

PUBLIC ACCOUNTS COMMITTEE

[Verbatim Report of Meeting]

HELD IN THE

COMMITTEE ROOM (EAST WING)

ON

FRIDAY, 11TH MAY, 2018

VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD AT THE COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON FRIDAY, 11TH MAY, 2018 AT 9.30 A.M.

Submittee: Ministry of Justice

In Attendance:

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| 1. | Mr. Sharvada Sharma | - | Solicitor-General |
| 2. | Ms. Kamini Naidu | - | A/Administrator-General |
| 3. | Ms. Ashika Chand | - | Principal Accounts Officer |

Ministry of Economy – Internal Auditors

- | | | | |
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| 1. | Ms. Lanieta Senibulu | - | Principal Auditor |
| 2. | Ms. Vama Kotobalavau | - | Senior Audits Officer –FMIS |

Office of the Auditor-General

- | | | | |
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| 1. | Mr. Moshin Ali | - | Director of Audit |
| 2. | Ms. Sheetal Chand | - | Auditor |

DEPUTY CHAIRPERSON.- I believe we are ready to start and on this note, I would like to welcome the Solicitor-General, who is also the Permanent Secretary for the Ministry of Justice.

A very warm welcome to you, Sir, and your team. We are here to discuss issues of the Ministry of Justice in regards to the Audit Report of the General Administration Sector 2016, Volume 2 as per Parliamentary paper which was tabled in the Parliament as an Audit Report of 2016.

Sir, we believe that the major issue that we are going to discuss today is the issue of a qualified Audit Report and the reason for this is the Trust Fund Account and some of the issues relating to it, one of it being the detailed listing of the beneficiaries of the Trust Account. I am sure that you have a written submission before you and without further ado, let me just very briefly introduce my team.

(Deputy Chairperson introduced Honourable Members of the Committee)

Honourable Chairman has given his apology. He is very busy with some of the submissions that he is currently looking at for the Standing Committee on Justice Law and Human Rights. Also one of our Government Members, Honourable O' Connor is very heavily engaged in his Ministerial responsibility, so he has given his apology as well.

Sir, I would like to now give you the opportunity, if you can very briefly introduce your team and then from there take us through the written submission that you have before us. Thank you.

MR. S. SHARMA.- Thank you, Deputy Chairperson and Honourable Members of the Public Accounts Committee.

(Introduction of the Ministry of Justice Officials)

Honourable Deputy Chairperson, this is in response to the 2016 Auditor-General's Report with respect to the Ministry of Justice. We have provided a written response to the matters which had been raised by the Auditor-General and we believe that the matters are not as substantial as my appearance at the last accounting cycle with respect to Ministry of Justice.

With respect to the response, may I now with your leave proceed to just highlight some of the issues. The main aspect is that the accounts for Ministry of Justice is qualified because of the Trust Fund being reflected in the FMIS, as well as listing of the beneficiaries.

Audit Opinion; Honourable Deputy Chairperson and Honourable Members, the Ministry has substantially improved its record keeping in relation to the Official Receiver's Liquidation Trust account and the Bankruptcy Trust Account where all the receipts and payment vouchers were, in fact, deposited.

The Office has maintained the list of all the debtors and creditors in their database. There were issues with the system and we had, in fact, highlighted that during our last appearance before the Public Accounts Committee and we were grateful that Parliament was able to allocate funding for us to set up a new system.

We have already started compiling the list of all debtors and creditors. The only thing that happened was that the system crashed, but we have already got files and everything with respect to every case. So this is not a case of any records going missing, Deputy Chairperson.

We have now got funding and I think we have now proceeded to set up a new database, a new software that is tailor-made for the Official Receivers Trust Account.

We believe that with those developments in this budget year, we would be in a much greater position to have proper accounting system that is linked to FMIS, thereby having greater accountability, as it may, with respect to the records for the debtors and creditors. So that is very briefly my presentation on the Audit Opinion.

Deputy Chairperson, with respect to the other aspects of the Auditor-General Report, may I now proceed to the Audit Findings which is really the main aspect of the report or the main findings of the Auditor-General.

Part B: Audit Findings. 15.5 – Improper Recording of Trust Fund Account Balance in General Ledger; Deputy Chairperson, the Auditor-General highlighted the fact that the recording of the Trust Account in the Official Receivers Office was somewhat lacking. As I had explained, that the Ministry is, in fact, maintaining proper records. In fact, when the audit of the 2017 and 2018 accounts will be done, it will be quite obvious that this is not recurring issue, this was probably an event of 2016.

We have now ensured that proper records are maintained for both the Trust Accounts and that there is no bulk posting. All postings in the ledger are now done on a monthly basis, effective from the current financial year. Now, this is linked to the FMIS, so there is that oversight with respect to the trust fund.

15.6 - Absence of Detailed Listings for Official Receivers Trust Fund Account Balances; as you know, the server had crashed. In fact, I had raised this last year as well.

The Ministry is pretty much now on the verge of completion of a comprehensive list of debtors and creditors. We are checking individual files which we have thankfully. Sometimes when computers crash, it is always good to have paper records, file records because that is always your remedy of last resort as it were.

So, yes, digitisation helps but sometimes we have to make sure that there is adequate backup. In this case, unfortunately, the system was so old that it could not be upgraded. So, now with the digitisation programme that we have with the Ministry of Justice, this will obviously be a thing of the past.

15.7 - Drawings Reconciliation; very simply, the variance has been cleared for the Drawings Account and there are no unreconciled variances anymore, so that is taken care of. Every account, every dollar and every cent is reconciled, so that is important.

15.8 - Revolving Trust Fund Account; I am not exactly sure what that quite means in accounting terms but I have been informed, Deputy Chairperson, that this has been resolved and there are monthly submissions of the reconciliations as per the Financial Management Rules.

Deputy Chairperson, may I just also mention that with respect of the Ministry of Justice, perhaps just to highlight some of the issues that we have had; if you look at the Ministry of Justice's accounts, you will see that the biggest issue, in fact, the only department from which the issue has come about is the Official Receivers Office. In the Ministry of Justice, we have the Birth, Deaths and Marriages Office (BDMO) which is a source of great revenue; we have the Companies Office and we have the Land Titles Office. We, of course, have other responsibilities, such as administration, Justice of Peace, et cetera. So, there are no issues with respect to any other office, except for the Official Receiver's Office.

Deputy Chairperson, it is public record that the previous Official Receiver, in fact, siphoned money or stole money from the Trust Fund. These were not the monies belonging to the creditors or the debtors, these were actually what we used to call the 'fees' that would have been charged by the Official Receiver for any liquidation or any receivership proceedings. So, it is public record that the former Official Receiver was, in fact, charged, convicted and I stand to be corrected, but I think he was sentenced to a term of imprisonment for quite a number of years.

That was something that was identified strangely enough not by MOE's Internal Audit or not by the Auditor-General, it was picked up internally by our own checks and balances and as a result, we were able to put a stop to that. And we were able to account for things and were able to immediately refer the proceedings to FICAC and FICAC was able to charge and bring that proceedings to a close.

The reason why I am saying that is that, as a result of that we have looked internally as to how best we can fix the accounting of these Trust Accounts. One of the things we have found was that the system was quite old, but it was operational. Unfortunately, the system had issues and we had to move away from that, so we have got a list of debtors and creditors.

In terms of the performance of our responsibilities, there is no issue with respect to the Official Receiver, for example, acting as a liquidator or the receiver collecting proceeds and then

disbursement of funds, so there is no issue on that fund. What was an issue was our own internal accounting and we have managed to fix that.

We are very great in looking forward in the next few months or next month or so, to the implementation of a state-of-the art accounting system that will put this matter to rest forever.

Deputy Chairperson, it is just with respect to the Official Receiver's Office, I acknowledge as I did on the last occasion that there were issues with that Office and we have now managed to fix that. The stealing from the Official Receiver's Trust Account is not something that happened last year, it was happening from many, many years ago, small amounts in 2005, 2006 I think and I stand to be corrected, and then gradually it built up.

Eventually, we were able to catch that and for every accounting year, finally we had the Audit Reports. We had the Internal Audit by MOE but sometimes they do not get picked up, even by the auditors. So, it is important that we have proper checks and balances and that is exactly what we are doing at this stage.

Can I perhaps also just take a moment to digress a bit, to also update this Honourable Committee about some of the things that we are doing within the Ministry of Justice in terms of the money that we have received in the budget. We have now substantially expanded our service to the people in terms of births, deaths and marriages. So, we have had offices opening in Levuka, Vunidawa, there is one that is scheduled to be opened in Keiyasi, I think Taveuni is already up and running. So, people from Taveuni do not have to go all the way to Labasa or come to Suva and get married or to register deaths. These are services that should have always been decentralised so that the people do not have to travel far.

We are going to have as many offices as we can so that these services are really available at the doorstep. I mean, to come from Vunidawa in the interior all the way to Suva to solemnise a marriage or to register your child's birth or register a relative's death, can sometimes be a whole day's exercise and if these services are, in fact, available right at the doorstep in the locality then these things help.

So we have allocations for that, Deputy Chairperson, and we are now substantially expanding our services in those areas because we believe that these services should be available with much ease to our people, to the ordinary Fijians. It is very much in the same footing as the Legal Aid Office. We have taken the Legal Aid Office to the people and I was just told that there are plans to open our office in Seaqqa and the Nabouwalu Office is already opened.

By the way, we have already opened our BDM office in Nabouwalu. That is fully operational. People in Nabouwalu in the Bua Province area can go and get their birth certificates, et cetera, from there. The Legal Aid Office is also functioning so you do not have to travel all the way and I do not know how long it takes, probably takes a couple of hours to get to Labasa and then a couple of hours back. You do not have to do that anymore because these services should be available at much ease.

The other thing we are also doing, Deputy Chairperson, is digitising and I think a lot of those records in terms of companies, you should be able to register or to search for a company online. So very soon, Deputy Chairperson, those things will come to fruition because works are substantially completed on that front.

Deputy Chairperson, that is my brief presentation. There are not that many issues with respect to Companies Office. I will be the first one to acknowledge that there were problems with the Official Receiver's Office and we have addressed that.

Thank you, Deputy Chairperson.

DEPUTY CHAIRPERSON.- Thank you, Sir, for your very precise explanation and also providing the Committee with more background on the changes and the expansion of the operations of your good Ministry.

Yes, we did reach a deadlock the last time when the Ministry appeared before the Committee, especially in regards to that issue and we did not make any comments because the matter was before the Court. I believe and it is very good to note that you have provided us with a feedback as to what happened and as to what the scenario was and what actions have been taken to rectify that issue.

Before I give the opportunity to the Honourable Members if they have any supplementary questions, I just have two comments with regard to 15.7 and 15.8. Whilst we take the comment that those issues had been rectified, looked into and resolved, I just need a confirmation from the OAG whether they concur with what the PS has noted and said?

AUDIT REP.- Thank you, Deputy Chairperson. Yes, we confirm that those two issues raised in 15.7 and 15.8 have been subsequently addressed and the balances are correct in the FMIS.

DEPUTY CHAIRPERSON.- Thank you. Staff, please take note of that. Honourable Members, any question?

HON. RATU N.T. LALABALAVU.- Through you, Honourable Deputy Chairperson, Sir, I thank you for the explanation and statement that you have just recently made about the services of your Ministry.

Going back to the two issues that had been raised by the Deputy Chairperson, this has become a kind of a recurring issue in the Audit findings, which has to do with reconciliations. This question that I am raising with you, Sir, is also directed towards the OAG. Is it going to be a monthly reconciliation or is it too much to have monthly reconciliations?

MR. S. SHARMA.- Honourable Member, thank you for that question. I think it is monthly, FMIS reconciliation has to be monthly and I think it is important that it is monthly so that if there is any irregularities, it is picked up on a monthly basis.

Honourable Member, I do not think it is too cumbersome. I think it is something that should be implemented and regularly practised across all Ministries. I think the OAG does do a good job in highlighting if there is lapses in reconciliation. It is not a case of money being stolen or anything but it is important that our books reflect that monies have not been stolen, that there is proper reconciliation of everything.

Honourable Member, with the software that we are preparing, that will make a mountain of differences as well because that will just be a case of printing certain things and the reconciliation is pretty much done by itself. I think the FMIS reconciliation is now substantially easy to do, so I do not think it is something that should not happen. I mean, there should not be any room for laxity in any accounting department of any Ministry.

DEPUTY CHAIRPERSON.- I believe Honourable Ratu Lalabalavu asked on the basis that since the operations have vastly expanded, whether it is a lot of work getting all those.

MR. S. SHARMA.- My apologies for missing that point. No, that should not be the case because the BDM system, even in Taveuni or Kadavu or Seaqaqa or Nabouwalu, are all linked through the Govnet system. So all the revenue should be collected and they should be deposited in the normal manner. There should not be any room for any excuses because they are in the remote because the systems are all linked. As such monthly reconciliation is something that all Ministries should practise and other Ministries who are also well spread out, they practise their reconciliations on a monthly basis and I am talking about the Ministry of Health, Ministry of Agriculture, et cetera, so the Ministry of Justice will obviously have to do the same.

DEPUTY CHAIRPERSON.- Thank you, Sir. What used to be the system before when it was not decentralised all over Fiji? We note now that in almost every district, these services are provided. How did you used to have reconciliations at that time?

MR. S. SHARMA.- I think the postings used to be done, they used to have postings. Before the services were only available essentially in Suva, Lautoka, Labasa. I come from the Nausori side of Fiji and it is so densely populated, that you have to come all the way to Suva. Why do you have to come to Suva all the time, even to get married or to print a birth certificate? So now, we have got an office in Nausori.

The fact that we have spread to other places is not really an issue in terms of accounting, as long as the postings are done on a timely manner, that should not be any issue for us, Deputy Chairperson.

DEPUTY CHAIRPERSON.- Thank you. Honourable Radrodro?

HON. A.M. RADRODRO.- Thank you, Deputy Chairperson, and I thank you, Solicitor-General. Regarding the accessibility of BDM, et cetera, you also have Post Fiji arrangement as most of the time it is always giving problems in terms of accessibility. I would not know whether the OAG also access the reconciliation from that end in terms of processing at Post Fiji outlets for accessing mainly BDM?

MR. S. SHARMA.- Thank you, Honourable Member. The arrangement with Post Fiji is, for example, at the moment if you go to the BDM Office in Suvavou House to print the birth certificate, I think it is about \$2.20 but if you go to Post Fiji it is about \$5.00 so there is a cut for Post Fiji. Whatever is the difference, that is for Post Fiji to audit and account for in their books but the \$2.20 comes to our office and that is what electronically posted Honourable Member.

In terms of the issues with respect to Post Fiji, once again the BDM system is also quite an old system. As part of the digitisation project, BDM is the first and foremost of that reform, because we want for you to be able to access your births records, for example, even on your phone. These days everything is all app- based; you know you download your app from *i-Tune* or *Google Play* and you should be able to access that. At the end of the day, birth certificate is just a piece of paper that is signed by a Registrar with a stamp.

These days you have electronic authenticated documents, you are able to print out or publication on your app and that, in itself, is an authenticated birth certificate. So rather than me going to BDO and printing a birth certificate, taking it all the way to locality and giving it to the

school teacher for the admission of my child, I should be able to just download it on the phone and post it. It should be that easy.

In a very short time, Honourable Member, that will be a thing of the past in terms of people. I know of people coming from the interior and it is like really a whole day affair to go and get a birth certificate or to go and register someone's death because sometimes when they come to the office here, then suddenly they realise they do not have all the documents.

Sometimes they have to fill statutory declarations, sometimes they do not know where to go, so one of the things that we are doing because of the BDM Office here in Suvavou House, of course, we have lawyers in the AG's Office so if you were to go and do a statutory declaration in a private law firm, I think they charge quite an amount.

Our lawyers are available from 8.00 a.m. to 5.00 p.m. to sign documents for free for all the members of the public. So if a member of the public went to the BDMO, ground floor of Suvavou House and they found out that they have to fill some certain other documents and they needed a Commissioner for Oaths to have it witnessed, all they need to do is just go to up to Level 8 and there is a lawyer there who will assist them for free. So that has actually being quite a good thing to assist people in that service.

HON. A.M. RADRODRO.- So the latest BDM, we can access online now?

MR. S. SHARMA.- Very soon, we are building the software. What we had mentioned in the Report it was all about the Official Receivers software but something on the side, you should be able to access online to your birth records, of course, not anyone else's records because of privacy issues but if you have your own details and data, you should be able to have online access to your records, as well as to company searches. Imagine how easy it will be rather than going and ferretting through the files in the Companies Office, that you are able to search company names online.

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

MR. S. SHARMA.- Yes. With the digital programme, you also need the legal backup. At the moment the Birth, Death and Marriages Registration Act prescribes a form in which the Birth Certificate is printed. That has been there from 1940s because that is the only way it was printed. Unless and until you get it on paper you do not have a Birth Certificate. Now if it becomes online, if it becomes digital, then obviously the laws need to be amended to ensure that it is reflected, not so much the primary law, Honourable Member, but the Regulations. Thank you.

DEPUTY CHAIRPERSON.- Sir, will this arrangement with the Post Fiji continue?

MR. S. SHARMA.- Yes. I mean, for the time being we want to continue. Just because something becomes digital it does not mean that the paper one disappears, so we want to make that continues. But whilst Post Fiji is there you have postal offices at many places, we also want to ensure that continuous BDM services are also expanded BDM Offices are expanded, so we are thinking of opening an office in Lakeba.

I think substantial work has already been done because in Post Fiji you can only get extracts, Deputy Chairperson. You can only just go and say; "My name is this I want my Birth Certificate", but you cannot register a birth. They do not have Marriage Officers and marriage rooms to solemnise marriage. That, you have to do at the BDMO because it has to be a Certified

Marriage Officer, who takes the oath as it were and then pronounce them as husband and wife or whatever.

That can only happen at the BDMO which is why we still need to expand our services. Post Fiji is a help and it is an important measure by which we have been able to provide greater access to BDM services but at the same time, we still need to take our services, like we have done to Nabouwalu, Taveuni, Savusavu. Before in some of these places, there were no services at all.

HON. A.M. RADRODRO.- A question in terms of accessibility, say for a Birth Certificate. In Suva, the only other option apart from the office here is Post Fiji. Are there any plans to increase the areas of accessibility around Suva?

MR. S. SHARMA.- Honourable Member, in the next budget we are asking for funds to go to Nasinu because Nasinu is quite densely populated because we have got a Legal Aid Office there as well. We want to have an office in Nasinu as well. So, Honourable Member, we implore that you approve that budget when it comes.

HON. A.M. RADRODRO.- The other issue, Deputy Chairperson, regarding this receivership issue. You mentioned that it was not detected by the OAG nor the Internal Auditors. How did you come about in detecting these issues?

MR. S. SHARMA.- Well, Honourable Member, everyone who commits a crime makes a mistake sooner or later, and in this case a mistake happened because certain records were transferred to a third party who decided to check and during that time, someone who had never been involved in this process.

In fact, it was the Administrator-General, who checked and said, "Well, this does not make sense, so can I have all the records", and that was when the can of worms opened. The Auditor-General from 2004, 2005 whenever every year in, year out, the Internal Audit has and when required, they would come and check all the accounts. But sometimes the only things which you suspect sometimes things which are out in the open and they look alright, you do not delve into that.

The Auditor General's assessment is, of course, you cannot check for every cent, they do randomise sometimes, "Alright, I will pick this account and check", because you cannot check everything. So sadly, it was never picked up in all those years but I am grateful that it was picked up by the Ministry itself and immediately it was reported.

I think we also reported to the Auditor-General, as well as to the Internal Audit. The Internal Audit to their credit immediately came and did a full assessment. Once the problem was identified, then obviously various remedial measures could be implemented.

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

MR. S. SHARMA.- If a company goes in liquidation, then obviously the assets of that company is collected by the Official Receiver. Then the assets are sold off and you might see in the papers it says, this company is in liquidation, any creditor who owes money, please come forward. So all the creditors would come forward, some of them do and some of them do not and then the Official Receiver's job is to pay them all out. And then whatever is left, is given to the owners of the company, the shareholders, so that is simple process.

Together with that is the fees - Official Receiver's fees (I think) is around 10 percent of the process and \$1 million is \$100,000 or something like that. So what this old Official Receiver used to do was to keep putting them in the Trust Fund to pay for any shortfalls. But, what we are doing now as we should have been doing, going all those years back is that, that money is revenue for Government, that money is now posted. The good thing is that it is now linked to FMIS so the checks with the Chief Accountant, with the Internal Audit is a lot easier as it should have been from before.

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

MR. S. SHARMA.- No. It used to be a Department of the Ministry of Justice but it became corporatised, Honourable Member, so now it is a Public Trustee Corporation Limited so they have their own report so I do not think that report comes here or it might go to the Standing Committee on Economic Affairs because it is a corporate entity.

HON. A.M. RADRODRO.-(inaudible)... it says here it started in 2016. Is there any particular reason why you are now taking the steps to computerise it? I think that is on 15.5. It never used to be computerised. In 2016, then it became computerised and you have an issue with the opening balances?

MR. S. SHARMA.- I think what it meant, Honourable Member, was that it was never linked to FMIS, but now it is because that is the only way for us to have checks and balances.

The system was there and that was the system that crashed sometime back, but it was never linked. So you can either have it on your hard drive or whatever, but that is not the way records are meant to be kept. Records are meant to be kept in such a manner that it can go through the necessary checks and balances, and now that is taking place, Honourable Member.

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

MR. S. SHARMA.- Yes, of course, Honourable Member. We have, the necessary postings are now taking place. What is supposed to be revenue is being posted as revenue and what is supposed to be held in Trust. Trust account is basically funds that will be paid out to the creditors, so that has to be held in Trust and the regular postings are done.

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

AUDIT REP.- Yes, Honourable Member. As reflected in our Report, prior to 2016, those Trust Funds were not in the FMIS. So when they eventually moved to FMIS, then the opening balance which was reflected in the FMIS cannot be substantiated but moving on, I think the Ministry was able to do the breakdown and substantiate the opening balances of those two Trust Fund Accounts.

DEPUTY CHAIRPERSON.- Honourable Members any questions?

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

MR. M. ALI.- I understand that that is the work in progress when the system crashed, so now they are getting the manual files to update the listing and as the Permanent Secretary has mentioned, so when they get a new system then they should be able to update the listing. But from

the current audit, we have noted it is work in progress. Obviously, the system went down and then they had revert back to the manual files to do their listing.

DEPUTY CHAIRPERSON.- Thank you. I believe there are no more supplementary questions. I thank you, Sir, for your indulgence and also for enlightening us with some more information about the Ministry, especially the expansion plans and how the Ministry is undertaking certain measures to improve and have greater access of their services.

On this note, I would like to thank you and your team for your submission and for your presentation. Before we conclude the session, if there are any final comments from you, Sir.

MR. S. SHARMA.- No final comments, Deputy Chairperson, except to thank you and the Honourable Members of the Public Accounts Committee for receiving us and clarifying issues. *Vinaka.*

DEPUTY CHAIRPERSON.- Thank you.

The Committee adjourned at 10.06 a.m.