy Commander, this state of naval vessels highlighted that only two out of the five vessels owned by the Fiji Navy are fully operational. Is that the current status that are still at this point in time?

BRIG-GEN A. MOHAMMED.- Correct, we have three naval vessels that tries to service the needs of the Fiji Navy.

HON. A.M. RADRODRO.- Listed in the table there are five, such as *RFNS Kula*, *Kikau*, *Kiro*, *Lautoka*..

BRIG-GEN A. MOHAMMED.- *RFNS Kiro* had drowned.

HON. A.M. RADRODRO.- *RFNS Kiro* had drowned?

BRIG-GEN A. MOHAMMED.- *RFNS Kula* is fully local operation, Sir, and *RFNS Levuka* But the rules are diminished because we need these vessels to be refitted as we have said, all these vessels have already far lived their life expectancy.

DEPUTY CHAIRPERSON.- So, Office of the Auditor-General, in cases like that, what is the recommendation - to continue repairs and salvaging these ships or to write it off and buy a new one?

AUDIT REP.- Thank you, Deputy Chair. I think from audit point of view it all depends on the Military Force how do they see their vessels if it can be repaired and brought back into service then we can use it, otherwise if the cost to repair is expensive, then we could obviously write it off. It is all about being the cost and benefit analysis.

DEPUTY CHAIRPERSON.- Deputy Commander, I would like to seek your indulgence in what you think on this matter. Is it better to keep on repairing these boats or just to write it off and get the new one?

BRIG-GEN. A. MOHAMMED.- Sir, whatever is being said, the RFMF and the Fiji Navy have an obligation under the Act. They are obligated to provide these services. All failing whatever the circumstances we have to be out there. The issues before us are pertaining to financial observations by the Auditor-General, we accept that. But in our day to day operation and the life out there is quite different to what we see on paper.

DEPUTY CHAIRPERSON.- Exactly.

When there is a call out from a maritime nation that there is a pregnant lady needed to be evacuated, I cannot dwell on this paper and say "I have got some sanctions from the Auditor-General". Unfortunately that is not the premise live with. We have to find options and deploy our Navy. Rightfully, we would want more vessels. There is a need for more vessels, we are hopeful that in years to come, we will be complemented with better equipped vessels that will service our maritime and our nation well.

There is a lot of effort put in through our Ministry to the Government in trying to procure vessels for us and we are thankful for that. At this moment, I cannot say what has been planned because there are issues associated with this. But I know in time the Commander and through our line Ministry, appropriate submissions will be made to basically bring into fore what has been planned and what we are going to receive to fully complement the Fiji Navy.

DEPUTY CHAIRPERSON.- The reason why I was asking that we were thinking perhaps we can make a recommendation that it is highly needed that the Navy gets new vessels because of depreciation and all these issues associated. Honourable Members, any other questions on that? Honourable Ratu Naiqama Lalabalavu?

HON. RATU N.T. LALABALAVU.- Thank you, Deputy Chair, through you. Deputy Commander, the role that the Military plays, we all know that. Again, what we are discussing here depends on the will of the Government of the day.

What, Deputy Chair, is trying to share is we analyse the cost of refitting and all that and we look at the overall requirement of the Military is really uneven. When there is a disaster, we send the Military and the Navy there when they have to patrol EEZ the Navy and the Military are there to do their duty. Security, the question is quite critical for us having these three boats out of the five and start of again with the Naval Division.

The point of clarification that I seek, Deputy Chair, is that the Deputy Commander, I know it is to do with policy issues but some instance need to be, otherwise the Office of the Auditor-General will be highlighting all the time critical issues of spending more money on refitting and all that. You need to bite the bullet here. The clarification that I seek is, it would not be prudent now to make submissions, or you will be welcoming issues or submissions from this Committee. There is a time now and I mean it is critical now that we start to look at this seriously look now.

BRIG-GEN A. MOHAMMED.- Sir, thank you for the comment and observation. As I have said, issues in terms of equipping the Naval Division and even the RFMF to meet the callouts especially in terms of natural disaster has always been in the forefront. There has been a lot of planning, both at strategic and operational level. As I have said, the current refit of the old vessels we have had with the current of *RFNS Kikau* and then subsequently of the other vessels to Australia is a testimony of foresight. We hope to get one of the vessels in the later part of this year back, the *RFNS Kikau* will be back, fully refitted. We then hope to see one of the other vessels go across for a refit programme. This is done through the Australian Aid programme, also you all would have been told that the Australians are gifting the Government of Fiji two additional vessels with the timeline set for around 2020.

We are also looking at acquiring a multi-role vessel that has a lift capability, which will service our maritime nations very well; whether it be a roll-on, roll-off type or an extended winch-holder type vessels. Apart from this, currently we have a double-haul hydrographic being constructed in China through the Chinese Aid Programme. This will be a substantial inclusion in the Naval Division. This is also to basically enhance our capability in trying to map our waterways.

So, these are some of the developments that are happening, associated with this, Sir, and is not just vessels but the manpower of the Fiji Naval Division. It is right to have these vessels but we must have manpower to correlate what will be required to service these vessels. Also associated with this will be fuel and the provisions that will be required for the forthcoming fiscal years in terms of adequately provisioning our vessels so that they can sail out and service the areas that are required, however, we take heed of what you have said. At the moment, I think there are enough developments happening that will position us for a eventualities for a couple of years.

I know at this moment it is quite critical for the Fiji Navy because of the low number of vessels they have but with vessels being fully complemented, I think they will be positioned well to undertake the roles that have been assigned to them.

DEPUTY CHAIRPERSON.- Thank you. We will move on to the next audit issue. I think that also addresses this Naval audit issue - 19.6.2.2. So, we will move on to 19.6.2.3 Sir, that is Waiver of Tender.

BRIG-GEN. A. MOHAMMED.- Sir, this issue was associated with one of the naval vessels that required to be dry docked, to do an assessment of its capability and what extended programme it required to make it sea worthy. What had happened was, we had contracted an Australian to be in Fiji to oversee this programme. Whilst on dry dock, there was a requirement to do further assessments of these naval vessels. In fact another person was called in from Australia, she was a Naval Architect, specifically trained for that purpose so she did an assessment on the hull capabilities of the vessel and she did quite a lot of diagnostic assessments and that prompted us to incur additional cost. Without that, we will not have been able to fulfil the other requirements.

Hence, the request for a waiver and the utilisation of funds before we moved on to the other parts of rehabilitating the vessels to make it sea worthy.

DEPUTY CHAIRPERSON.- So, this process was on a needs basis and that is why the waiver for tender was required.

BRIG-GEN. A. MOHAMMED.- Yes Sir. It was on a needs basis, in fact we could not have done that assessment if the vessel had not been brought to dry dock. It was only while on dry dock that we were able to do that and we saw the need to get a naval architect in to do additional assessment.

DEPUTY CHAIRPERSON.- Thank you. Honourable Members any questions on that? I think this is a very important audit issue that sometimes there needs to be utilisation of certain specialised people for extra work and all that related to a particular tender. So, if we have no question on that, we can perhaps move on to 19.6.3 and that is Capital Construction. A total of \$4.3 million was allocated and underneath that issue there are certain issues that were highlighted and perhaps we can start from 19.6.3.1 - Splitting of Contracts.

BRIG-GEN. A. MOHAMMED.- Sir, in terms of the splitting of contracts, these were projects undertaken within the Military establishments, where certain requirements were urgently needed to rehabilitate the infrastructures that housed serviced personnel, equipment and a few of them were officers.

We are thankful to the Auditor-General's Office to bring this to our attention. In fact for our interpretation, we thought what we were doing was correct and only when it was brought to our attention that we fully realised that yes the practices were all wrong.

We have made amends to it, we have corrected it and we have ensured that these practices are stopped and it did not carry further.

DEPUTY CHAIRPERSON.- Thank you. So, all these issues were mostly in regards to the upgrade, maintenance and extension of the Military...

BRIG-GEN. A. MOHAMMED.- Mainly of the camps, Sir.

DEPUTY CHAIRPERSON.- So, how does the system work now?

BRIG-GEN. A. MOHAMMED.- Sir, if I can explain. What had happened was that you would note at this particular time, we were utilising our engineers in undertaking tasks in the camp, in trying to rehabilitate the infrastructures. Now, most of the buildings that are in the camp are more than hundred years old. Although we have engineers, we have put little emphasis on rehabilitating our own infrastructure and what they had was, we also used these engineers for rural projects and external works that is required.

So, when we have a group of engineers that are surplus we bring them to do a small part of the projects within the camp and we thought that “all right, that project will only require \$30,000 and when the allocation was for say \$80,000, we used \$30,000 of that fund to fulfil only that small quarter of the project and we ensure that, that project was part of that and we did that in phases.

This practice we were told was all wrong. What had to happen was the project had to be fully recognised and the requisition should not be split up. Now, in practice, a lot of people will think that is proper, but on books, it is not deemed proper at all.

Now what we have done, we have also hired some private contractors to undertake this tasking. All these now have been regularised now. What has been said that we should be doing and ensuring that this is now tendered out and people undertake the whole project in rehabilitating part of a camp.

DEPUTY CHAIRPERSON.- So OAG’s office, speaking on real terms, these kind of measures actually save money for a department when they get their own people. So taking that into consideration, why does the office still make this opinion that all these practices are wrong? If I can get an answer to that.

AUDIT REP.- Thank you, Honourable Chair. I guess the contractors discussed in table 19.9 are not engineers from within the Military Force. I think these are the private contractors.

So these are the private contractors who are engaged and the work has been split. I totally agree with the Deputy Commander. I think they need to take the project holistically. The whole project has to be scoped, get a tender procurement process and then a contract is drawn up for the entire project.

Chair, I just wanted to go back to one of the earlier comments by the Deputy Commander. I think just to clarify our point, I think we are not in authority to put sanctions on any organisation. We are merely highlighting issues that arise where things are not done properly and the whole aim of the Auditor-General is to ensure Government rules and regulations are followed and that the funds approved by Parliament are utilised for the purpose it has been approved for.

The OAG also acknowledged the work done by the Military Forces. There has been instances where there is a call of emergency or where they have to respond, so we are totally fine with that.

The point that we were looking at was basically going back to the issue on the naval issue. Funds were allocated and at the end of the financial year, substantial funds were returned to Ministry of Economy. This indicates that funds were not used for the purpose that was been allocated for. That is where we are coming from.

If you read the management comments, at that point in time, there was only one naval vessel in operation. We were coming from that side, if funds were there and then substantial funds were returned, only one vessel was in operation. So, I guess it is all about planning, doing maintenance and repair on time so that we are able to have our vessels serviced. Chair, just a few comments I wanted to make.

DEPUTY CHAIRPERSON.- Thank you. We will move on to the next issue. You have a question, Sir.

HON. RATU N.T. LALABALAVU.- Question to the OAG, Honourable Chair. Looking at the splitting of contracts.

Right from the outset, Honourable Chair, this has been outstanding for a fairly long time. I remember when we were in Government in 2006, we were even looking at this High Ranks mess, dining room and the utensils, it was so bad. Signing of Memorandum of Understanding (MOU); or how best we can get the thing done.

AUDIT REP.- Thank you, Honourable Member. Any procurement or contract which is in excess of \$50,000, there has to be a tender which has to be called. In the procurement regulation, I think there is a set exception, when there is only one supplier for a particular service. There is a possibility that tender requirement can be waived by the Minister for Economy but as you have said, I think it is important that there has to be a Memorandum of Agreement or a proper contract done which outlines the scope of work, the timeline when the project has to be completed and what is the approved tender cost or the approved project cost. I think that is very important but when situations as such arises when there is a splitting then it defeats the purpose of MOU.

Also, the tender is not done, it is very difficult for the entities to monitor the cost. So what you are saying is rather than having two or three contracts for the same job, why not have one with a proper scoping and proper project cost? It is also easy for monitoring purpose and you can also hold the contactors accountable if they are not able to meet the scope which has been approved by the Tender Committee.

DEPUTY CHAIRPERSON.- Thank you. I believe the Deputy Commander has addressed it very well that they have now regularised and change the system. Yes, Honourable Member

HON. A.M. RADRODRO.- Chair, Deputy Commander, we note the explanations given, befitting of the need at that time, but the issue is the process of splitting of these sub-contracts still defies the finance instructions. That is not with the policy. It is against the policies that are at hand. You said you have regularised the discrepancies. Just a question on

the people that were involved, what actions has the Military taken against those that has breached these financial instructions?

BRIG-GEN. A. MOHAMMED.- Sir, can I just answer this. There is an issue here of one, complying with the provisions of what is required under finance instructions or finance Act The other one is the issue of good practice. Now the splitting of contracts, if you look at what was, let us just look at the upgrade of the quarters in FTG. There were two married quarters that needed upgrade. What the individual did, he split up the contracts. He had one contractor to look after one married quarters and on the second contract, on the second married quarters. Now collectively, by doing that there were substantial savings made.

These individuals who undertook this splitting of contracts, they are not individuals who had any vested interest. The interest here was to save money and to fully enhance the spending and to maximise what would come forward for Force Training Group (FTG).

There was no abuse. In fact, this individual should be commended. In common terms, this were very good practices. We are teaching them a culture of being accountable and maximising resources which has been allocated. Now unfortunately we are caught out in this issue of splitting of contracts. We have to adhere to it. What we have done is, those individuals who did that were posted out.

They were not made to, unfortunately I say this with a saddened heart because these individuals did have the interest of the institution at heart but there was no abuse involved here. In fact the whole process had saved money. This is something we always toil over. We have got these instructions, these regulations to adhere to but is it in good practice?

These projects are a testimony in itself of those that have been highlighted. The individuals that were involved, these are not ordinary individuals, they have been doing this for numerous years. They are very highly trained. In fact, one of the officers that is involved has acquired a postgraduate degree in this field.

He is a Career Engineer Officer. Sir, with due respect, we have got this, we have taken note; we are trying to be compliant in ensuring what is required under the instructions are fully adhered to, but whether that brings good results is another question.

HON. A.M. RADRODRO.- Thank you, Deputy Chair, just comment from the Ministry of Economy in situations as such where finance instruction says this but the actual activity is reflected otherwise. How does that feedback come into the Ministry of Economy's activity own books?

MOE REP.- Thank you Deputy Chair. I think for breach of financial instructions, the non-adherence part, it clearly states in their file on what action should be taken by the management in order to combat future occurrences when it comes to those kinds of issues.

DEPUTY CHAIRPERSON.- I think generally, this is something the Auditor-General is recommending as a good practice, not to have split contracts but specifically if we look at the case of the Military Forces, this has been working. So there is of course the question now as to how certain financial instructions are in actuality beneficial to certain Ministries and Departments.

This is a very interesting case and we will be having a look at that whilst we are compiling our report and we will be seeing that what we have to recommend on that line, but nonetheless, I believe the financial instructions will remain as it is and the Military Forces has taken note of that and they are working to improve on that. We will move on to the next issue.

HON. A.M. RADRODRO.- Deputy Chair, just a question to the OAG regarding their comments. They have stated here, “the splitting of contracts into subcontracts is to avoid tender process.” Can you just clarify and inform the Committee on this statement?

AUDIT REP.- Thank you, Honourable Deputy Chair, I will just pick one example from table 19.9, as the Deputy Commander has said, should there be, for example, if they are renovating a single quarters and if there are two separate contracts and the two separate contractors; proper procurement process has been followed and the contract amount is for both less than \$50,000. There has to be a proper process followed, there has to be comparative quotations obtained, analysed and the contractors profiled whether they will be able to perform the duties or not, that is totally fine.

One example that I will pick here is the extension of quarter masters at the stores. You will see that contractor number two, contractor number two, they are the same contractors but the work has been into phases, phase one and phase two. The project cost is \$36,000, \$36,000 respectively and the contract has been signed on the same date and the total cost comes to \$72,000. So that is an excess of \$15,000 threshold and then we have done a further work on that and there is no quotations obtained.

So the project is one, going to the same contractor but has two contracts. So that is what we are trying to say, but in the event there are two separate contractors, then it should be fine as long as they have taken the competitive quotations and they have done their due diligence and the total contract sum respectively is less than \$50,000. At the moment, if it is the same contractor, having two separate contracts but for the same project and it exceeds the \$50,000, then it becomes an issue for us.

DEPUTY CHAIRPERSON.- Can we move onto the next issue, 19.6.3.3?

Inaccurate Capital Progress Report

MR. A. MOHAMMED.- Sir, this was the breach of terms and conditions of the MOA, in that there were projects undertaken by contractors but not fully realised or monitored especially the OAG has highlighted where there have been delays on projects and part of the agreements have not been fully invoked. For that, we have now bolstered the Unit that looks after projects, the Force Development Unit, and we now have solicited the employment of technical personnel. We now have a qualified architect, a civilian, we also have quantitative surveyors doing assessments on projects to ensure that all these agreements are fully realised and that where there have been breaches, it needs to be brought to our attention and remedial actions are taken.

DEPUTY CHAIRPERSON.- So most of this inclusion of the new officers, they are mostly civilians?

BRIG-GEN. A. MOHAMMED.- In fact, the two we have recruited are both civilians but they have been brought into the RFMF structure.

DEPUTY CHAIRPERSON.- All right, thank you. We will move onto the next issue.

The Provisional Tax Not withheld

BRIG. GEN. A. MOHAMMED.- Sir, again these provisions we agree that there was an oversight. We are now ensuring that the 5 percent withholding tax are deducted and retained on projects undertaken.

DEPUTY CHAIRPERSON.- Thank you, I think that is very precisely explained. We will move on to the next one .

Weak Internal Control in the Management of Food Rations

BRIG-GEN. A. MOHAMMED.- Sir this was more in terms of accountability of foods that were issued for service personnel been messed in our camps. This again goes back to the issue of how we acquit for rations that are acquired and dispersed for service members. We are trying to fully account for rations that are used. We have attempted to make a weekly reconciliation, we are trying to get the supply units to maintain reconciliation books and to maintain ledger stock cards.

DEPUTY CHAIRPERSON.- Sir just a question out of interest and I am sorry to ask, but perhaps we do not know much about the Military System, so these rations that are mentioned here, these are the three square meals of the day?

BRIG-GEN. A. MOHAMMED.- Sir, you would note that we have service personnel that are housed in the camps. We call them the living in personnel, so basically their home is the camp. So there are provision for three meals. In addition to that, these personnel also travel out of the main base to provide duties at different strategic positions wherever they may be. So ration is taken out.

DEPUTY CHAIRPERSON.- All right.

BRIG-GEN A. MOHAMMED.- In terms of the quantum of ration that is another story of what they get and what they should get. Here is basically the Supply Unit makes requisition for food, it is then given to the catering people who cook the food and then distribute to service members.

Now in practicality for us, what is suggested is very odd but then again here we have to comply with regulations and we agree that accountability has to happen. What we say is that, we know for a week the number of personnel on guard duty or those living in camp does not change.

In terms of tally, it is all the same because as soon as the quantum of food fluctuates, you will know because the soldiers will say, “okay we are not getting enough bread in the morning or there is not enough lunch”. All these issues are raised just after that but to comply with what has been said, “okay let us put some other mechanisms that will fully enhance what is required of the RFMF,” for that reason Sir, we now have new log manuals and I did show a copy of it in our last meeting that was here.

DEPUTY CHAIRPERSON.- Yes.

BRIG-GEN A. MOHAMMED.- We also have a supply manual that we put in. It is basically just to be compliant with what provisions is stated;. whether it has any effect or not we yet to see, but these provisions will be in compliant to what it is recommended.

DEPUTY CHAIRPERSON.- So, basically this new mechanism is like a food stock control for breakfast, lunch and dinner.

Alright, we will move on to the next issue.

HON. A.M. RADRODRO.- Supplementary question to the Commander 19.6.3.2, the exercising of the right to claim liquidated damages that was highlighted by the Auditor-General of \$18,600 from a contractor that did not complete the project within the agreed timeline.

BRIG-GEN. A. MOHAMMED.- Sir, in these cases, we know there were observation made by the OAG. Now in some of these projects, a lot of the issues arose in causing this delay, the institution was also part to be blamed for the delay. These were the fifth factors that were discussed that necessitated for us not to invoke the clauses that would have resulted in this preventative actions been taken. I will give an example. We had in the main base an ablution block being constructed. This ablution block is beside the other ranks mess and also beside our chapel, it is centrally located. Whenever we have functions in the camp. all work has to stop. We ask the contractors because they could not do any work, so we actually contribute to the delay. There were other issues, sometimes for security reasons we had to tell them, “oh’ do not be here, there will be drills happening”, we just did not want them to be exposed to issues.

These considerations were there and when we looked at it in totality we thought we were more to a cause for the issues that did arise than being a solution.

DEPUTY CHAIRPERSON.- We will move on to the next issue that is, Breach of Government Tender Board Approval that is 19.6.5, Sir.

BRIG-GEN A. MOHAMMED.- Sir, we do agree that there were issues in non-compliant with TBA approvals. You would recall Sir, this was the period where things were quite abnormal, coming out of *TC Winston*. We had provision for resources outside the normal channels we were accustomed to. We did earlier raised the issue that at this time, there were a lot of contractors who did not fully meet the requirements of the institution. We had to take rations and all that in areas, where a lot of suppliers would not go to. These were all that added up to this issue at that time, Sir.

DEPUTY CHAIRPERSON.- Yes I think that is very clearly indicated there. Mostly the items were needed for the *Tropical Cyclone Winston*.

HON. RATU N.V. LALABALAVU.- Thank you Honourable Chair, just a point of interest Deputy Commander in terms of disaster, does that not allow all the players in disaster management some kind of flexibility, when you have this blanket declaration for disaster?

BRIG-GEN. A. MOHAMMED.- That is what we hope for Sir, but from what testament in this report, that is not the practice.

DEPUTY CHAIRPERSON.- I think a better question will be, in times of state of emergency, does the financial regulations supply OAG?

BRIG-GEN. A. MOHAMMED.- I think the Ministry of Economy will be in a better position to answer that.

DEPUTY CHAIRPERSON.- Ministry of Economy, during state of emergency we had a similar issue for the Ministry of Social Welfare as well. A lot of audit issues but those were during the times of the cyclone, both cyclone recovery.

MOE REP.- I think Chair in this kind of a situation, the department should have reorganised the process by just informing the Ministry of Economy that they are going outside of the government contract or approved contracted companies who were supposed to be providing.

DEPUTY CHAIRPERSON.- The question here is there time to make all these recommendations and informing and all that, because from what we have seen in the audit report, it does not apply to any of the Ministries and that is exactly the comment that came from Sir, here, that this was during *Winston*. We had no choice we had to be on the ground. Honourable Radrodro?

HON. A.M. RADRODRO.- Ministry of Economy can enlighten us the workings of the Finance Instruction, does it allow for period like this because I do not think it is accommodated in this. But previous experience of disasters, what does the Ministry have to do to the respective Government department to ensure that they do not go outside of the finance instructions that are there?

MOE REP.- Thank you Honourable Member, I think there is no provision in the FI that states the emergency procurement. But the onus is on the Ministries and Departments to exercise proper planning and during times of emergency and for them to procure within the regulation, because they have to procure items outside of the Government contract.

DEPUTY CHAIRPERSON.- We will move on to the next one add up a school programme, Sir.

BRIG-GEN. A. MOHAMMED.- Sir, this is a case, again it talks about, one in terms of the requirements under the regulations and conversely on the other side is the practicality of how things develop on the ground. This one, Sir, after the *TC Winston* I had the privilege of going up to visit QVS. This was the initial stages of the deployment of Indonesian Armed Force personnel.. Whilst there, the whole project was on hold because of some requirement to do with earth works. All they needed were some machines to come in, level off the ground, remove some debris that were there so the projects could start. Now this was not factored in the Indonesian Programme although it is otherwise stated in the report.

We had the machines, the RFMF had the machines, but to take the machines from QEB to QVS, we did not have that capability. We do not have low bed loader and the trailers to take it. On that, we made a decision to utilise \$20,000 to take the machines from QEB to QVS, have the earthworks done so the constructions could start.

The constructions were already delayed by three weeks. The troops were sitting on the ground, Indonesian troops - doing nothing.

DEPUTY CHAIRPERSON.- Because of this?

BRIG-GEN A. MOHAMMED.- Because of this, just waiting for someone to come and clear the ground. We took this initiative, we move the engineers across, they went, cleared it, within three days, the work started. The money that was paid to hire low bed trailers to take the equipment across; the funds were paid out of the drawings account into the Plant TMA to be utilised.

Basically, we took it out of the left pocket and put it in the right, to say. In this one, we could not be pulling hairs there and saying to the Indonesian Armed Forces, “you are responsible - 100 percent;” because there were some issues of what was agreed by them and what was agreed by us. We were looking at the timeline. These were not the only things we assisted in. After that visit I made, I put in an additional full troop of our engineers to assist the Indonesian personnel and that went well because we work together in ensuring the school was ready before time. This was what we were caught out with.

DEPUTY CHAIRPERSON.- That is completely understandable and noted. At times like that, certain decisions have to be made and is quiet understandable. If we can move on or you have a question?

HON. RATU N.T. LALABALAVU.- Yes Honourable Chair. Just some clarification from the Ministry of Economy. Here we are talking about public funds there, Deputy Chair. Everything has to go by the books. What if the funds with the Office of the Prime Minister, do they still have to go through this, in times of emergency?

MOE REP.- Thank you Honourable Member. As long as the funds is provided for in the provision or in the approved budget, it has to follow the normal process according to the regulation.

HON. RATU N.T. LALABALAVU.-What I am trying to say here, if it is to do with public funds then for sure the said guidelines are already there; the rules are already there. If the funds are specially for rehabilitation, for disaster, and the funds are with the Office of the Prime Minister, do they still have to go through this?

MOE REP.- Thank you Honourable Member. For funds that come through as aid or ODA, it should follow the normal process of the funds to be deposited first into the Consolidated Fund Account (CFA) and the Ministry of Economy will draw the funds out from the Head 50 Miscellaneous Allocation and then redirect it to wherever the funds is supposed to go to be utilised.

HON. RATU N.T. LALABALAVU.-What I am trying to raise here Honourable Chair is that three weeks sitting idle, people ready to move the work of rehabilitation yet with decision not coming because books have to be adhered to?

DEPUTY CHAIRPERSON.- Yes, like I said, this is a very interesting issue for the Committee too. Perhaps, we have taken note of all the comments and then we can sit down and make certain recommendations which might in actuality help the Ministries and Department during times as such.

HON. A.M. RADRODRO.- Just a question to OAG regarding their recommendation that RFMF must ensure proper approvals are obtained and where the RFMF did obtain that approval despite all the works that had been carried out without approval.

AUDIT REP.- Thank you, Honourable Member. To the body of our paragraph, it says “that the approval was provided via email by the Deputy Commander that the funds to be sourced from the Operating Fund Account.”

We also understand that the circumstances they were in at that point in time to get the work carried out at the school so that the Indonesian Military Forces could proceed. That is one part of the issue, the second part is also, I think we highlighted is the payment voucher was not authorised, the commitment ledger was not maintained and acquittals were not submitted by the RFMF Engineers to the Principal Accountant for the utilisation of funds.

There are two parts to this. The payment voucher was not authorised, like giving funds to the Engineers and then in reverse, the Engineers I think were supposed to acquit the \$20,000; whether that \$20,000 has been used for the purpose it was provided for.

Those were the basically our findings around that and also from the discussions we have been hearing, we also acknowledge sometimes there is emergency procurements to be done. Perhaps the Ministry of Economy could consider drawing up a guideline that would assist the Ministries and Departments in terms of whenever such situation arise, how can they go about so that everyone is covered in terms of emergency? There is a guideline to be followed. That is something the Ministry of Economy can consider developing, Chair.

MOE REP.- Thank you Chair. We will take that up with our Policy Unit.

DEPUTY CHAIRPERSON.- Yes and like I said, this is a very interesting scenario, even we can make that recommendation so that it will help and make easier for the Ministry to take this on board.

We will move on to the next one; we have lot of issues so we will try to move on a bit fast from now. We do not want to keep on calling the RFMF time and again, so if we can very quickly move on to excess of tendered amount and all.

BRIG-GEN. A. MOHAMMED.- Sir, this procurement talk of two different things. One was for the basic recruit and the other one was for the troops that were to be deployed. The procurement of the t-shirts were within the powers of the Commander. We do not fully realise why this has become an issue.

DEPUTY CHAIRPERSON.- Next one Sir, sea freight payments.

BRIG-GEN. A. MOHAMMED.- Sir, the officers that are sent abroad for training or for educational purposes; one of the provisions under the administrative instructions for overseas training is that the person returning is allowed a cubic meter of sea freight of personal items to be brought back home. Usually it is provision through our own funds. It is normal practice, whilst discussing this in terms of preparing answers, we did see there were some issues we need to address at our headquarters which we intend to do in the future, but

technically this is in compliance with the instructions that are in place for service personnel's training or receiving education abroad.

DEPUTY CHAIRPERSON.- Variances in payroll Sir? You have a question Honourable Member?

HON. A.M. RADRODRO.- Yes on this sea freight payments, Deputy Commander, the audit finding has mentioned that a total of \$9,569 were paid to the officers instead of the logistical companies. and the officers were yet to provide a copy of the invoice or Bill of Lading. Can you just advise whether this has been?

BRIG-GEN A. MOHAMMED.- Sir, this is the issue that we saw ourselves. Technically we do not pay the freighting companies from Fiji because of the cost. If we pay out of Fiji, we pay more than what the service member will pay from a foreign country in trying to bring the items back home. Usually the amount is stated, is put into their accounts and they utilise it . The only issue was that our instructions did not provide for their acquittals of the money that was going forward. So, we did see the issue. What if the person did not use the money to bring the luggage back home?

DEPUTY CHAIRPERSON.- Alright.

BRIG-GEN. A. MOHAMMED.- Those are the things that we are trying to rectify but in most cases there are some documents put forward in terms of what has been utilised.

HON. A.M. RADRODRO.- An update on this particular instance of payment. OAG, can you just follow up whether this particular one, the other one was the bonding of officers undertaking fully funded overseas training. What is the current practice now for officers who have now been....?

BRIG-GEN. A. MOHAMMED.- Sir, all service personnel who receive overseas training or education more than 90 days have to enter into a bond. The return service bond, the period is determined on how long we want to keep the person for. Usually it is twice a period and sometimes we increase it by two or three fold, depending on the degree of training or education of the person.

We are quite strict in adhering to this, there may be circumstances where there has been an oversight but we try to ensure that everyone before they leave the country, they sign the return of service. In fact, the way we practice is the person before he hands over the ticket, he ensures that those things are ticked in the checklist.

HON. A.M. RADRODRO.- The OAG, have they also been rectified in terms of the bond?

BRIG-GEN. A. MOHAMMED.- Sir, as you know under contractual obligations unfortunately we cannot make them sign a contract again. It is a legal thing but I can assure we have taken adherence to what has been stated and we will ensure that all the service bonds are fully rectified before persons leave the country.

DEPUTY CHAIRPERSON.- Please secretariat staff just take note of this; the bond period is 90 days.

19.6.9. Variance in Payroll.

BRIG-GEN A. MOHAMMED.- Sir, we have realised that there was a variance in the payroll as this has been updated and our manuals have been upgrading into the system for the years ending July. You can see in Annexures J and K, the remedial actions taken in terms of rectifying the variance.

DEPUTY CHAIRPERSON.- Thank you, any questions?

HON. A.M. RADRODRO.- When there is a variance between two different records, at this particular case there is the FMIS and the Government Payroll System that you have rectified the variances. Which one of the two is the correct record?

BRIG-GEN. A. MOHAMMED.- FMIS.

HON. A.M. RADRODRO.- How is the payroll system getting more figures compared to FMIS?

MS. T. HICKS.- Deputy Chair, can I respond to that question?

DEPUTY CHAIRPERSON.- Yes, Madam.

MS. T. HICKS.- What is in the payroll which was highlighted by the OAG ,they do not highlight any journals or revenue receipted, so that is why FMIS is correct. They just focus on the payroll without any adjustments.

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

19.6.10.- Revenue not fairly stated in the Financial Statements.

BRIG-GEN A. MOHAMMED.- It is quite clear in what we have said, VAT on revenue will only be recognised when they are received. We have been advising the relevant authorities to formally charge or credit any request to offset such encompasses as required or as need may arise.

DEPUTY CHAIRPERSON.- I think that has been very precisely addressed. We will move on to the last issue before we take a small tea break.

19.6.11, Anomalies in Underline Accounts

BRIG-GEN A. MOHAMMED.- This was for the monitoring of travels and advances that were made. We now have in place through the Finance Act and mechanism in ensuring full and correct retirements are fully made to realise what has been given to service members who travel out.

In terms of reconciliation, we have Annexures under L and M of our submission, the remedial actions are taken.

DEPUTY CHAIRPERSON.- Thank you, Honourable Members, any question on that? If none, we will take a small tea break of 10 minutes and then from there we will proceed into the Trading and Manufacturing Account – 19.7

The Committee Interview adjourned at 11:03 a.m.

The Committee Interview resumed at 11.19 a.m.

DEPUTY CHAIRPERSON.- Honourable Members and officials from relevant Ministries and Departments, we will continue from 19.7, and I am sorry that some of you were still having your tea but one essence about Military work is that they are very particular about time. We said 10 minutes and we are starting in 10 minutes so we will continue from 19.7 – Trading and Manufacturing Account and if you could take us from there Deputy Commander, thank you.

BRIG-GEN A. MOHAMMED.- Thank you. In here we are referring to the TMA of the plant troop of the engineer regiment. As you know, Sir, the other TMA accounts has now all being closed, there is only one operational TMA, which is the plant troop of the Engineer Unit.

Sir, in this issue, I think one of the observations by the OAG is relevant that a lot of improvement has been made in terms of internal controls of this during this financial period. One observation was in terms of the signatories of the accounts; we are pleased to say that it has been regularised and we have evidence of that, as an extra end in our submission. And also in terms of the bank reconciliation, the updates are also contained in Annexure O.

DEPUTY CHAIRPERSON.- Thank you, Deputy Commander. Yes, I was just referring to the Annexures and there is a sample of the control measures, especially in terms of authorisation, a copy has been supplied to us and that is noted, and O, there is an update of the TMA submission from 2016 to 2017, and that is noted as well.

Just a brief question on the update on Annexure O, for certain months it says “not submitted” what is the update on that at the moment?

BRIG-GEN. A. MOHAMMED.- Sir, all the reconciliations had been submitted.

DEPUTY CHAIRPERSON.- As of now?

BRIG-GEN. A. MOHAMMED.- Yes, Sir.

DEPUTY CHAIRPERSON.- Thank you. any questions on that Honourable Members? No? We will move on to Weakness in Fuel Management.

BRIG-GEN. A. MOHAMMED.- Sir, again these issues have been rectified through the creation of log manuals and the instructions we had displayed in our last gathering here, that is to regularise the accountability of use of fuels and other lubricants for vehicles.

DEPUTY CHAIRPERSON.- I think that is part of the TMA issues, so it basically forms the explanation as you have alluded earlier, in regards to the control mechanisms in place now.

So we will move on to 19.8, a new issue and that is the project account, if we can hear what you have responded in your written response. Thank you.

BRIG-GEN. A. MOHAMMED.- Sir, for most, the Force has now closed the Engineers Project Fund Account.

DEPUTY CHAIRPERSON.- Why is it closed?

BRIG-GEN A. MOHAMMED.- We have closed the account. So all new projects are now receipted under Trust Fund Account and associated expenditures are paid through FMIS. So we have now embodied all the functions through FMIS.

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

HON. A.M. RADRODRO.- A clarification on the operations of the hydrographic mentioned here in the Navy Department. Can you just inform the Committee the workings of this hydrographic TMA Unit?

BRIG-GEN. A. MOHAMMED.- Sir, the hydrographic TMA is closed. So any maps that are sold is receipted to the cashier in our Headquarters. Then the charts are picked up from the Hydrographic Unit. However, as a way forward, there is now plans to increase the functions of the Hydrographic Unit. Also, that they may be located to a better position, to better service the seafarers. When that happens and the requirements to disperse with charts more so if they are going to be electronic charts. We will then workout a mechanism of how we are going to facilitate procurements of these charts; whether we are going to put a cost to it or not, that is a determination we will have to make in the future.

DEPUTY CHAIRPERSON.- So as of now we believe it has been closed so that explains it very well. If we can move on to the Project Account.

HON. A.M. RADRODRO.- The unit is closed but ...

BRIG-GEN. A. MOHAMMED.- The unit is functional the only thing they are not sending any charts themselves, they are not collecting money. The money collection is now with Headquarters through the Finance office, so they collect the money and they deposit it for the Hydrographic Unit.

HON. A.M. RADRODRO.-Map, they have to come and pay it.

DEPUTY CHAIRPERSON.- 19.8, Sir.

BRIG-GEN. A. MOHAMMED.- Sorry, Sir which one are you referring to?

DEPUTY CHAIRPERSON.- We are referring to 19.8 - Project Account now.

BRIG-GEN. A. MOHAMMED.- Sir, that is what we are referring to that we have now closed all the project funds account and that all controls are done through FMIS.

DEPUTY CHAIRPERSON.- All right, so I think 19.8.1 is a correlation to that as well. Yes, we take note of the comments and I am very sorry for that repetition. If we can move on to 19.9 – Farm Account.

BRIG-GEN. A. MOHAMMED.- Sir, the issues concerning the farm have been noted. We are now currently reviewing the whole operation of the farm and looking at its viability.

There are a lot of pertaining issues of what should be done; should it become a farm training centre or we take it out completely and the whole area is amalgamated into Force Training Group as a training centre as a conventional training centre.

So these are the issues we are trying to regularise, more so in terms of the observations that have come about through the Auditor-General and of the past audits regarding the operation of the farm.

When we started the farm, it has very good intentions we were going to make it into auxiliary unit that was going to supplement the institution. Also, it was also going to be a training ground for our territorial personnel, basically train them in farming. All these concepts have not worked very well for us, it brought results, it is not that it has not got results. It brought results but what we have to make determination on is, is it adequate for our purpose? So in that relation we will be reviewing the whole practices and hopefully, Sir when we are reporting here next time, we will see some new developments.

DEPUTY CHAIRPERSON.- So basically these farms that you have, Deputy Commander, this is like a self-sustaining exercise. You actually grow the foods and the Military uses it within, or you sell?

BRIG-GEN A. MOHAMMED.- We were hoping that we will be able to supplement part of what is being used in the institution but again you would recall in the past Auditor-General's reviews, they had issues about us getting it out of the farm.

DEPUTY CHAIRPERSON.- Yes.

BRIG-GEN. A. MOHAMMED.- So, we stopped that practice. Although the cabbages and the lettuce were very welcoming Sir, we had to stop it, we had to go to Joes Farm after that but it was not just that. The idea behind this was we had a concept called "Military for Life" concept in the Military, basically a person who was nearing retirement age he was channelled into these new concepts to prepare him for the life after military.

So, this farm was acting as a conjoint towards this new advancement that is while we are still thinking whether is it viable to continue and continue to train service members So, basically just before they leave their trade, they can go and set up farms or if they have got a communal land from the villages they can basically utilise that for development. So, this was the concept of these farms.

DEPUTY CHAIRPERSON.- Thank you. We will move on to the next issue and that is - Gift of \$100,000 not deposited in the Consolidated Fund Account.

BRIG-GEN. A. MOHAMMED.- Sir, this was the money given to the farm that was utilised for the upgrade of the farm in terms of new research and development. There have been some notable developments also through the assistance of the Ministry of Agriculture and the Taiwanese Government in terms of research that has happened in the farm, but again we say it is not being too progressive.

DEPUTY CHAIRPERSON.- I believe that is the conclusion of the actual 2016 issues but 19.10, it is mentioned there "the follow-up on previous years' accounting and control anomalies raised, and on that table, certain pointers have been mentioned but there has not

been any written submission from the Military because probably these are just follow up issues but nonetheless we would like to hear some general comments from you, Deputy Commander as to what the update is now in regards to those issues.

HON. A.M. RADRODRO.- Deputy Chairperson, just before we go there. Just a supplementary question on the \$100,000 gifts that was deposited in to the account. In your statement you said it is from the partnership with the Ministry of Agriculture and the Taiwanese Government. So, who deposited this \$100,000 which is now referred to as gift into the Consolidated Fund Account?

BRIG-GEN. A. MOHAMMED.- Sir, the gift was not actually from the Taiwanese Government or Ministry of Agriculture. It was from an individual who had come forward after *TC Winston* to assist in the agriculture project. We were taking a research project at the farm to introduce new crops. There was a foreign national who came forward and gifted the farm. It was more towards the direction of research.

HON. A.M. RADRODRO.- In 19.9.1, some of the findings that are there totalled \$21,000 expenses not supported with relevant documents. The total expenditure that has been noted in the table 19.23 of \$21,056 is not supported with relevant documents, invoices, receipts, statements and similarly on the previous bullet point, a total of 24 blank cheques were pre-signed by the Commanding Officer Territorial Force while the cheque book was kept by the Farm Manager.

BRIG-GEN. A. MOHAMMED.- Sir, these observations were also noted through our own internal audit. In fact all these raised a lot of concerns for us and we are thankful for this observation and that is why we are reviewing the old practice because what we found out is that the person who is in-charge of the farm is just located about half a kilometre away, why was there a need to pre-sign cheques and made the disbursement of funds? So, all these has resulted in us doing a holistic review of the whole farm concept.

HON. A.M. RADRODRO.- OAG, first the Farm Manager should comply with the instruction and the second recommendation would be anomalies highlighted and investigation and disciplinary action is taken against the responsible officer. Has this part of the recommendation being taken on board by the RFMF?

BRIG-GEN. A. MOHAMMED.- Sir, my instructions are we have not instituted any disciplinary actions as yet, the audit is still currently being reviewed, even our own internal audit. There are individuals looking at whether there has been any substantial abuse in this.

DEPUTY CHAIRPERSON.- So, the issue that has been highlighted by OAG, it is mostly internal control issues and how in actuality the funds were utilised, whether the blank cheques which were signed are for what allocation,. Is there an investigation going on to that now as we speak, as stated by the Deputy Commander? You are still investigating the farm?

BRIG-GEN. A. MOHAMMED.- Yes, it is not just investigation we are looking holistically of our review of the old operation of the farm.

DEPUTY CHAIRPERSON.- Yes because I believe there is a comment there. "The current rules and regulations are outdated and do not reflect the current changes in the RFMF." So probably you are reviewing that as well. Would you have any timeline to give to

the Committee as to when the RFMF is actually planning to finish off this review, et cetera? Is there any specific timeline?

BRIG-GEN. A. MOHAMMED.- Sir, I cannot be definitive, but we are looking at around 90 days from now.

DEPUTY CHAIRPERSON.- Thank you, that explains it well. Any other questions in relation to that? So, this gift of \$100,000 Deputy Commander, this was from a private individual?

BRIG-GEN. A. MOHAMMED.- It was a private individual who wanted to further the projects of research and development that was undertaken by the farms.

DEPUTY CHAIRPERSON.- But then after all this audit issues, the Military is reconsidering whether this project is viable or not.

BRIG-GEN A. MOHAMMED.- Yes, Sir.

DEPUTY CHAIRPERSON.- So, as I have alluded earlier on 19.10, there has not been any written response because this is just a follow-up on previous accounting and control anomalies but nonetheless there are some issues that are there in the table of the audit report. If you can just very briefly provide us an update on issue by issue? This is just a process of the Committee that we discuss all the audit issues so even if you have some general comments, we are most welcomed to take them.

BRIG-GEN A. MOHAMMED.- Sir, thank you. If I can go on to issue 1 - that is on the updating of P2P within the institution.

There was an aggressive task undertaken by the institution in terms of capturing all the service personnel it has. What this exercise encompassed after these issues were brought to light was basically for us to know who is in the Military Force, what he or she is doing, and whether it reconciles with the persons that are being paid out of our payroll.

We are pleased to say that in this exercise, we did not just capture individuals but we profiled him or her completely. So there was a database created and we profiled each individual.

What they were doing and once that was done, we then related it to the payroll. We are quite happy to say we were able to reconcile the people we had, what they were doing and who were being paid. Through this exercise and technically speaking, we found out there was no ghost in the institution. Sometimes we say a ghost has been paid. We were able to satisfy that there were individuals who were not there, that were paid. Basically that was the exercise we did and that has formed the basis of our way forward now.

DEPUTY CHAIRPERSON.- Would the Committee consider this as a reform within the Military?

BRIG-GEN. A. MOHAMMED.- It is not a reformation enhancement of the Human Resources (HR) capabilities. It is basically hopefully realising the individuals we

have in the institution. It is somewhat like HR accountability of everyone you have in the institution.

DEPUTY CHAIRPERSON.- With this practice, were there any changes in the salary level of the officers who were profiled?

BRIG-GEN. A. MOHAMMED.- The pay was not affected. This was just realising what was structured, what was provisioned by Government as to what the Republic of Fiji Military Forces (RFMF) should be. We have accounted for everyone, where they were in units like in headquarters, in engineers, in signals, military police, third battalion and the navy. So all units or provisions, what functions they were doing and then from the pay we were able to determine, "Alright, they were adequately paid for the positions they held."

DEPUTY CHAIRPERSON.- So I believe there was no structural changes in terms of salary.

BRIG-GEN. A. MOHAMMED.- No.

DEPUTY CHAIRPERSON.- So this exercise was most related to enhancement of the profiling and the responsibilities and all that of different officers. Honourable Members, any questions on that?

BRIG-GEN. A. MOHAMMED.- So we call it PTPL in short form, this exercise.. Thank you.

DEPUTY CHAIRPERSON.- We have learnt something new here.

Items not taken on charge if you can take us, if you have some issues to discuss today.

BRIG-GEN. A. MOHAMMED.- Sir, most of the issues pertaining to this has been regularised. Items that were outstanding have been taken on charge, however, there are still some work that are ongoing.

DEPUTY CHAIRPERSON.- So the board of survey has been completed as of May 15th, 2016.

BRIG-GEN. A. MOHAMMED.- Board of survey is complete, but some of the items are still outstanding and we hope by August, this will be fully realised.

DEPUTY CHAIRPERSON.- If you can take note of that – by August.

HON. A.M. RADRODRO.- A question to Ministry of Economy. Now that RFMF has highlighted there is an internal audit department in their institution. Is the Ministry of Economy still required to carry out internal audit exercise now that they have their own internal audit, how do you correlate your existence with the Internal Audit Department at the RFMF?

MOE REP.- Thank you, Honourable Member. I think the establishment of the Compliance Unit within any Ministry or Department, that is part of the strengthening process

by the Ministry or Department. The internal audit function will still continue as it is. We will still carry out the annual plan as intended.

HON. A.M. RADRODRO.- The audit in 2006; when will you do your next one?

MOE REP.- Thank you, Chair. Due to the shortage of staff that we have at the moment, we will not be able to carry out the audit this year.

DEPUTY CHAIRPERSON.- The next issue is planned capital projects not undertaken and that relates to the boats and the management is, we have to refer to the previous comment 19.6.2.1 and I believe that has been addressed. Likewise the same case for engineer unit and plant pool, and that is the TMA Account. That also forms part of that comment.

Anomalies in the operations of Engineers Project Trust Fund Account, if we can get some update on this, Sir.

BRIG-GEN. A. MOHAMMED.- Sir, in fully realising the issues that were raised, as I have said we have closed those accounts and they are now all under Financial Management Information System (FMIS). It gives us better accountability of issues pertaining to the operation of those funds.

DEPUTY CHAIRPERSON.- The last comment is the Farm Account and management comment is “all the privately owned pigs will be removed when the farm acquired pigs for its stock.” So, have these pigs been removed, Sir?

BRIG-GEN. A. MOHAMMED.- Sir, there were issues here. We did not fully explain what was involved. Before we used to call it the RFMF piggery, it was not called the RFMF Farm because we were boasting about it as one of the largest piggery producing farms in the Central Division, but the number dwindled so low that we did not have the right stock.

Although we have privately-owned pigs in there, strategically they are for our benefit, for breeding. It is a bit odd coming from me about pigs. Both the Chair and I, we are not the consumers but we talk about pigs, we are very passionate about it. We had acquired some pigs for breeding purposes. We believe that the breed is such that it would give us a better gene line. That is why we kept them at the piggery.

Now to go and get pigs from outside and source it, it is going to be expensive. It is going to cost us money. That is why we have tried to retain these pigs and are trying to bring about a good breed so we can re-introduce this piggery concept in the farm. If we do decide that it is not going to work, we are closing it down, then all these pigs will go away. We still believe that the piggery has a potential.

So much so, in the past, a lot of revenue was gained out of this piggery. It really served us well. Not only in terms of meat, but in terms of the skills we are able to bring out from this establishment of this piggery.

When you talk about the feed itself technically we are not bringing feed, no one is being deprived of money or feed. A lot of this is coming from scraps that has been collated from the greens or people who have brought in food to give to the pigs.

On my last visit, I was quite satisfyingly told that the fish products from the fish factories are currently being used to feed these pigs, which we are not paying for. But that arrangement was through a person who had given us few pigs for breeding purposes. Although, technically we are keeping someone else's livestock, it is for our benefit. If we do at some point make a determination it has to go, we will close down, then hopefully these pigs will be removed and taken away, Sir.

DEPUTY CHAIRPERSON.- But as of now you use...?

BRIG-GEN. A. MOHAMMED.- It has more benefit to us than the individual because we still would want to have one last go at this concept. We have not given up hope. We see some potentials in there.

DEPUTY CHAIRPERSON.- Honourable Members, any more questions before we conclude the session?

HON. A.M. RADRODRO.- Deputy Chair, just probably an update from the Deputy Commander. Going back to 19.6.2.1, the status of Naval Vessels, hearing all the explanations that have been given and the uses of life expectancy programme; does the Military have a programme preventative maintenance of these vessels because I noted that the issue come on the slipways? Probably as part of the Expectancy Life Programme and what was the programme then that led to this duration of delays in terms of life expectancy?

Secondly, the audit have noted that on 15th July, 2016, the *Vessel Kiro* was grounded. We understand the last time the Military was here, there was a Board of Enquiry and what actions have been taken in regards to the result of the Board of Enquiry?

BRIG-GEN. A. MOHAMMED.- Sir If I may answer in two fold;, firstly, in terms of the vessels, the naval vessels that have been with the Naval Division were through Military Aid Programmes and each of these vessels had a life expectancy. In between those life expectancy, at routine periods, they were to undergo maintenance; whether it be yearly or after five years, and at certain period a determination will be made to terminate the use of those vessels.

The vessels, mostly came under the Australian Aid Programme. This aid programme was afforded by eventualities here in Fiji and the suspension of Military cooperation between Australia and Fiji. When that programme was suspended, the refits or the backups in fact was suspended also.

We were meant to fend for ourselves and do those refits or those necessary changes to keep the vessel afloat. With the current programmes coming back on, we have seen the first vessel currently been refitted and hopefully by the third quarter of this year the vessel coming back to Fiji and subsequently another vessel going in for the refit programme.

Also as I have said, we are also expecting the two new vessels from Australia by year 2020. That should bring in par the old vessel holding around six but with that appetite to increase it further with a couple of new vessels. One we have mentioned is the hydrographic vessel which we intend to utilise and also the multi-role vessel with additional capabilities. We are not faring very badly but when we hope that with the bringing of all these vessels we will be poised well enough to undertake our roles. In terms of disciplinary actions on the

grounding of *Vessel Kiro*, currently the process is in place because it is going for disciplinary purpose, I cannot state further until the whole process is completed but there are currently disciplinary actions been instituted.

DEPUTY CHAIRPERSON.- I thank you Deputy Commander for that. My apologies I missed out on one issue that is still yet to be addressed and that is regarding to the Peace Keeping Missions. So we have a written response here as provided by your good self and your team. So if you can just take us through your response. For the information of Honourable Members that is the last issue there on their written response. The issue there is regarding the Board of Survey and if you can just take us...

HON. A.M. RADRODRO.- Is it now manned by RFMF because last time it was Police – the peacekeeping mission?

BRIG-GEN A. MOHAMMED.- No, here we are talking about the operations we undertake in the Middle East, because it comes as part of the funding that comes under Head 49. It comes under Department of Peace Keeping Operations. It is a Military but it is a Unit on its own. We structured the RFMF differently so peace keeping is separate from the conventional forces that are allocated in Fiji.

DEPUTY CHAIRPERSON.- So yes, Deputy Commander, if you can just explain us the response that you have there in regards to this?

BRIG-GEN A. MOHAMMED.- Sir, the peacekeeping itself currently is funded out of Head 49. It comes under the Department of Peace Keeping Operations. It is a Unit we created in the Headquarters which specifically looks after Peace Keeping, in terms of its training, procurements, equipping and deployment of personnel overseas.

They are responsible for procuring their own equipment and items for foreign deployments. There were issues raised about the way they were conducting their accountability of stocks. That has been regularised with them now, putting in place similar mechanisms as previously existed with the other conventional troupes.

DEPUTY CHAIRPERSON.- Yes Honourable Radrodoro?

HON. A.M. RADRODRO.- Sorry, Deputy I just keep going back to the audit issues that has been highlighted. In regards to the internal control on 19.6.1. The recordings in the Fix Asset Register for items, that are listed there about \$1.4 million, that needs to be recorded in your Board of Survey. Amongst those listing there is a cheque made for weapons of \$888,913; what sort of asset or weapons are these?

DEPUTY CHAIRPERSON.- You are referring to table 19.7? That is on Page 8 of ...

HON. A.M. RADRODRO.- Table 19.7.

BRIG-GEN. A. MOHAMMED.- Sir if you note our comments on Page 6 of the answers we had given, this has now been regularised. We have done the Board of Survey and all these items have been fully recognised in our registers.

DEPUTY CHAIRPERSON.- Honourable Members any other questions? No? I thank you Deputy Commander and your team for a rather comprehensive and detailed explanation to the audit issues, which were of course had all the appendixes and the extra information attached to it. Whilst we understand your important roles and responsibilities that the Military has, nonetheless when it came to discussion of issues, the discussions were very open ended and there are hardly any stones unturned.

You have given us a lot of precise information, given the responsibility at which the Military operates. It was a very independent session and we would like to thank you for your support and your indulgence in addressing all these audit issues and before we conclude we would love to hear some final comments from you, Sir.

All right Honourable Members and Officers from the Ministry of Economy and the Office of the Auditor-General. I also thank you for your attendance here. I am sorry I did not introduce the team because of the time factor but since we have completed well before our timeline so I also acknowledge your presence here and also the presence of the members of the media. Thank you.

The Committee Interview adjourned at 12.03 p.m.