

PUBLIC ACCOUNTS COMMITTEE

[Verbatim Report of Meeting]

HELD IN THE

COMMITTEE ROOM (EAST WING)

ON

WEDNESDAY, 25TH APRIL, 2018

VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD AT THE BIG COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS, ON WEDNESDAY 25TH APRIL, 2018 AT 9.30 A.M.

Interviewee/Submittee: Ministry of Sugar

In Attendance:

- | | | | |
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| 1. | Mr. Sanjay Kumar | - | Director Operations |
| 2. | Ms. Reshmi Kumari | - | Director Policy and Research |

Office of the Auditor-General

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| 1. | Mr. Abele Saunivalu | - | Director of Audit |
| 2. | Mr. Samuela Tupou | - | Senior Auditor |

Ministry of Economy-Internal Auditors

- | | | | |
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| 1. | Ms. Vama Kotobalavu | - | Senior Accounts Officer |
| 2. | Ms. Lanieta Senibulu | - | PIA – Internal Auditor |

DEPUTY CHAIRPERSON.- I would like to welcome everyone to the meeting of the Public Accounts Committee dated 25th April, 2018. Today, we are here to receive written submissions from the Ministry of Sugar Industry on the Audit Report of 2016.

The Ministry is represented by Director Operations – Mr. Kumar and his team and before we give the opportunity to you to give us a brief introduction, I would just like to welcome your Team to this meeting.

(Introduction of Committee Members by Deputy Chairperson)

I also welcome the members of the media who are here. So without further ado, I would like to give the opportunity to the Director to introduce his team and give a brief background of the Ministry. I believe there is a presentation which has been prepared and you will be taking us through the presentation so I now give you the opportunity, Director, to speak.

MR. S. KUMAR.- Thank you. Honourable Members of Parliament, the Ministry of Economy (MOE) and my colleagues from the Office of the Auditor-General (OAG), may I introduce my Team.

(Introduction of Ministry Officials)

I would also want to convey the apologies from our Permanent Secretary because of his urgent commitment with the Honourable Prime Minister, so he could not make up for this presentation.

Very brief about the Ministry, the Ministry of Sugar's main office is based in Lautoka at Marine Drive and under the Ministry we have six stakeholders – the FSC, Sugar Research Institute of Fiji (SRIF), the Sugar Cane Growers Council (SCGC), Sugar Cane Growers Fund (SCGF) and South Pacific Fertilizers Limited (SPFL). So, that makes up the whole sugar industry where Government provides grants to each of this organisation for different capital projects. So, that is a bit background of what the Ministry actually does. Sir, allow me to continue with the presentation.

We have divided our presentation into two parts, as per the questions given by the Committee that they wanted the update on the improvement of the internal control systems that we had highlighted in our previous appearance for the 2014 and 2015 Reports, as well as the other issue that had been added, that is, to state the status of the grant to FSC, especially the Cane Planting Grant. In the second part, we will move on to the 2016 Audit Report.

I think that is the main purpose of why we are here. We will highlight on the anomalies in the revenue records, supporting documents to vouchers not stamped 'paid', then there were issues of non-segregation of duties and then we will focus on the irregularities in accountable advance and anomalies in reconciliations in underline accounts.

For the first part, basically we have summarised it into one slide which is the update on the improvement in the internal accounting systems and processes. There were six major anomalies highlighted.

Monthly reconciliations not being prepared; we understand during those times we were not able to prepare all the monthly reconciliations, however, I want to assure all Honourable Members that the Ministry is now preparing in submitting all the monthly reconciliations to the MOE on timely basis.

Board of Survey; in 2014, it was also highlighted that we did not undertake a Board of Survey (BOS) but for 2016 onwards, we have already completed all of our BOS and for 2017 as well.

Variance in Drawing Accounts dues to lack of supervisory checks; the Ministry during that time prior to 2014 and 2015 had only two people in Accounts and most of the work had been handled by the Accounts Officer. Now, to ensure that our accounts and supervisory checks are strengthened, we have recruited three staff into the Ministry. So we now have a fully-fledged accounts system where we ensure that supervisory checks are undertaken and there is no variance in any Drawing Account for supervisory checks.

Unexplained balances in FMIS General Ledger and APP surplus and deficit accounts; as we have said, because our monthly reconciliations were not done, we were not able to identify those issues but now, since we are complying with the monthly submission to MOE, this problem has been rectified.

Anomalies in Payment; there were issues where we have made double payments, one was paid on the invoice and the other was paid on the statement. Again, as we have said, there was three quotations not obtained and payments for the incorrect allocations were not obtained. The reasons was because we did not have enough staff. Only one person was handling all these, so it was very difficult for the Ministry back then to undertake supervisory checks and undertake that no double payment is done.

Audited reports were not provided by SRIF for the release of funds; we are now ensuring that before any grant is given to SRIF or FSC or any stakeholder, they need to provide their audited financial statement before the first grant is released for the new fiscal year.

Those are the update on how we have resolved issues for 2014 and 2015 which we have highlighted. Should there be any questions, please do ask us now before we proceed into the 2016 Audit Report.

DEPUTY CHAIRPERSON.- I would like to thank you, Director, for giving us an update on the improvements that have been undertaken in the Ministry. All in all, those issues were related based upon the reason that there was lack of staffing.

MR. S. KUMAR.- Yes, as I had said.

DEPUTY CHAIRPERSON.- Honourable Members, any questions?

Yes, Honourable O'Connor?

HON. A.D. O'CONNOR.- I think, Deputy Chairperson, if we can get the confirmation from the OAG.

DEPUTY CHAIRPERSON.- OAG?

AUDIT REP.- Thank you, Deputy Chairperson. Those were the issues for 2014 and 2015. In 2016, there were some issues that were still arising but in the last audit of 2017, there has been marked improvement in the Ministry. Thank you.

DEPUTY CHAIRPERSON.- Honourable Radrodro?

HON. A.M. RADRODRO.- Deputy Chairperson, I will just comment on the appropriation statement of the Ministry of Sugar. We note that the budget allocation of \$23 million is for the whole year but your actual expenditure is about \$19 million and that is for seven months only. If you continue with that trend, you would have run out of funds by the end of the year, so it looks like you spent so much, like 90 percent of the expenditures are for seven months only. Is there a reason why that was so?

MR. S. KUMAR.- Sir, are you focussing on 2016?

HON. A.M. RADRODRO.- Yes, 2016.

MR. S. KUMAR.- Allow me, Sir, if you do not have any questions on 2014 and 2015, then we will proceed to 2016.

HON. A.M. RADRODRO.- This is from the previous...

MR. S. KUMAR.- Yes, then we will come on to 2016 because the audit question says here that we need to provide an update on what improvements we had done, compared to what we had done in the previous presentation, and this is what we had done. We have rectified all those issues highlighted in 2014 and 2015.

DEPUTY CHAIRPERSON.- Yes, I do take note of that Director, but some of the issues seem to be lapsing this year as well, which you have highlighted that you have improved in 2014 and 2015. One of that is the anomalies in revenue records. What can be the attributing reason for that, if you are stating that you have improved in 2014 and 2015 but still it continues to be an issue in 2016?

MR. S. KUMAR.- Sir, when we presented this report in 2014 and 2015, at that time the 2016 Report was already provided to us, so during that time we cannot say that we have corrected it. But as soon as we got the advice and recommendations from the Auditor-General, we rectified all those issues. So you might note in the 2017 Report, those things will not be repeated.

HON. A.M. RADRODRO.- Just on that last anomaly, you mentioned that the Ministry now ensures that, can you just enlighten us whether the report has been submitted?

MR. S. KUMAR.- Yes, Sir, as I had said earlier, not only for SRIF but for all the organisations, including FSC, SCGF and SCGC, they need to submit their audited report for the first release of the funding. If they fail to submit their audited report, we do not release the funds. Hence, the same Audited Report when we request for excess funding release, we also submit it to the MOE Treasury Account. So there is already a control measure in place to ensure that we comply with that.

HON. A.M. RADRODRO.- Sir, for this particular audit issue in 2014-2015, the SRIF Audited Accounts has been submitted for that particular year?

MR. S. KUMAR.- Yes.

DEPUTY CHAIRPERSON.- Has the fund been increased for SRIF?

MR. S. KUMAR.- No, it has remained constant.

DEPUTY CHAIRPERSON.- It has remained constant?

MR. S. KUMAR.- Yes.

DEPUTY CHAIRPERSON.- Honourable Members, if there are no questions, then we can proceed to 2016.

MR. S. KUMAR.- Thank you, Deputy Chairperson. Now, I will be presenting on 2016 Part A: Financial Statement.

35.1 - Audit Opinion; for 2016 the Ministry of Sugar Industry had an unqualified report, compared to 2015 which had a qualified report. This is an indication that we have made remarkable improvements in terms of our internal processes.

35.2 - Statement of Receipts and Expenditure; the Ministry's expenditure has increased by 88 percent. This was due to the increase in the Fertiliser Subsidy Grant of \$9.7 million to SPFL in 2016. In 2015, the Fertiliser Subsidy was budgeted under Head 50 while in 2016, it was budgeted under the Ministry of Sugar. That is why there was an increase of 88 percent in our Budget.

35.3 - Appropriation Statement; the Ministry incurred expenditure amounting to \$19.8 million in 2016 against the revised budget of \$23.7 million, resulting in an underspending of \$3.94 million.

We will move on to the next statement. This is how the funds were used based on each SEG and as the Honourable Member had highlighted earlier, we have noted that there has been an underutilisation in the capital expenditure, that is, Capital Construction under the Cane Access Road and also Capital Grants and Transfers of \$400,000 in total. So that is where we are reaching up to \$3.9 million of underspending in our 2016 Budget for seven months.

HON. A.M. RADRODRO.- Will we wait for the submission to finish?

DEPUTY CHAIRPERSON.- No, it would be viable if the questions come through at the same time when the issues are discussed.

HON. A.M. RADRODRO.- Just on the receipts and payments, I know probably a policy issue in terms of reallocation of budget for the Fertiliser Subsidy from Head 50 now coming under your Ministry. What is the current arrangement now in terms of the Fertiliser Subsidy?

MR. S. KUMAR.- Since 2016, the budget has now moved to the MOE but still with the Ministry of Sugar under SEG 10. What happened was, we signed the Grant Agreement with the SPFL and then we disbursed the funds for them to procure the fertiliser, blend it and then provide it to FSC to distribute it to the farmers as a subsidised cost. That is the arrangement that we have.

(Inaudible)

MR. S. KUMAR.- Yes, we provide the fund for SPFL to procure the fertilisers.

HON. A.M. RADRODRO.- The intention that you provide it for was actually carried out by the recipient?

MR. S. KUMAR.- Sir, this is how the system actually works. The grower needs to place the order with FSC. So he orders based on the number or bags of fertiliser he requires, so based on the number of bags being ordered by the farmers and delivered to them, Government only pays for that number or bags of subsidised fertiliser irrespective of whatever they procure but at the end of the day, there is always a check and balance. The number of bags that had been delivered, we calculate by the amount of Government subsidy that was given, we multiple by the number of bags so this is the only money that we are going to give them to procure the fertiliser.

HON. A.M. RADRODRO.- Is there any percentage arrangement, 100 percent or 50 percent?

MR. S. KUMAR.- Yes. Previously, for every bag of fertilizer Government was paying \$14.09 for every 50 kilogramme of fertilizer and the farmer has to pay \$31.50 per bag of fertilizer but this year it has increased. Now, the Government is paying \$25.59 per every bag of fertilizer and growers are paying \$20 a bag for every 50 kilogramme of fertilizer.

The reason why it has increased is because we have seen the subsidy is there, the uptake of the fertilizer was low and the amount of fertilizer that needs to be applied by the grower to increase production, growers were not buying the required amount of fertilizer because they find it expensive to procure at \$31.50. The total cost of one bag of fertilizer is \$49.59.

HON. A.M. RADRODRO.- In 2016, subsidy was \$16 or \$14?

MR. S. KUMAR.- \$14.09.

HON. A.M. RADRODRO.- And the balance is paid by the farmer?

MR. S. KUMAR.- Yes.

HON. A.M. RADRODRO.- Now, it has increased?

MR. S. KUMAR.- Now, it has increased so farmers only pay \$20 and we have seen that there has been a significant increase in uptake of fertilizer by the farmers.

HON. A.M. RADRODRO.- Is it reaping its intended purpose?

MR. S. KUMAR.- Yes.

HON. A.M. RADRODRO.- How has the Ministry ensured that, that subsidy is producing its intended purpose?

MR. S. KUMAR.- I would say for this year, we were already issued our budget so because we have not harvested the crop yet, it would be difficult to state now because the input of the fertilizer, once it is harvested then we can also assess whether it has a positive impact in terms of production or not.

DEPUTY CHAIRPERSON.-Director, it is mentioned there 'capital construction'. What is this issue?

MR. S. KUMAR.- When we say capital construction it is related to the cane access roads. This allocation of Cane Access Roads is for the temporary repair of roads. Government has allocated this funding to ensure that those cane that cannot be delivered because of poor road condition, the road is repaired to motorable condition so that cane is transported to the mill. That is the main purpose of that Cane Access Roads.

DEPUTY CHAIRPERSON.- Basically, that is the main capital project for the Ministry in terms of allocation?

MR. S. KUMAR.- In terms of construction, I would say 'yes'.

HON. A.M. RADRODRO.- The benefits, is there a criteria that you use for each applicant?

MR. S. KUMAR.- What we actually do is prior to upgrading any Cane Access Road, we do our assessment in terms of seeing how much work is required on each road. For example, if there is a one kilometre road and all the parts of the road is not bad, the only focus is on fixing those areas that need to be repaired rather than upgrading all the road because our money is limited and we within that money, we try to make the maximum use of the fund and give the best service to the growers.

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

MR. S. KUMAR.- The Ministry in partnership with FSC and the SCGC.

DEPUTY CHAIRPERSON.- We will move on to the next audit issue.

MR. S. KUMAR.- Part B: Audit Findings. 35.4 – Grants to Fiji Sugar Corporation Limited (FSCL) on Sugar Development; this is also commonly called Cane Planting Grant. The anomalies highlighted by the Auditor-General is the grant provided for sugarcane farms rehabilitation which was utilised for the planting programme without the Cabinet approval, and agreement was not revised accordingly.

What happened was, by the time this grant agreement was signed after *TC Winston*, many farmers did not want to reapply the fertilizer. Rather they would let their cane be harvested so that they get some proceeds out of it and just because the financial year was about to end, we focussed more on planting rather than on the rehabilitation because farmers did not want to undertake rehabilitation works because if they start doing this, then they need to replant and they would lose out on their proceeds which they could have got in the harvest in June. For that reason, we did not deviate from our overall objective of planting cane, we stick to it. And the next anomalies that is only one progressive...

HON. RATU N.T. LALABALAVU.- I would like to ask a question, Deputy Chairperson. Can you just guide the Committee on the role of the Ministry here and the industry regarding this topic that we are touching on now? Who identifies the need for rehabilitation?

The second part of the question is, the need has changed or it does not exist at all, how can then that it was moved to replanting rather than rehabilitation which was the initial one which is the very thing highlighted in the OAG's findings?

MR. S. KUMAR.- Sir, when the assessment is done after any cyclone....

HON. RATU N.T. LALABALAVU.- By whom, Sir?

MR. S. KUMAR.- Sir, the Ministry takes the lead role but the assessment is done by the FSC and SCGC because they have their sector office and district office in all the districts along the cane belt areas. So they will do the assessment and they will say, "Okay, these farms need to be rehabilitated and these farms need to be ploughed again and replanted." So that is where the assessment comes in.

In the second part of your question says that when it was identified, why it was not done? You may note, Sir, that the agreement was actually signed in late May when the cane harvesting was about to start. So rather than we going back to it, the financial year would have ended in June and we did not have enough time to rectify those, when we actually realised that more farmers wanted to have their cane harvested rather than rehabilitated.

Sir, can we move to the next point?

DEPUTY CHAIRPERSON.- I have a supplementary question and this is out of interest but based on reality, of course. For almost every year, we are seeing the effects of natural disasters, mostly occurring in the Western Division and it does bring a lot of damage to the farms, especially the sugar cane farmers. Is there any contingency plan by the Ministry so that they are always ready with the disbursement of special funds because from what we are experiencing now, we had *TC Winston* in 2016 and then this year which was just the lapse of one year, we then had a major flood and two natural disasters? So is the Ministry trying to make some plans so that if anything as such happens which can gravely affect the industry, there are always funds ready rather than waiting for decisions to be made and it does take a bit of time? Are there any contingency plans in regards to natural disasters by the Ministry?

MS. R. KUMARI.- Thank you, Honourable Deputy Chairperson. The Ministry at the moment does not have any plans but the flood was a major issue because of the drainage system. Now, there is a Ministry of Waterways, the Sugar Industry as well as the Ministry of Waterways are working together and you might note that this year, there was infield drainage which is a new project.

This was a major issue highlighted by the farmers, the need for infield drainage, so I am very positive that we might be able to overcome this issue of flooding to some extent. Other than that, we do not have any contingency plans. Sir, you might also note that sugarcane is a very resilient crop. Even if it falls down, the next moment the sunshine comes up it goes up again.

As highlighted by Ms. Kumari, the problem is a real one as most of our crops are not being destroyed by the winds but they are rather being affected by the flooding which is due to poor drainage and which (I think) Government has already looked into it in terms of improving the infield drainage to

avoid these losses. So if we have proper drainage, I think our damage in terms of cyclones and rehabilitation would be reduced drastically.

DEPUTY CHAIRPERSON.- Thank you. So there seems to be a plan in place with Ministry of Waterways and we will take it that there are some positive reforms on the way. You can proceed on to the next issue.

MR. S. KUMAR.- You can see on the second point that only one progressive work for the work carried out for the whole the year was submitted to the Ministry. Yes, we understand that during that year it was submitted. What we have done as improvement that they continue to submit quarterly progressive reports is that, we are disbursing funds on quarterly basis instead of a lump sum. So everytime they submit a quarterly release, we have a checklist, we give it to the organisations and they need to meet the requirement of this checklist and one of them is the progress report, together with the acquittals which the Ministry verifies, check it before submitting it to the MOE for the release of funds. If FSC or any organisation does not submit the progress report which will not be submitted to MOE, then they need to submit it before we actually release the funds to any of this organisation.

Furthermore, what we have also done is we have increased the number of our staff a little bit and we have Project Officers for grants. We are also going out and physically checking some of our farms to ascertain that the works that had been undertaken by FSC is also being verified by the independent body that is the Ministry of Sugar.

Some of the important things that we do check is the farm size, their yield and at the same time, the production. If the production is not really germinated to about 75 percent, then we inquire and question why the payment was made or what measures they took to improve the production?

HON. RATU N.T. LALABALAVU.- Deputy Chairperson, I seek some clarification; when you stated just a while ago that the Ministry is an independent body, can you just expand a bit on that because I might be a bit confused now as to your actual role because the reports are late in coming, now you have changed it to quarterly reports because of the usage of the funds by the industry and the industry is an entity in itself?

MR. S. KUMAR.- We give the grant to FSC to implement the capital projects, in this case, it is the cane planting project. What they do is, farmers will prepare the land, FSC goes and verifies the farm whether they have prepared the land or not. If they have prepared the land then they get the first payment for preparation of land.

Then the growers plant the cane. Then FSC goes and checks whether the cane has been germinated according to the requirements. If it is above 75 percent then the payment should be made. If it is not, then they will hold on to the payment and tell the farmers to do gap filling exercise, so that there is more germination.

In this case what we also do is, we also go from our side. Whichever field FSC officers verified, we also go and take samples and verify from our side. Where we can say, "All right, we take our own GPS and check whether the farm size is according to the requirement or not". For example, if it is one hectare then they get the payment of \$1,000 for fallow land planting. If it is not, they should not be getting it. In that case, we can always advise the farmer and then also tell FSC Officers, "Alright, this farm is not one hectare, they need to replant before payment is made", otherwise there will be no one verifying FSC's work as well.

DEPUTY CHAIRPERSON.- I think more so what Honourable Ratu Lalabalavu is interested in and my apologies because he is a recent Member and we have been having submission for the last two

years. Perhaps, on that note on what he asked, you can explain very briefly to him the responsibility of the Ministry of Sugar. On that note on what he asked, you can explain very briefly to him the responsibility of the Ministry of Sugar, the responsibility of FSC, SCGC and SRIF, just to provide a general background of your Ministry and all those entities that come under you.

MR. S. KUMAR.- The Ministry of Sugar is basically the governing body that provides grants to each of this stakeholders. FSC has been the miller and also in terms of implementing our major capital project, the Cane Planting Grant.

What the Government does is, we provide them with the lump sum grant. FSC goes and work with the farmers. Their team in Sector Offices go out and work with the farmers, so any first point of contact for the farmers is the Sector Officers. For example, if a farmer wants to plant cane, he has to first come and check with the Sector Office and tell them he want to plant cane so that the Sector Officer is aware that this grower/farmer is going to plant cane.

Once he finishes preparing his land, he informs the Sector Officers and they go and check whether the size of the farm that he has prepared is of the required size or not. If it is less, then the Sector Officer will then advise him; "Alright, your farm size is less so you will need to plant more so that you get the grant. Otherwise, you will not qualify for the grant."

For example, if \$1,000 is given for one hectare of fallow land planting, if the area is 0.8 then he does not qualify for 0.8, he needs to plant for one whole hectare. In that way, the farmer does not lose out on the total grant

In terms of the SCGC, we provide them with the Operating Grant. They also go and provide services, like advisory services to the growers and they are, I would say, the voices of the farmers to the Ministry saying, "Alright, these are the areas that need assistance", if it is not raised through FSC.

We have the SCGF and their responsibility is as we call it, our bank for the industry. They provide loans to farmers if they want to plant more or if they want to take any loan for their own use.

Then we have the SRIF which basically does research on the varieties of the field, if there has been anything affected by the insects or diseases that is where they come in.

In terms of the SPFL, their main role is to procure the fertilizer, blend it and supply it to FSC to be distributed to the growers.

Tribunal and they basically deal only with the disputes that farmers have, whether it be farm boundary or if they have disputes about crop lien, that is where the Sugar Industry Tribunal comes in. I think that is what all the industry is about.

DEPUTY CHAIRPERSON.- Thank you.

HON. A.M. RADRODRO.- Another question on these grants made to FSC. As highlighted by the auditors, the agreement was signed on 3rd May on two specific objectives that the grant was given.

Firstly, it was to rehabilitate 18,000 hectares of sugarcane affected by *TC Winston* in the districts of Rakiraki, Tavua, Rarawai and parts of Lautoka so the specifics of the rehabilitation covering fertilizers and herbicides, et cetera, and secondly, one has to plant 682 hectares of cane. However, the Audit found out that the grant which was approved by Cabinet of \$4.6 million and paid to FSC for this

rehabilitation was used for cane planting programme which is totally different from what was the objective that it was given out for. Not only that, the diversion of funds was not done with a proper approval, there was no Cabinet approval on that usage.

The second point was in excess of \$1.6 million was paid to FSC. What is the Ministry's role in this Audit findings that has been highlighted by the auditors?

MR. S. KUMAR.- We understand where you are coming from.

HON. A.M. RADRODRO.- No, not, it is not where I am coming from, the Auditors have highlighted it. There was no

MR. S. KUMAR.- As we have said, there are also provisions for fertiliser subsidy and things like that. So those farmers who really wanted to rehabilitate their farms then, as I had mentioned earlier, by the time May came, many farmers did not wish to rehabilitate their farms. They did not want to put fertilisers.

HON. A.M. RADRODRO.- But the actual reason why the funds was released was for those particular reasons, and it got changed after the funds was released. It was diverted to another purpose, this basically led to the first question by the Honourable Ratu Lalabalavu. Who was making those decisions for diversion when it was approved by the Cabinet in the first place? Without Cabinet approval the funds got diverted for other use.

DEPUTY CHAIRPERSON.- I think the important issue to address here is whether the funds was allocated before *TC Winston* or after *TC Winston*, so probably that might help Honourable Members understand it better.

HON. A.M. RADRODRO.- No, Honourable Deputy Chairperson. The agreement was signed on 3rd May, we believe that it is when the funds was released after *TC Winston*. The assessment was done after *TC Winston* to rehabilitate all these *TC Winston* affected farmers.

MS. R. KUMARI.- Honourable Deputy Chairperson, of course, we are not very sure of what happened but it should have gone back to Cabinet for approval for the information that now it has changed. But as the Director mentioned, the overall goal of this Programme was to replant cane. Even under rehabilitation, they will also be planting cane, but probably the wordings is different, of course, I totally agree that it should have gone back to Cabinet.

What the Ministry is doing, we are very careful and we are following all the procedures actually from 2017 when we also joined the Ministry.

HON. A.M. RADRODRO.- What we can also say is that, this 18,000 hectares have identified farmers in the Rakiraki, Tavua, Rarawai and Lautoka Districts, so when it got diverted, what happened to all those who have been identified initially totalling 18,000 hectares? How do you ensure that they had all been attended to as per the objective of the release of funds?

MS. R. KUMARI.- Usually, this programme continues to the next year so most likely the funds were used after June 2016. But we can confirm this later after we have....

HON. A.M. RADRODRO.- OAG?

AUDIT REP.- Thank you, Deputy Chairperson. If I may clarify, the issue was raised just because of the approval which did not go back to the purpose for which the money was given. It was given for rehabilitation but as explained by the Ministry that it did not go back to Cabinet, but the purpose as explained in their comment was to increase in products which is still the same. And for that, the OAG has accepted the comment and this is part of the supplementary report. If you go into the supplementary report, this issue was deleted from the...

DEPUTY CHAIRPERSON.- As the Director had mentioned, the purpose was to improve the effects of the cyclone on the Sugar Industry, but it is the just the nature of the work that changed and if you can further explain, Director, there is a special report on that, Volume 4 - Audit Report on Economic and Infrastructure. It is mentioned there so perhaps you can take Honourable Members through that.

MR. S. KUMAR.- Sir, I do not have a copy of that Report.

DEPUTY CHAIRPERSON.- All right. I will just read it out for the benefit of Honourable Members.

In regards to this issue, there was a special report which is the Supplementary Report. The Auditor-General has written, and I quote:

“The Ministry should ensure that:

- proper approvals are obtained before the funds are utilised....
- physical inspections are carried out....
- the grant is released on a quarterly basis....”

The comment that came from the Ministry is, and I quote:

“The overall objective of this cane planting/development grant was to increase cane production....”

The Director has highlighted that earlier, so they have mentioned the effects of *TC Winston*.

“For that reason, there was no need to obtain approval”, which the Office of the Auditor-General is agreeing to as noted now.

“The Ministry notes and agrees that this is an area needing improvement which will undertake to address jointly with FSCL and Sugar Cane Growers Council representatives.

The Ministry also notes the three recommendations which it will address in future.”

The issue above is excluded as the use of funds for the Sugar Development Programme - Head 35 for the purpose of cane replanting is within the ambit of the objective of the Sugar Development Programme which is to increase cane production.”

So the purpose remains the same, it is only the nature of the work that changes.

The feasibility study that you have mentioned, farmers were not interested in rehabilitation, there was a need for more cane planting. Who did all those groundwork after *TC Winston*, was it your Ministry or FSC?

MR. S. KUMAR.- As we have said, most of the work was done by FSC but they had to refer it to us before they make any decisions. You would see if the cane has grown big, it is no use applying fertiliser, it would be a waste of Government fund. Fertiliser should only be applied when it is required or when the cane is growing and by the time it came to May, if we apply the fertiliser, by then it would have been a waste of Government fund.

HON. RATU N.T. LALABALAVU.- An additional point of clarification, through you, Deputy Chairperson, we all understand that. The decision to rehabilitate after *TC Winston* is the Government's decision, it is dependent on the will of the Government of the day to do that.

The directive went, FSC has done the groundwork and they have identified there is a need to come up with 18,000 hectares and all that, to rehabilitate. But then time was not on their side, it slowed down, there was a change because the fund has already been disbursed. So that comes to the question that I was raising, who made the decision? It was the FSC and the Government of the day.

Your role is just to ensure that you are in control of the Government funds to the Industry. Here, this is a classic example where it clashes. This has resulted in the change of words to 'programme' and 'boosting of the cane production', but the initial decision was based on rehabilitation. That is taxpayers' money, Sir. That is where we are coming from. The role that you play and the role of the industry.

MR. S. KUMAR.- Allow me to explain our position as well, Sir. In those days, I was not there nor the Director, because we started in 2017. But from now onwards we assure you, Sir, that there will be no such kind of things, even the smallest change that is required, we always go back to Cabinet and seek their approval.

DEPUTY CHAIRPERSON.- So we will...

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

MR. S. KUMAR.- No worries, Sir.

DEPUTY CHAIRPERSON.- No, no, they just started last year.

MR. S. KUMAR.- We started last year but from now onwards, we assure you there will be no such issues that will be raised. You may ask the auditors but when we joined there were a number of problems that were highlighted in our earlier Audit issues and those have already been rectified and we take this Report very seriously.

HON. A.M. RADRODRO.- Just a query regarding the Ministry's response, would you still seek proper Cabinet approval on this or what does that mean?

MR. S. KUMAR.- Yes, we do.

HON. A.M. RADRODRO.- Have you got Cabinet approval for that?

MR. S. KUMAR.- For the 2016 one, as we have said, we do not have Cabinet approval but for the one that we have highlighted here and for anything from when we joined, we have diverted funds

which has been Governments' objective and we have always sought Cabinet approval. For the 2016 one, I would say it would be no use now seeking for Cabinet approval when the decision has already been implemented.

DEPUTY CHAIRPERSON.- So, we note that the Sugar Development Programme for the Ministry, I think, includes both, rehabilitation and replanting?

HON. A.M. RADRODRO.- Deputy Chairperson, on their recommendation does it still stand? From the three recommendations that you have there, proper approvals needs to be obtained, does that still stand or are you revising that?

AUDIT REP.- The recommendations, yes, we still stand by that recommendation that proper approval needs to be obtained and for that, the Ministry has agreed. In their comments, they do agree that they need to obtain that approval, they need to follow the process. It was a process we cannot really say that funds were diverted because it was still used for the sugar industry but they need to follow the process.

MOE REP.- Thank you, Sir. The Internal Audit Unit conducted audit for the Ministry of Sugar in 2017 and we noticed a mark improvement in the internal control processes of the Ministry. As of April, they have been submitting their reconciliations up to March and this was due to the increase in staff. They have engaged some Project Officers and Accounts Officers to assist them in their Accounts Unit. Thank you.

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

MR. S. KUMAR.- 35.5 - Anomalies in Revenue Record; the Ministry did not have revenue records as such as Government receipt book, revenue collectors, analysis sheet and bank lodgement forms to receive revenue to record Board sitting allowance of directors. As a result, receipts were not issued and not correctly reflected in the FMIS ledger.

We have already rectified this. We have already obtained receipt books, cash analysis sheets and bank lodgements from the MOE and have also appointed revenue collectors for the Ministry. The Ministry issues all the receipts of Directors' sitting allowance and has obtained FMIS approval to ensure that everything is reflected appropriately in the FMIS ledger.

DEPUTY CHAIRPERSON.- With your indulgence, Director, what are some of the revenue of the Ministry?

MR. S. KUMAR.- We have only one revenue that is the Directors' Board sitting allowance, apart from that we do not have any other revenue.

DEPUTY CHAIRPERSON.- All right.

MR. S. KUMAR.- What was actually happening, as soon as they receive the cheques they deposit it and they just show the deposit slip but the process says that we need to have a receipt book and the analysis sheet, et cetera, which we have already obtained to be in compliance and correctly reflected.

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

MR. S. KUMAR.- 35.6 - Supporting Documentation to the Vouchers Not Stamped 'Paid'; the Ministry did not stamp 'paid' the supporting documents to the payment voucher. We accept that there were some documents that were left out but now, since we have three staff in the Accounts we ensure that all supervisory checks are done and ensure that all vouchers as well as the supporting documents to the payment voucher are stamped.

DEPUTY CHAIRPERSON.- These supporting documents, are we referring to the normal operational expenses of the Ministry?

MR. S. KUMAR.- Yes.

DEPUTY CHAIRPERSON.- All right.

MR. S. KUMAR.- For example, payment had been made to the invoice and it was not stamped as paid. That was picked up by the Auditors, so we had rectified that. We are stamping any supporting documents to be paid and we also have a new stamp with the day and the date stamped 'we had paid it'.

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

MR. S. KUMAR.- 35.7 - No Segregation of Duties; the Account Officer was involved in all the phases of procurement and there was no segregation of duties in the Accounts Section. As I had highlighted earlier that until 2017, we did not have a fully-fledged Accounts Team. There was only one person who was handling most of the accounts work and as a result, there was no segregation of duties. However, I will say that from 2017, this problem has been rectified as we have clear separation of duties for all the accounting works that is done.

For example, if an LPO is raised by the Clerical Officer, it has to be only authorised by the Accounts Officer while the payment needs to be made by the Assistant Accounts Officer. So we had separated their duties to ensure that there is enough supervisory checks and there is also segregation of duties. Most of the problems you would see was happening because we had only one Accounts staff but now we have three staff so all those problems have been eliminated.

MR. S. KUMAR.- 35.8:- Irregularities in Accountable Advance; travel advances were not acquitted with proper source documents within the stipulated timeframe. So what the Ministry did in order to correct that is now enforcing officers and telling them to sign an accountable advance undertaking and guarantee them that they will pay within seven days. If they do not pay within the seven days, then whatever accountable advance they have not retired, it will be deducted from their salaries, so this is something which we have already implemented. Any officer who goes out and takes accountable advance, he has to sign the undertaking. If he fails to retire within seven days the payment will be deducted from his salaries, so that they ensure that they retire on time.

The other issue was that, several advances issued were still outstanding and acquittal records were not provided at all. The advanced were yet to be recovered from the Officer.

Sir, this Accounts Officer's case was referred to FICAC, the case is pending with the Court and we are awaiting the Court's decision before we could recover anything from that.

DEPUTY CHAIRPERSON.- So it is ...

MR. S. KUMAR.- Yes, the same Accounts Officer.

Now we have three officers so this problem has already been rectified.

The other issue is, request for travel and claims made by the officer was not properly justified, hence additional claims for refunds were made to the officer upon return to office.

As we had said earlier, all travel now have to be properly justified which includes their travel itinerary, costs involved and the purpose for travel should be approved. So if anyone is travelling outside from the office, I need to check everything and I need to see why he/she is going and where he/she is going and he/she has to get all the supporting documents. Now, we are also not giving cash advances for hotel accommodation or anything.

For all hotel accommodations, we raise the LPO, so the officer has to go and stay there and then we check whether the officer has stayed there or not. We are not paying anything for the accommodation, we just raise the LPO. Once the LPO is in, the Accounts Officer again verifies with the hotel whether that person had stayed there or not. So since LPOs are raised and we understand that when you check in a hotel they expect the payments, are they in agreement with this arrangement?

MR. S. KUMAR.- Yes, I would say that our Ministry one which is very prompt with the payment.

DEPUTY CHAIRPERSON.- With the payment on this?

MR. S. KUMAR.- As soon as we receive the invoice, payment is made on the same day.

DEPUTY CHAIRPERSON.- Thank you.

HON. A.M. RADRODRO.- Checks are in place?

MR. S. KUMAR.- Yes.

HON. A.M. RADRODRO.- And there was only one officer?

MR. S. KUMAR.- Yes.

HON. A.M. RADRODRO.- Probably, the process then and the process now in terms of disciplinary measures, w sort of disciplinary measures does the Ministry have because now cases are straightaway referred to FICAC? Do you have internal disciplinary measures and processes in place?

MR. S. KUMAR.- Yes, so far I would say we have not found any cases where officers at this stage are doing embezzlement or malpractices.

HON. A.M. RADRODRO.- No, what I am asking is; does the Ministry have General Orders and Finance Instructions? There are disciplinary processes that have highlighted in respective policies and procedures. Do you follow that respective policy?

MR. S. KUMAR.- We have our Human Resource(HR) Policy which we follow.

HON. A.M. RADRODRO.- MOE, it seems like each Ministry and Department create their own HR Policy. Where does the General Orders and Finance Instruction come in here?

MS. LMOE REP.- Sir, the responsibilities for the management of each Ministry has been delegated down to the Permanent Secretaries. So the onus is on each Permanent Secretary to create their own Finance Manual which should be in line with the General Orders.

DEPUTY CHAIRPERSON.- Thank you. The last issue.

MR. S. KUMAR.- Irregularities in Accountable Advance. The first issue is, reconciliations prepared for three to four months instead of monthly basis and submitted to MOE.

The second issue is, reconciliations prepared were not reviewed and signed by the Preparer and countersigned by the Director. As we have said, now the Ministry is submitting monthly reconciliations and all reconciliations have to be prepared by the Assistant Accounts Officer, checked by the Accounts Officer and signed by the Director before it is submitted to MOE. MOE has already highlighted that all of our records are up-to-date.

This brings us to the end of our presentation and thank you, Honourable Members, for your time in allowing us to do our presentation. Should there be any further questions, please feel free to ask.

HON. A.D. O'CONNOR.- Thank you, Deputy Chairperson and thank you Director. Perhaps, a question to the MOE, on the advances. Are these advances still being utilised within some of the Ministries, can you confirm that? Why I am asking is because Ministries or Departments are not commercial banks where they should be advancing personal where they get a salary. They are being paid so why is it that some of the Ministries or Departments do carry out those practices?

MOE REP.- Thank you, Sir. The advances that we are talking about here is only for the purpose of performing duties outside of your normal duty station, not for advances of salary or advances for car loans. This is only when you travel, say for instance you go and conduct an audit in the Western Division so we take advances to pay for our accommodation and for our incidental expenses. Thank you.

HON. A.D. O'CONNOR.- Yes, I understand that but there has been some over the last couple of audits where some of the Ministries were entertaining advances for personal use. So I just want to ask whether the Ministry has ruled that out.

MOE REP.- As far I am aware, Sir, that is not supposed to be entertained, thank you. So the onus will then be on the Permanent Secretary to approve that.

DEPUTY CHAIRPERSON.- Honourable Members, are there any other questions?

HON. A.M. RADRODRO.- A question to the Director, as the Ministry overlooking everything that is happening in the Sugar Industry, the current agreement with the overseas buyer for sugar, does the Ministry play a role in that? If it is, what is the current arrangement at the moment, would you be able to inform us on who is in-charge of that?

MS. R. KUMARI.- Thank you, Honourable Radrodro. Actually, it is FSC who is taking the role in marketing the sugar so the Ministry is not involved directly. But I think they will continue to sell to Tate & Lyle in the United Kingdom and FSC is also exploring other markets, especially in the South East Asia side. Thank you.

DEPUTY CHAIRPERSON.- Honourable Members, I believe there are no more questions. On that note, thank you, Director, for your presentation and for addressing the supplementary questions that

came with the response. There were some questions not related to the audit issues but nonetheless, you did address us very well.

We also take note of the vast improvements that has happened in the Ministry, especially in terms of financial reporting. We do hope that those improvements continue and there would be further improvements.

I also thank the responses given by MOE Officials and OAG Officials to the supplementary questions we asked. I would like to wish you and your Ministry the best in future endeavours.

With those words, if there are any final comments before we can conclude the session.

MS. R. KUMARI.- Thank you, Deputy Chairperson. We are very thankful that we were able to provide most of the responses to your questions. We also appreciate the comments from Honourable Members.

We came in last year and I would say not very pleasing to note that the Ministry of Sugar had a lot of queries but now, I think we have taken all the comments from the last time and also we will take the comments from this time to improve further and to ensure that we abide by all the agreements that we are supposed to follow.

On that note, on behalf of the Permanent Secretary and the Ministry of Sugar, we thank you so much.

The Committee adjourned at 10.38 a.m.