

PUBLIC ACCOUNTS COMMITTEE

[Verbatim Report of Meeting]

HELD IN THE

COMMITTEE ROOM (EAST WING)

ON

TUESDAY, 19TH JUNE, 2018

VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS HELD IN THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS, ON TUESDAY, 19TH JUNE, 2018 AT 9.45 A.M.

Submittee/ Interviewee: Ministry of Economy

In Attendance:

- | | | | |
|-----|---------------------------|---|--|
| 1. | Ms. Makereta Konrote | - | Permanent Secretary |
| 2. | Mr. Epeli Waqavonovono | - | Government Statistician |
| 3. | Mr. Pankaj Singh | - | Head of Treasury |
| 4. | Mr. Tevita Tuicakau | - | Principal Accounts Officer |
| 5. | Mr. Atin Chand | - | Asset Management Unit – Accounts Officer |
| 6. | Mr. Vinay Krishna | - | Senior Accounts Officer |
| 7. | Ms. Salaseini Raiwalui | - | Principal Accounts Officer |
| 8. | Ms. Asenaca Mae | - | Senior Accounts Officer |
| 9. | Ms. Laisa Baleinukumoto | - | Accounts Officer |
| 10. | Mr. Roko Mataika | - | Accounts Officer |
| 11. | Mr. Veceli Nasinibokola | - | Accounts Officer |
| 12. | Mr. Lorima Bulamainaivalu | - | Accounts Officer |
| 13. | Ms. Vamarasi Kotobalavu | - | Senior Accounts Officer |
| 14. | Mr. Mohammed Rahat | - | Principal Accounts Officer |

Ministry of Economy - Internal Audit

- | | | | |
|----|---------------------|---|-------------------|
| 1. | Mr. Tomasi Raqina | - | Principal Auditor |
| 2. | Ms. Laniet Senibulu | - | Principal Auditor |

DEPUTY CHAIRPERSON.- Honourable Members, members of the media, representatives from the Office of Auditor-General (OAG) and, of course, on this note, I would like to welcome the PS from the Ministry of Economy (MOE). Madam, you have a big team with you so with very quick words of introduction from your team, you can perhaps, take us straightaway through your written submission. Thank you.

MS. M. KONROTE.- Thank you, Deputy Chairperson and Honourable Members of the Committee. Thank you again for the opportunity and for the invitation for the Ministry to present its responses to the audit issues that had been highlighted in the 2016 Whole of Government Financial Report.

(Introduction of MOE Officials)

MS. M. KONROTE.- With that brief introduction ,Honourable Deputy Chairperson, let me begin by saying that we are pleased to be able to produce another unqualified report for the seven-months period ending 31st July, 2016. For us, this consecutive unqualified audit report demonstrates the Ministry's commitment to enhancing the quality of Government accounting and reporting processes, not only now but well into the future.

Honourable Deputy Chairperson and Honourable Members of the Committee, to contextualise our presentation to you this morning, I want to highlight two points. The first is that, we understand that the Whole of Government Audit Report would have highlighted the material issues in the various agencies level reports. Secondly, we understand that those issues would have been dealt with extensively at the agency level presentations to this Honourable Committee. So for us, our task this morning, Honourable Deputy Chairperson and Honourable Members, is to share some of the key developments that the Ministry had undertaken, to ensure that we are addressing the significant audit issues that have been reoccurring and that this Committee has highlighted in the past, including at our last representation in November last year.

Honourable Deputy Chairperson, you will also recall that in our earlier representation, we talked about establishing a monitoring and evaluation unit, a dedicated unit focussing on strengthening, monitoring and evaluation across Government agencies, to ensure that there is regular monitoring of the reconciliation process.

The Unit has been established and is fully operational. They check and analyses reconciliation issues and then discusses any significant issues that arise out of the reconciliations. Those are done with Ministries and Departments concerned.

The Unit also monitors on a monthly basis, the compilation of transactions that are processed through the FMIS and again, closely liaises with the Ministries and Departments. All reconciliation templates, the FMIS Module, manuals and accounting policies have been made available online through the Govnet internet domain.

In addition, we have embedded controls within the operations of the Ministry, to ensure that Ministries and Departments address their audit issues or provide a progressive status on their Audit Reports prior to approval for related transactions. For instance, we request updates on the status of audited accounts for grant recipient agencies and we also stress the need for Standard Operating Procedures (SOPs) in all our Accounting Heads Meetings.

The Ministry has strengthened awareness of audit issues through the issuance of memoranda to all Permanent Secretaries and again, the contents of those correspondences are raised during the monthly Accounting Heads Meetings.

Recently, we have reviewed the accounts and finances of Ministries and Departments in relation to their six monthly performance status. This included the status of their monthly reconciliation, availability of Annual Procurement Plans and the status of agency outstanding commitments.

We also continue to note that there are certain Ministries that continue to have capacity issues and to that extent, we have provided possible training and advisory support on a periodic basis.

Again, with OMRS that has been introduced with the Civil Service Reforms, we are confident that Ministries and Departments will be able to attract qualified accounting personnel.

Further, we have developed a TMA Policy that aims to address the recurring audit issues, as well as to facilitate business-oriented initiatives to strengthen overall operations in TMAs across Government.

In 2015, 2016 and 2017, TMAs remitted \$3.3million, \$4.1million and \$5.9 million respectively, to the Consolidated Fund Account (CFA). For us, this increasing trend just demonstrates the effectiveness of the role of the Ministry in providing the required assistance and the support to those agencies that operate TMAs.

Additionally, in terms of recurring audit issues in relation to unsubstantiated equity balances, these have been corrected and this was again done through daily monitoring of TMA postings by the Ministries and Departments. We, of course, acknowledge the co-operation that we have received from Ministries and Departments, those that have adhered to instructions and advice from the Ministry to address these recurring audit issues.

Honourable Deputy Chairperson and Honourable Members of the Committee, at this point I would like to emphasise that we have seen the improvement across a number of agencies. Agencies that have lifted their performance and, in fact, they are taking on a more proactive approach in resolving their audit issues and also improving their reporting abilities.

There is, of course, continuous ongoing challenges of personnel that are faced by agencies. These are either in terms of shortage in accounting personnel within their accounting sections or temporary gaps that are created when the experienced accounting staff leaves the Ministry. This, we find is a major contributing factor to audit issues and it stems from miss-postings or incorrect recording of transactions in the FMIS by the Ministries and Departments.

This, again, goes back to lack of understanding of allocations to which transactions are supposed to be recorded and also the users' understanding of the FMIS. Those are some of the areas where we see resultant as the incorrect and inaccurate balances that have been recorded in the FMIS and, therefore, has an impact on the Whole of Government Financial Statements.

Of course, there are more significant issues, I would say, in terms of inherited balances from the previous financial system that were there without any documentation and so this continue to pose a challenge for not only the line agencies, but also for us at the whole of Government level.

Other issues pertain to inadequate checking and authorisation of management reports or monthly reconciliations at the Ministry and Department level. So for us at the Ministry, we have continued to communicate the importance of monthly reconciliations, as I had mentioned earlier, through issuance of memoranda to the Head of Accounting Divisions and also the Head of Budget Sector agency or the Permanent Secretary.

There are, of course, solutions to those issues and we feel that at the agency level, those issues that we had highlighted point to the need for proper handing-over processes and documentation when accounting personnel depart the Ministry. And also ensuring that there are Succession Plans within the Ministry, to ensure that there is a pipeline of personnel, who can be trained to effectively take up those functions when staff leave the Ministry.

Furthermore, in terms of audit issues, a significant number of matters could have been rectified at the initial stages of the exit audit meetings. We have discussed and emphasised those issues at the Accounting Heads Forum, the need for them to understand the audit process, to participate and note the importance of the two critical meetings - the entry point meeting with the Management so that they understand the audit programme or the workplan of their agency and also the exit meeting.

Again, Honourable Deputy Chairperson, you will recall that in some of our earlier representations, a question was posed to us by the Committee on why the MOE has not instituted penalties or punitive measures for those Accounting Heads who continue to be non-compliant. We have discussed this issue at length with the Solicitor-General so the short of it is, the Solicitor-General's Office have confirmed to us that MOE does not have any legal mandate to institute such measures. Again, that leaves us to the extent possible to continue to exhaust all avenues in terms of consultations with Ministries and Departments, provide assistance and support when required of us and to follow-up all those issues meetings that we have with the Accounting Heads and also through our training and awareness programmes.

One of the critical areas that we continue to grapple with in trying to resolve issues of the past are accounts that date back to 20 years and the case in point here is the Judicial Department Trust Account. For us, it is a matter of trying to devise a process to systematically address such issues. Again, we note the Chief Registrar's efforts in trying to work with us to address that issue so on the same note, while we fully understand that we do not have any legal mandate to institute such measures, we are trying to look at strategies that we can implement, going forward.

We look at short-term, medium-term and long-term in trying to classify audit issues according to the level of risk. So low, medium and high risks, and accordingly devise plans and allocate resources so that we are able to address or eliminate those risks, going forward.

We intend to discuss with the Heads of Budget Sector agencies our training plan for the Whole of Government and this would include the administration staff because we note that in a lot of Ministries, staff who carry out these functions often have an administration background as opposed to accounting background or financial background. So our intention is to devise a training plan across the Whole of Government and to focus on areas, such as reconciliation, financial accounting, procurement, budgeting and reporting.

Also going forward, we will, of course, need to re-evaluate the structure and scope of our Monitoring and Evaluation Unit, to ensure that we are able to continue to respond to those issues and also address audit issues that come up. This will also help us and give us the guidance to put in place stringent controls, and also advise the Ministries and Departments as to how they can improve internal control.

The Ministry is embarking on a number of important Public Financial Management Reforms and this include the implementation of the Public Financial Management Improvement Plan.

In 2012, the Ministry undertook the Public Expenditure and Financial Accountability (PEFA) assessment and so this improvement plan emanates from the recommendations of that Report. We are, of course, working to review and make the necessary amendments to our Financial Management Act, and also the Financial Instructions.

In addition to that, we are formulating Financial Reporting Guidelines and Policies for the implementation of the cash-based IPSAS at the agency level and also the In-Year Financial Reporting and the review of Monthly Financial Reporting.

We have implemented the National Fixed Asset Register at whole of Government level, so those are some of the areas that our reforms are focused on.

Again, we are reviewing the current Financial Management Information System (FMIS), the recording and financial transactions through the system and also our Payroll. We are in the advanced stages of reviewing the Chart of Accounts to enhance our financial reporting, as well as enhancing our payments platform to electronic modes and payment and collection gateways. That is the list of reforms that at the Ministry, we are trying to roll out and, of course, this will require a Communications Strategy so that we are able to implement those across the whole of Government.

Deputy Chairperson and Honourable Members of the Committee, whilst those reforms are in progress, we are also evaluating the resources that we need to support those reforms, in addition to our day to day operations. We have recently reviewed and realigned the structure of our Treasury Division, to be able to effectively respond to the growing needs of the accounting practice across Government.

We also intend to work with the Civil Service Reform Management Unit, together with the Agencies' Accounting Heads agencies, to develop a disciplinary guideline that will hold to account the various Accounting Heads and accounting personnel, so that we are able to address the issues of non-compliance to Financial Regulations and Policies.

Again, while those processes are in train, we have sought legal advice from the Solicitor-General's Office in relation to our role vis-a-vis with those of the line agency Permanent Secretaries. The advice that has been provided to us in line with Section 127 of the Constitution is that, the agency Permanent Secretaries are, in fact, responsible for audit issues that are raised in respect of their Ministry accounts, and they are also responsible for addressing or resolving those issues.

Again, to emphasise that the MOE's role is to ensure that we are able to support the respective Permanent Secretaries, together with your Ministries to address those issues by providing ongoing training and advice in relation to management of accounts and finances.

Again, as we discussed, we are revaluating the resources that are needed to ensure that we are able to address those audit issues and that we have the necessary training plans underway to be able to support Ministries.

Further, the need for a number of financial policies and guidelines have been noted and those are required to empower the Accounting Heads, for instance, recording of transactions in the FMIS, matters on procurement, documentation and understanding of the financial reporting and audit results, amongst other things.

Deputy Chairperson and Honourable Members of the Committee, that basically provides some high level overview of the approach that we have taken since our last representation to the Committee, noting the issues that have been highlighted at the whole of Government level for the seven months period ending 31st July, 2016. We have prepared our responses but again, as a Ministry, we understand that those issues would have been addressed at the agency level presentation to the Committee.

Again, we thank you, and the Team is available for any questions that the Committee might have. *Vinaka*.

DEPUTY CHAIRPERSON.- I do take note of the comments and was just interested to know if there is a written paper on that so that the Committee Members can have whatever you have presented.

MS. M. KONROTE.- Deputy Chairperson, I understand we have provided in advance our responses to the Whole of Government Report.

DEPUTY CHAIRPERSON.- Whatever that was presented, PS, those are general measures that are taken by the Ministry to improve the whole financial system of Government Ministries and Departments?

MS. M. KONROTE.- That is correct, Deputy Chairperson.

DEPUTY CHAIRPERSON.- Honourable Members, any questions on what was presented so far?

MS. M. KONROTE.- The first presentation is in relation to the Whole of Government and the second will be on the MOE's Audit Report.

HON. A.M. RADRODRO.- Maybe, I will start off, Deputy Chairperson. I have a supplementary question on the Whole of Government, the existence and matters of attention from the OAG.

There are about four items that are listed there; Trust Fund balances amounting to \$26 million not supported with details; Listing of Claims; expenditure amounting to \$16 million not properly authorised; and no supporting documents and Share Certificates of Investment, totalling \$14 million. Are you on the same page?

MS. M. KONROTE.- Apologies, Deputy Chairperson, what page is that? Is it page 55?

HON. A.M. RADRODRO.- This is on the Whole of Government and Reconciliations Not Prepared for Trust Fund and Trading and Manufacturing Accounts, resulting in net errors and omission of a cash balance totalling \$6.7 million and the Auditor's comments that support it. Just to begin with a supplementary question, can the Ministry advise us what steps have been taken to address the qualifications that have been highlighted by the auditors?

MS. M. KONROTE.- Thank you, Honourable Member. As I mentioned in my remarks, we have developed the TMA Policy so we are assisting Ministries and Departments to reconcile their TMA accounts. We have seen improvements in these areas which is the evident of the collection that have been increasing over the years. So, on TMAs we are working closely with the Ministries and Departments to provide the necessary support for them to be able to effectively operate their TMAs.

Again, we are going through daily monitoring of TMA postings for the various Ministries and Departments. While noting the points that have been highlighted by the Auditor-General, in fact, there are measures underway to address those issues. As I had mentioned for the TMA, the development of the Policy.

Similar to the issues raised in relation to Trust Accounts, we are working together with Ministries and Departments to help them understand how to correctly post into the system. So, the issue of misposting or posting under incorrect headings is one of the key contributing factors that resulted in those issues being highlighted.

In addition to that, there have been instances where balances have been inherited from previous financial system without any documentations. Of course, that is a major challenge for us but we are working together with agencies to see how best we can systematically address those issues.

Going forward, we are focusing on monthly reconciliations, monitoring them on a six monthly basis and releasing funds based on their level of compliance or the level of improvement we see, in so far as their reconciliations.

As I emphasised, to the extent possible, we are undertaking measures. We consistently write to the Permanent Secretaries to highlight, particularly for those that have issues either in their TMA or Trust Account reconciliations. So, we bring those to the attention at PS's level and also at Accounting Heads. But as been clearly explained to us by the Solicitor-General, aside from sending reminders and helping them, for those who want to address those issues, that is the scope of our role, to train them, provide them the necessary advice and support them.

Again, Honourable Member, I think the presentation made earlier highlights the measures that we are undertaking. We now have the Monitoring and Evaluation Unit and we are consistently re-evaluating the scope and the skillsets that we have in-house, to be able to provide support to the respective Ministries and Departments.

HON. A.M. RADRODRO.- Thank you, Deputy Chairperson.

We note the explanations you have given but specifically for the first item, Trust Fund balance amounting to \$26 million; we would like to know what sort of work have you done to improve this?

For the first one, Trust Fund balances without detailed listing of claimants of the money held, this was being brought about, especially after the exercise of writing off which was highlighted in previous audit reports. Despite that, you still have the situation of unsupporting documents on the balances

MR. P. SINGH.- Thank you for your question, Honourable Member. As far as the Trust Account is concerned, what we found at the Ministry of Health was, they had some Trust Accounts which was not recorded. Those Trust Accounts were established in 1998, it goes 20 years back. One was the Fiji Children Trust Fund which had a balance of \$228,433.35 and that has been regularised in the 2016 financial year; the Fiji Children Treatment Trust which was regularised; the CWM Hospital Staff Trust was regularised and the CWM Hospital Cardiac Trust, so all those accounts were regularised.

There was no issue of writing off the accounts that were there but they were not regularised so now, it is all part of the FMIS and this goes back to more than 20 years since 1998 when they were established. We have found that out and those have been part of the Government's FMIS.

As far as the other issue raised in relation to the missing Share Certificate, we have got evidences and we have got the Share Certificates. We will be sharing with the Committee the Share Certificates.

HON. A.M. RADRODRO.- Thank you for the explanation. When you say regularised, does it address this issue that has been raised by the Auditor-General where you have detailed listing of claimants of that \$26 million?

MR. P. SINGH.- Yes, to that degree, it was addressed with those issues.

HON. A.M. RADRODRO.- Do you have list there?

MR. P. SINGH.- Yes.

HON. A.M. RADRODRO.- OAG?

MS. M. KONROTE.- Sir, in our responses, I think Appendix 4.6 provides the listings.

MR. P. SINGH.- And also the copy of the Share Certificates that we have shared with the Committee.

AUDIT REP.- Thank you, Honourable Deputy Chairperson, with regards to the Trust Fund Account, these were the issues in 2016. We are currently conducting our audit of the last financial year and we will be following up on those comments in the current audit.

HON. A.M. RADRODRO.- Share Certificate that is usually not produced during the audit; why is this the case when you now have to bring those documents to the Committee, when you should have given it to the auditors when they had asked for it? And this is not the first time that audit issues had been raised, it was also raised in the previous audits.

MR. P. SINGH.- Thank you, Deputy Chairperson, through you, the Share Certificates are held with the Ministry of Public Enterprises and it is not held with the MOE As far as the Share Certificates are concerned, like any auditor if you go through the accounts for that particular year, there is no additional investment, so the share value will not change. So that is one of your indications that there should not be any changes. Unless in some cases we are recording shares at fair value, then you need to know the fair value.

In the 2016 financial year, there was no additional investment in Government shares so there was no changes in the shares and you do audit on a yearly basis. For copies of Share Certificates, this should have been taken from the Ministry of Public Enterprises, they have custody of it.

Referring to the second question, there were no transactions as far as investment in any of the Government's equity is concerned. There were no additional investments so there was no change in that, the only change was the fair value. Those are the comments from our side.

But for the Committee's guidance and for your information, I have got all the Share Certificates that we can share with you.

The other issue in the case of IFC and IBRD, they do not issue Share Certificates.

AUDIT REP.- Thank you, Honourable Deputy Chairperson. The issue of Share Certificate was taken out, it was part of the supplementary that was amended.

HON. A.M. RADRODRO.- Fund and Trading and Manufacturing Accounts; PS, you mentioned that you made some changes but this has been an ongoing issue as well in the previous Audit Reports. Specifically, what sort of action have you taken to address this issue?

MR. P. SINGH.- Sir, as far as PS mentioned in terms of the Judicial Trust Account and this dates back to 1992. So what we have discussed with the Judicial Team was that they need to do reconciliation on a yearly basis. So, carve it out from a yearly basis because they cannot just do more than 30 years reconciliation in one year, it will take time for them. What we have told them is to carve it out on a yearly basis and to do reconciliation from there, take it on until 1992, once everything is reconciled.

The Permanent Secretary had mentioned that some of the issues are legacy issues. It is not for this particular financial year, it dates back to a number of years so when it dates back to a number of years, we do not have the capacity to do that, like for Judicial Department. Also, you need file storage space because there are thousands of files. So all those issues need to be taken into account and done in a very systematic manner.

For us, it is not about write-off, it is about going to see the documentation, verifying individual files and just take it on from there.

As far as the MOE is concerned, we cannot impose any punitive measures. We can advise the team on what steps to take but we cannot impose any punitive measures. If we do not do this within a timebound approach, we cannot do that. That has to be done by the Head of the Budget Sector agency and that is the Permanent Secretary or whoever the Head is, it will not continue. To a high degree, it has been cleared but if there are some issues, we will be discussing that with the Auditor-General.

The main issue here is, we need to have source documents, because those are very old issues. If there are no source documents, it is very hard to validate them but from our side, we have got all the evidences as far as what we have done.

In terms of the memoranda we have sent to the Permanent Secretaries, we have been very proactive and that is demonstrated from the measures we have undertaken, as far as advising Permanent Secretaries on what needs to be done and raising this in the Accounting Heads Meeting.

Also now, we have got standard reconciliation templates that should be used by the agencies and that is available in the internet Government domain. All Government officials have access to it. If you use that, you would be able to rectify the issue. But the point that you have raised is, some of the Trust Accounts that date back to more than 20 or 30 years led to source documents so they have to verify individual files. What we noted was that, the Head of the Budget Sector agencies, in most of the cases, is hiring additional staff just to rectify those issues.

HON. A.M. RADRODRO.- Internal Audit Department, what role does it play in this Trust Fund issues that you have explained?

MR. P. SINGH.- They do risk profiling and from risk profiling, they do their audit plan. So, based on the audit plan they carry out the audit or they do the verification or the compliance with the Government financial policies and programmes. My colleague from Internal Audit & Good Governance (IGG) Division would want to add further on to that.

MR. T. RAQINA.- *Vinaka*, Honourable Members. Yes, as has been explained, what we have done is to assess, for example, the current process that we are taking is, we are taking note of the Auditor-General's issues that had been raised so that when we go to a particular Ministry, we will focus and ensure to audit the process because of the issues we are talking about in terms of internal control that needs to be addressed, and that is the approach we are undertaking.

HON. A.M. RADRODRO.- Another supplementary question, Internal Audit Department, I think your budget has prepared certain Committee or internal audit? Can you just update the Committee on the status of that Committee?

MS. M. KONROTE.- Thank you, Honourable Member. We had the Pacific Financial Technical Assistant Centre (PFTAC) send a Technical Assistant to review our Internal Audit Division and to see how their role can be strengthened going forward. Part of that review recommended an audit committee, which means similar to what we are currently doing but at the internal audit level. So, that was one of the recommendations.

We, of course, need to be able to improve internal controls across the whole of Government, to be able to ensure that once this Committee is established that it is effective. Again, I think the capacity issue is something that is limiting the ability to form the Internal Audit Committee and to ensure that this Committee is functional and effective.

Even in our Internal Audit Division, we see the need for strengthening. In the last two years, we have had high turnover in the Division and at the moment, with the advice of the Technical Assistant, we are reviewing the functions of the Internal audit Division, the structure that is required to ensure that across the whole of Government, internal control is improved. So the Internal Audit Committee is part of one of the initiatives that we do intend to take on but there is a process so we feel that at this stage, we need to first focus on ensuring that there is enough capacity to be able to support this Committee once it is up and running.

HON. A.M. RADRODRO.- This is probably a suggestion. What we have also highlighted or noted in the Audit Report is the various absences of internal audit activity in the various Ministries and Departments. We have been informed that it is the lack of resources available at the Ministry. So probably, the Ministry should look at increasing the resources in your Internal Audit Division to ensure that they do their work on time and they monitor the respective Ministries and Departments rather than just using that risk analysis as you had mentioned. It is something that you probably may consider, increasing the number of internal auditors within the Ministry and the Government as a whole. Thank you, Deputy Chairperson.

DEPUTY CHAIRPERSON.- Thank you. We will move on to the Whole of Government - Public Accounts Committee (PAC) response for Volume 1 and there are 12 responses on that. We would like to request PS, if she can only take us through the responses.

MS. M. KONROTE.- Thank you, Honourable Deputy Chairperson. I think in the interest of time, we have shared our responses and like what the Honourable Member has done, if there are any issues of particular interest to the Committee, we would be happy to elaborate. Otherwise, we have listed our responses to all the issues that have been highlighted and again, I emphasise that we understand those issues were also raised at the agency level reports and that the various agencies have made representations to that effect.

DEPUTY CHAIRPERSON.- So in that case, I believe there is only one copy of the presentation that was done by your good self. We only have two copies of the specific responses to Volume 1 and Volume 2.

MS. M. KONROTE.- We have submitted the soft copies to the Secretariat.

DEPUTY CHAIRPERSON.- We will take a five-minute break and Secretariat, if can you just get that response please, because it is not here. Thank you.

The Committee adjourned at 10.29 a.m.

The Committee resumed at 10.36 a.m.

DEPUTY CHAIRPERSON.- Honourable Members, we had a collective discussion with Madam PS and we have agreed to move Volume by Volume, so we will begin with Volume 1 so that we specifically discuss the responses that they have.

I request Madam PS to take us very quickly through Volume 1 on the 12 responses. Thank you.

MS. M. KONROTE.- Thank you, Deputy Chairperson and Honourable Members of the Committee. As I mentioned earlier, we have prepared written responses and those are contained in the submission. The soft copy was issued to the Secretariat. However, I will get the Head of Treasury to just briefly go over the responses that had been provided and, of course, Honourable Members are free to pose any follow-up questions or ask us to clarify where there is a need. Thank you.

MR. P. SINGH.- Thank you. Deputy Chairperson and Honourable Members, I will jump straight into the issues. The first issue that was raised by Auditor-General in terms of consolidation, the point I would like to raise here is that there has been an amendment to IPSAS so the cash-based IPSAS, there is no mandatory provision for consolidation of SOES. These changes took place in October 2017, in light of the challenges that Government is facing in consolidating.

The cash-based IPSAS reporting is now divided into two parts for presentation and disclosure requirements; Part 1 being mandatory requirement and Part 2 being encouraged. The 2017 IPSAS cash-based financial reporting has placed the consolidation of control entities to Part 2, so it is no longer

HON. A.M. RADRODRO.- Deputy Chairperson, can we just get clarification on which page are we on to?

DEPUTY CHAIRPERSON.- We are on the 2016 Whole of Government Volume 1. There is a written response to that, plus all the evidences are here. If Honourable Members want to make reference to any issues or whatever questions you have, they can always refer you.

MR. P. SINGH.- Thank you, Deputy Chairperson. So that was the issue on consolidation. The IPSAS Board has made an amendment, consolidation for SOEs is not required.

The second issue was on the delay in the submission of Agency Financial Statements (AFS). We note this delay, I think we have highlighted this earlier to the Committee. The underpinning reason for the delay was the change in the financial year which required us to reconfigure the system, and that was done in 2016. It was very, very swiftly addressed and we managed to prepare the AFS and submit it to the Office of the Auditor-General.

HON. A.M. RADRODRO.- Deputy Chairperson, just a supplementary question on the statement given regarding the accrual IPSAS transition. This has been ongoing - from IPSAS to accrual and now it is back to IPSAS. You mentioned about the transition to accrual on page 6, "It is the current focus." Can you just fill the Committee on this statement?

MR. P. SINGH.- Thank you, Deputy Chairperson and thank you, Honourable Member, for the question. The process we have taken on board is this, we want to move to full cash-based IPSAS at the whole of Government level. The next step is to adopt full cash-based IPSAS at the

agency level. That is what we intend to do in the next two years, to move to full cash-based IPSAS at the agency level because we have noted that there are capacity issues with agencies. This is because AFS is prepared by respective agencies and not by the MOE.

What we intend to do is, we intend to train the respective Accounting Heads of agencies. We have already started this, we have sought assistance from the Pacific Islands Financial Technical Assistance Centre (PIFTAC) and more importantly, what we have done in order to improve the quality of financial reporting and, we are emphasising on In-Year Financial Reporting. That means they need to start doing quarterly financial reports, six-monthly financial reports, nine-monthly financial reports and their annual financial reports.

That has already started we have already done a template for that. We intend to do a second round of training to all the Accounting Heads for the respective agencies.

As far as the cash-based IPSAS is concerned, yes, we have adopted that at the Whole of Government level but the next step is to adopt it at the agency level. Once that is done, then we will move towards adopting Accrual Basis of Accounting.

In adopting accrual basis of accounting, what the approaches from other countries have taught us, like Malaysia and other countries, it takes more than seven to ten years to adopt to accrual basis of accounting.

What we are also doing is, we are working on the National Fixed Asset Register. Once we train the Accounting Heads to know full cash-based IPSAS disclosures, then we will adopt the full cash-based IPSAS but as far as accrual is concerned, it will take us five years to seven years at the minimum.

HON. A.M. RADRODRO.- ...(Inaudible) IFRS and IPSAS for SOEs.

MR. P. SINGH.- Yes, that statement states that for SOEs, they are already preparing the accounts on IFRS. They have got proper accounting control, as far as reporting is concerned. This is for GCCs, so that was the intent of that assertion.

Next, I will move to audit opinion of all Ministries and Departments' financial statements. This was highlighted by the Permanent Secretary, that the respective agencies are responsible for the expenditures. And as far as the Office of the President is concerned, we noted that there were some capacity issues and those had been rectified. The Office has recruited some additional staff.

The Office of the Prime Minister, there was an issue

HON. A.M. RADRODRO.- Deputy Chairperson, just another supplementary on the delayed submission of AFS, I think this is a very pertinent issue that has been continuously raised in the OAG Report regarding the delayed submission of agency financial statements.

According to the OAG, only three out of thirty five agencies complied with that requirement. So, what sort of procedures, processes or strategies is the Ministry undertaking to ensure that what is highlighted in this six-month Audit Report does not re-occur in the twelve months Audit Report?

MR. P. SINGH.- In fact, this is seven-months financial statement. What we have done is, every year we also issue Closing Accounts Circulars that encapsulates the date of submission of the draft OAG Accounts.

The unique thing about the 2016 Financial Report is that, there was a change in the financial year and for that we needed to reconfigure our FMIS. That was the reason for the delay but that should not happen now, because this is also an issue for us because once the agencies prepare their agency accounts, then we have to prepare the Whole of Government. If they delay the agency accounts, the Whole of Government accounts is also delayed.

From our side what we have done is, we have issued Closing Accounts Circulars, we have also written to respective Permanent Secretaries and Head of the Budget Sector agencies, and we have got evidence for that.

DEPUTY CHAIRPERSON.- That is all right, we do not need to go over individual Ministries but if the Honourable Members have any questions in regards to a particular Ministry, they are most welcome to ask.

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

MR. P. SINGH.- To adopt transactive payment system so that they can do online payment system via EFT but we found out that transactive is much more efficient, so that is what we have been advising the line agencies. We have started that with MOE and we are rolling out to the other Government agencies.

In terms of the recommendation by OAG, we encourage them to properly plan their expenditures. Our comment is from our side, we are doing a thorough planning as far as our expenditure is concerned.

In terms of the unrepresented cheques, sometimes there are payments which are due at the end of the month so those have to be made.

Some payments have to be made if the contractual terms are met. We cannot do any prepayment, so the issue of unrepresented cheque will always be there and we cannot force a vendor to say, "Please, go and deposit your cheque to the bank."

The other point is, sometimes there is a payment in transit. If you do a payment after 2.00 p.m. through EFT or through transactive banking, it will not hit the bank on the same day, it will hit the next day. So, if you prepare the accounts as at the end of 31st July, there will always be some payments in transit, so it will be cleared by the bank on 1st August or whatever the next working day. There will always be the issue of unrepresented cheques. But at the same time, we have highlighted this to the Ministries, that they need to do proper planning of their expenditures.

HON. A.M. RADRODRO.- EFT basically.

MR. P. SINGH.- EFT and cheques are also there, both.

HON. A.M. RADRODRO.- OAG, are all those unrepresented cheques presented on the next business day?

AUDIT REP.- Thank you, Deputy Chairperson. There were some that were presented but the other ones that were still unrepresented, we will be reporting them in the current audit that we are conducting.

DEPUTY CHAIRPERSON.- Just a question on unrepresented cheques, I note that the large Ministries have this problem of identified unrepresented cheques. Is it because they are large Ministries?

MR. P. SINGH.- Is not an issue. I do not think is an issue of them being large Ministries. Of course, large Ministries will have large volume of transactions.

DEPUTY CHAIRPERSON.- Yes, large volume of transactions.

MR. P. SINGH.- So if you do a transaction at the end of the financial year and sometimes if you do after 2.00 p.m. which is the the cut-off time for most of the banks, it will hit the bank account of the recipient or the payee the next working day. So, that has been an issue.

DEPUTY CHAIRPERSON.- Because we have the Ministry of Infrastructure and Transport, the Department of Energy, and I believe we have the Ministry of Education as well. The amount of unrepresented cheques if we look at a whole bulk of it – Ministry of Infrastructure and Transport is \$40 million; Department of Energy is \$17 million; and Ministry of Education is \$13.4 million. Those are three large Ministries. Probably, it has to do with the bulk of transactions.

MR. P. SINGH.- Deputy Chairperson, thank you for that. As you have correctly pointed out, that is the reason for that but the more important point is, when you have unrepresented cheques from cashflow planning perspective, you need to ensure that the funds are there. Of course, the funds were there, you will see the balance sheet.

DEPUTY CHAIRPERSON.- Alright.

MR. P. SINGH.- So, from our side we have to ensure the funds are there. Of course, it is purely the decision of the payee when he or she wants to go and cash the cheque. From our side, we have issued the cheque.

As I have highlighted earlier, it is the issue of the EFT or the transactive banking. If you do the transaction after 2.00 p.m. it will hit the payee's account on the next working day.

DEPUTY CHAIRPERSON.- You can continue, Sir.

MR. P. SINGH.- Deputy Chairperson, as far as the Drawings Account reconciliation is concerned, as PS Economy had highlighted, we have got a monitoring team which is monitoring the reconciliation of individual agencies.

What we have noted is a high degree of improvement but for some agencies, they need to lift their ball game. I will not say that there has been a total improvement but for some agencies, noted issues are there as far as the Drawings Account reconciliation is concerned. From the MOE side, we have done our part. We have done the training, we have issued the templates but for some agencies, there are issues.

DEPUTY CHAIRPERSON.- Would you point out specifically which agencies are those?

MR. P. SINGH.- Deputy Chairperson, I think it would not be prudent for me to point out the Ministries but once you have gone over their Agency Reports, we have noted like 100 highlighted here, it is the Ministry of Local Government.

DEPUTY CHAIRPERSON.- Ministry of Local Government.

MR. P. SINGH.- Yes, but for Ministry of Local Government, we note that they have recruited additional staff so they were able to resolve that issue.

Of course, Deputy Chairperson, you may have noted this issue of Mission Accounts.

DEPUTY CHAIRPERSON.- Mission Accounts?

MR. P. SINGH.- Yes, the Foreign Missions. This is a key emphasis for us, that all the Mission Accounts need to be cleared and the ownership lies with the Ministry of Foreign Affairs. What we understand is that, they are sending their teams to respective Missions to carry out verification. If they are sending teams, the goal should be that this issue should be resolved because this has been a recurring issue as far as the Mission Accounts is concerned.

I understand that currently the Ministry has sent its staff to the respective Missions to do the verification and we are waiting for the report. So the MOE is very, very interested in their report.

DEPUTY CHAIRPERSON.- I think they now have a Roving Ambassador who goes around and checks?

MR. P. SINGH.- Deputy Chairperson, I have no idea in terms of what the mandate is for the Roving Ambassador, as far as accounting is concerned.

DEPUTY CHAIRPERSON.- But they did come to our attention in regards to this and it has been a recurring issue for them. They did mention that there is a Roving Ambassador, who goes around and checks all those issues.

MR. P. SINGH.- Thank you, Deputy Chairperson, that is noted.

HON. RATU N.T. LALABALAVU.- A supplementary question on that, you have stated earlier on, Sir, that you have done the training?

MR. P. SINGH.- Yes.

HON. RATU N.T. LALABALAVU.- And what is the other part that you wanted?

MR. P. SINGH.- We have done the training, Honourable Member, we have done the templates for them and we have also written to them. We have got evidences, we have written to the respective Permanent Secretary that this is a recurring audit issue that needs to be resolved because there is an issue with the Agency Accounts and it is reflected in the whole of Government Accounts. And it is a role of the Head of the Budget Sector Agency which is the Permanent Secretary, to take ownership of the issue and resolve it.

HON. RATU N.T. LALABALAVU.- That is the point that I am trying to get. Now, after hearing your explanation as to who now becomes accountable, are you still accountable there?

MR. P. SINGH.- No.

HON. RATU N.T. LALABALAVU.- Because you did the training, you did all the work that was supposed to be undertaken. This is something that is missing, that the Committee has seen all along, the accountability aspect of it.

MR. P. SINGH.- The accountability aspect lies with the Permanent Secretary and if you see on Page 346 of the Budget Book, the responsible agency and accountable person is there, it is the Head of the Budget Sector Agency, who is the respective Permanent Secretary. Our job is to provide the training to them and in terms of how reconciliation is done.

Also, we have sought legal opinion on whether we can institute any penalty measures as the PS had highlighted to the Accounting Heads that if reconciliation is not up to date, we cannot do so because of the devolution of powers. The operational and the financial accountability lies with the Head of the Budget Sector Agency and not with the MOE.

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

MR. P. SINGH.- Yes.

HON. RATU N.T. LALABALAVU.- That is your view?

MR. P. SINGH.- Yes, some Ministries.

HON. RATU N.T. LALABALAVU.- In undertaking training, et cetera?

MR. P. SINGH.- Yes.

HON. RATU N.T. LALABALAVU.- So the Committee feels that there is pushing of responsibility here because when it comes to monitoring and being accountable, it is pushed to the other end. You do the training and you should follow them.

MR. P. SINGH.- Yes, we are following up on that where we have got the evidences.

HON. RATU N.T. LALABALAVU.- But you still have this problem - the anomalies and the drawings.

MS. M. KONROTE.- Yes, Honourable Member. Again, we emphasise that to the extent that the Ministry is able to, we have provided the tools so to speak, in terms of training and templates. In some instances, we might go as far as stop (sort of) doing the reconciliation for the Ministries because that is not our role.

Our role is to provide the support and give them the tools to be able to help them to meet their reporting requirements and that is what we are doing. We write to the PSs and we also follow up at the Accounting Heads Forum.

What we are trying to emphasise here, Honourable Member, is that we have done our bit and we hope that the Ministries will take note and respective Permanent Secretaries will, in time to come, comply with those reporting requirements.

As we have highlighted, the legal advice given to us is, we do not have the mandate to penalise any Ministry that is not complying. Of course, in instances of fraud, that is a different path and there are different processes to address those issues but in so far as compliance to reporting, it is something that we continue to do - sending reminders, writing to the Permanent Secretaries and training the Ministries.

Again, as the Head of Treasury has mentioned, we are seeing improvements although not 100 percent at this stage, but we are confident that with the Reforms, I think OMRS will have Permanent Secretaries lift their standards in terms of internal controls and also the capacity of the Ministries, because now they are able to recruit outside of the Civil Service. We hope that with these Reforms, they will be able to build capacity because again, I mention year in and year out, we note that a major contributing factor to these issues is the level of capacity at the various agencies.

In terms of knowing where to correctly post the different transactions, understanding the FMIS system and undertaking reconciliations not only consistently but on a timely basis we, of course, are always ready to provide the support but other than urging the Ministries to comply, there is no other recourse of the Ministry in terms of withholding their budget or stopping operations simply because they have not complied with the reporting requirements.

HON. RATU N.T. LALABALAVU.- Madam, Permanent Secretary, thank you for those statements. Would it be too much to ask for a copy of that legal opinion that was given to the Ministry, taking into consideration your position that you do not have the powers on that?

MS. M. KONROTE.- Thank you, Honourable Member. We understand that in our dealings with the Solicitor-General's Office, the legal opinions that are provided to us is for the Ministry to note. We can, of course, write to confirm that this is the opinion that has been provided.

We will need to go back and check with the Solicitor-General whether we can provide that advice to a third party. So, we will check that and we will liaise with the secretariat. But I suppose the other avenue is to get one of the staff of the Solicitor-General's Office, to present to the Committee in terms of the legal advice that they provide to the various Ministries.

DEPUTY CHAIRPERSON.- Just on that matter, that was one strong recommendation that came from the late Honourable Ratu Nanovo. He always used to emphasise on this, who takes the responsibility of disciplining and that was one of the recommendations we made. We submitted in our report and the Ministry took our recommendation quite seriously and they did try to seek legal opinion from the Office of the Solicitor-General and that is what they informed them about. So just to confirm that they have correspondence from the Office of the Solicitor-General and what they have informed MOE on the limelight, not actually the details but, at least, the main points and they can always email it back to us.

We will move on to 3.0.

MR. P. SINGH.- Ministry of Public Enterprises; the MOE's monitoring role on SOEs was reassigned to the Ministry of Public Enterprises in 2014 through Legal Notice No.6 and we have given a copy of that Legal Notice.

The issue in relation to investment records not updated, the Ministry's comment is that the recommendation is noted. The MOE has received the Share Certificates for Fiji Broadcasting Commission (FBC) that was highlighted and we have given a copy to the Committee. Also, we

have updated the investment records in the 2016-2017 financial year. The evidences are in Appendix 3.4.

In terms of the Trust Account, as I had highlighted earlier, it is also in our response, that the Ministry of Health had a number of Trust Accounts which was in operation and some of those date back 20 years. Those Trust Accounts had been regularised in our books.

DEPUTY CHAIRPERSON.- Any questions, Honourable Members?

Please, ask because after we have gone over an issue, it will not be right to go back because of time constraints. If there are any questions, you can ask once they have completed the issues they have discussed.

(There were no questions)

Whilst the issues are being discussed, they have provided evidence to all the written responses and right now, we are on 4.0 of Volume 1 - Whole of Government.

Honourable Members, can I also make reference that the Ministry has a very detailed and very evidently compiled written responses.

MR. P. SINGH.- Yes, thank you, Deputy Chairperson.

As far as Trust Account is concerned, our comment is that, MOE is also concerned with the outcome of the Audit Findings of some of the agencies not adhering to the requirements in the utilisation and reporting of the stated Trust Fund Accounts. While previously, reconciliation received here at the Ministry were recorded in our database as being received after which we would check them, we are now verifying the receipt and if it is not in order, we return that. Also to avoid numerous trips from the agency to the MOE, we have also suggested that they send a soft copy of the verification and clearance before a proper reconciliation is sent.

Deputy Chairperson, a point that I would like to highlight is what the MOE is doing now, that all the Ministries who are opening a Trust Account and who have a trust account, they need to have a Trust Fund Guideline which should state the purpose of the Trust and the parties that are accountable, as well as the trustees.

We have started that with the COP23. You will see it is on their website where the purpose is there, the trustees, financial reporting and audit, are all stated in the Trust Fund Guideline. That was the initiation from the MOE. We are emphasising that to all the agencies. If they have got a Trust Fund Account, they need to have a Trust Fund Guideline for that.

Deputy Chairperson, on 5.0 in terms of the recommendation by OAG, Ministries and Departments should strengthen the control of receipts of public monies. The MOE continues to stress upon Accounting Heads, the importance of the role in both revenue and expenditure management, review of internal controls and revamp progressively.

One of the areas highlighted by the Internal Audit of the MOE which needs proper monitoring is revenue. This is communicated to Accounting Heads during our monthly meetings.

Deputy Chairperson, before our major focus was on tax revenue but we have also started focusing on our non-tax revenue. So we are working with our Fiscal Division within the MOE to develop templates for the monitoring of non-tax revenue.

DEPUTY CHAIRPERSON.- Any questions, Honourable Members, on 5.0?
(There were no questions)

Thank you, we will move on to 6.0.

MR. P. SINGH.- On issue 6.5 - Expenditure Classification; this was for the Operating Expenditure allocation in Head 13 - Public Service Commission, which should be re-classified to relevant Special Expenditure Group (SEG). The recommendation was agreed to by the Ministry of Civil Service.

The Ministry of Civil Service administered the allocation for the Public Service Commission in Head 13 and it was used to cater for the payment of salaries, allowances and other related payments for Permanent Secretaries in the Civil Service.

The classification of the budget allocation for the Public Service Commission under SEG 6 - Operating Grants and Transfers maybe inappropriate as the budget was used for the payment of salaries and allowances of appointed Permanent Secretaries in Government.

HON. A.M. RADRODRO.- Deputy Chairperson, just a supplementary question on the revenue side of things in terms of the weaknesses that were noted by the Auditor-General, especially the misposting of revenue collection, variances, the over understatement of revenue, the Ministry of Sugar revenue, Ministry of Agriculture's no gazetted fees and charges for revenue collection for the TMA, et cetera, can you explain on that?

MR. P. SINGH.- So you are referring to Appendix 7.1.2, Honourable Member?

HON. A.M. RADRODRO.- Yes.

MR. P. SINGH.- As far as the Ministry of iTaukei is concerned, that issue has been rectified. The funds have been transferred to the MOE.

As far as the Department of Information and Communications, this issue has also been resolved. The Department faced a number of challenges because they have very skeleton staff. They managed to resolve that and all the issues had been resolved.

Regarding Ministry of Agriculture, the last gazetted fees was published quite a number of years ago and for this one. We are working with the Ministry of Agriculture as far as the gazette fees is concerned, because they have sent us the pricing list. We have requested for that but we want to go and find out in terms of whether it was gazetted and whether it was presented from our side.

What we had advised was that, it was gazetted, they sent us the price list but we want to validate before we want to submit it to the Committee. I understand this would have been discussed when the Ministry of Agriculture presented their AFS because these comments are from the Ministry of Agriculture.

DEPUTY CHAIRPERSON.- Any other question?

HON. A.M. RADRODRO.- 6.0, a supplementary question - Table 6.1. You have the budget, you have the revised and you have the savings in terms of actual expenditure. Does it mean that you had over-budgeted or you underspent in terms of the resulting savings that are there?

DEPUTY CHAIRPERSON.- You are talking about 6.1, total expenditure incurred by type on page 65, Honourable Radrodro?

HON. A.M. RADRODRO.- Yes.

MR. P. SINGH.- In this case, Deputy Chairperson, the issue was, because it was a 12 month budget and because of the change in financial year, it was savings minus expenditure. That is why you can see substantial savings for this particular financial year because we had seven months.

HON. A.M. RADRODRO.- Back to this particular financial year but it is also from previous years, you had savings. What does that represent in terms of your spending?

MR. P. SINGH.- Deputy Chairperson, there are multitude reasons for that. The first is, when the time of budget is there, some of the Ministries do the initial analysis and they come with the budget figure. So once in the actual implementation, what we emphasise is value for money. That does not mean that if you budget for a particular project for \$5 million dollars, you should spend \$5 million. We need to ensure there is value for money. So, where they can sharpen their pencil, they will sharpen the pencil.

The other issue is with some Ministries is planning, so proper planning is very, very important. What we have been emphasising through the budgetary process is that for the submission they bring to MOE, specifically to the Cabinet Sub-Committee on Budget, all those particular projects and programmes need to be thoroughly appraised. That is one thing we have been emphasising to the line agencies.

From our side, we are more outcome-focused as opposed to input-focussed. It is just not about the cost, we have got \$5 million, we spend \$5 million so what is your budget outcome? What is your intent or purpose? That should be the focus of all the agencies and, of course, it is value for money.

HON. RATU N.T. LALABALAVU.- Deputy Chairperson, based on that explanation of ours, how do you explain that to the Committee in terms of something that was not budgeted for but yet was approved? For example, the wharf in Lakeba, they said there is rehabilitation yet, building of a new wharf, there is no wharf there yet, but this was approved in the House. How do you explain that here?

MS. M. KONROTE.- Honourable Member, in those instances, where as the Head of Treasury had pointed out, at the time of compilation of the budget, the Ministry had a plan to perhaps, construct a jetty or whatever the case may be. When they make their submission to the MOE, they are asked to confirm the state of preparedness of the Ministry in terms of capacity, whether they are drawing plans, the land has been secured, so the allocations are made on the basis of this confirmation, that they have all these steps in train and that they have secured the land if that is what is required. Also, if they have consultants or contractors that are willing to take up that particular project.

When it comes to implementation, there are often other issues that come up, whether they undertake the geotechnical surveys and they find that the site is not suitable for that particular project or weather-related incidents that delay the projects.

Where there are significant delays and the Ministry or agency feels that, that particular allocation can be used to perhaps, implement another project that could be completed within the twelve-month period, what they do is they write to the MOE through the Budget and Planning Division to inform us that in terms of the workplan, those are the changes that they are making on their end.

Instead of the initial project they had earlier planned for and because of certain factors and they are required to justify what those issues are, they have decided to defer that project and implement something that they can do within the twelve-month period. So, those are some of changes in the plans that occur in the course of the year and which are communicated back to the Ministry. So, the Ministry is required to approve.

If we do agree with changes in workplans and in most cases, major allocations are put under requisition, meaning to say that either the Permanent Secretary or the Minister is required to approve any funding prior to commencement. So, those are the changes that often occur in the process of the year.

The other incident is where, for example, in 2016 post *TC Winston* because of the State of Emergency, we experienced a number of Ministries had to respond. Again, funding was redirected to relief efforts, providing rations and the like, so the Financial Regulations allow us to vire or transfer funding between allocations, as long as we spend within the initial approved budget. So, the appropriation does not change but the programme or the purpose for which the funds are used for may change.

HON. RATU N.T. LALABALAVU.- Deputy Chairperson, if the Committee could bring this to your attention, Madam, that this particular issue of jetty rehabilitation in Wainiyabia in Lakeba came up during the Committee stage of the budget, not the submission of the budget nor the preparation of the budget, but in the Committee of Supply towards the end. How can you rebuild a jetty which is non-existent, and it was approved?

Going back to the question raised by Honourable Radrodro, the savings that you have and you bring about, we understand the virement to ensure that the project takes place, et cetera, this particular case is one-off and it is part of the Government budget, it was not properly planned for. I do not know what it will show, will it show something like this?

MS. M. KONROTE.- Honourable Member, I think I must admit I am not familiar with the background of the issue that you are raising or which budget year that relates to, but if we were given those details, we can always go back and review the documentations that

DEPUTY CHAIRPERSON.- That can act as a general information for the Committee but it is not related to the 2016 Audit Report. Nonetheless, the onus lies on the Ministry.

I think the whole idea of Honourable Ratu Lalabalavu's question is that, if certain projects like that commences, what are the processes involved to implement that in regards to what the Ministry has.

Honourable Members, any more question before we move on to 8.0?

MOE REP.- 8.0 - Term Loan Receivable; we have discussed the same issue in the last meeting. This issue has been thoroughly rectified.

As far as the PSC loan recovery account is concerned, this has been transferred to the Fiji Revenue and Customs Services (FRCS), so FRCS has become a collection arm of Government and we have transferred all the files to them.

The next issue is in relation to the PRB Loans Agreement. The debt accounting manuals were approved by the Minister. Following the approval, the PRB loan was also registered as term loan receivable as at 31st July, 2016.

As highlighted earlier, the loan was not recorded earlier due to the grace period of the loan which was still effective. As per the loan Agreement during grace period, the principal amount is exempted until the grace period lapses at the same time.

The PRB was undergoing transformation and the financial position of the Company was not in a very healthy stage. Since PRB has consistently reimbursed Government for the repayment it has made for the loan.

The next one in terms of issue 8.3 - Loan Agreement with the iTaukei Affairs Board and Rewa Rice Limited. For the iTaukei Affairs Board, we were not able to retrieve the old loan agreement, however, iTaukei Affairs Board is committed in repaying the loan.

A draft Loan Agreement is attached as Appendix 8.1. A repayment of \$100,000 had started from January 2018 and the Debt Unit of the MOE is constantly following up with iTaukei Affairs Board on the remaining loan balance.

As far as Rewa Rice Ltd is concerned, Deputy Chairperson, the issue here is that, this Company has a very weak balance sheet. This is an old loan but we do not have an existing loan agreement and we are working with the Ministry of Public Enterprises on how to resolve this issue. Our correspondence with the Ministry of Public Enterprises is appended as part of Appendix 8.2, so all those issues are there.

DEPUTY CHAIRPERSON.- I apologise, I have one question on 8.0 in regards to Rewa Rice Ltd., now known as Fiji Rice. It says that there was no loan agreement. It says, "As a call on the guarantee becomes loan to the default entity as required under the law." So what does the Ministry do in cases like this?

MR. P. SINGH.- What Ministry does now, we have got a physical monitoring framework that PIFTAC has assisted us with, so we are assessing the financial performance and financial position of all the entities. If it is an SOE, we discuss with the Ministry of Public Enterprises and, of course, our key issues because this company was highly geared and their financial performance was quite in a precarious state.

However, we have noted that there has been a vast improvement in the performance of Rewa Rice. Their performance is stabilising but it is still not in a position to pay its structural debt. It is able to meet its working capital now, but it is not in a position to meet its structural debt. So our analysis is, "Let us give them a passage of time."

DEPUTY CHAIRPERSON.- But still they will pay back this loan?

MR. P. SINGH.- They should pay back.

DEPUTY CHAIRPERSON.- Even though there was not any agreement on that?

MR. P. SINGH.- Yes, of course, because the key issue is, it is in their balance sheet.

DEPUTY CHAIRPERSON.- It is in their balance sheet, that is the evidence itself.

MR. P. SINGH.- Yes, and it is also in the Government's record. This is quite an old loan.

DEPUTY CHAIRPERSON.- So in cases like this, how do you decide on the interest rates, et cetera, and the actual amount, is there any guideline in the Ministry for cases like this?

MR. P. SINGH.- Interest rate is decided at the time of the formulation of the loan agreement. So mostly, if it is a long term loan and if Government is assisting from a social responsibility perspective, we align it to our bond rate, that how much Government is borrowing, the same rate we apply, so that becomes our benchmark rate. In cases where we own land, like Government borrows and owns land, the interest which our financier charges, we also impose the same charge to the recipient agency of the loan.

DEPUTY CHAIRPERSON.- Any question, Honourable Members?

HON. A.M. RADRODRO.- A question on 7.0, I think you missed 7.0 in regards to the borrowing of funds. I just want clarification in terms of the statement by the Auditor-General, increasing debt, probably the debt that has been highlighted there as at 30th July.

And then you have the table of Government debt with GDP, the percentage of public debt as compared to GDP, the trend that has been showing in the previous years, like 12 months period but for 2016 it says up to July but the percentage seems to be on par with the 12 months period.

MR. P. SINGH.- Deputy Chairperson, if I may clarify; Auditor-General, I think it was an inadvertent error, we have clarified it.

Treasury bills, we do not take the gross amount, but it is a short-term instrument. The opening balance was around \$145 million and it increased to \$165 million, so the net increase was \$20 million. Treasury Bills, we do not take the gross amount, but it is a short-term instrument. The opening balance was around \$145million and it increased to \$165million, so the net increase was \$20 million and the Auditor General took the gross amount figure. That is how that analysis should have been done.

They made a mistake, I think, in the last PAC, I also raised that. Going forward, I think they have taken that on Board.

HON. A.M. RADRODRO.- Highlighted in your Table 7.21 on Page 92, \$4.5 billion of debt which is 46 percent of GDP. That similar amount, that is for seven months, as highlighted by the Auditor-General? It says here that the total Government debt, as percentage of GDP as at 31st July, is 46 percent?

MR. P. SINGH.- Seven months, yes, end of July.

HON. A.M. RADRODRO.- And the previous year's is 12 months.

MR. P. SINGH.- The financial year is 31st July.

HON. A.M. RADRODRO.- As comparative to previous years.

MR. P. SINGH.- Yes.

HON. A.M. RADRODRO.- So for 2015, 2014, 2013, that is 12 months period but the trend is like 50 to 48 to 46, but for seven months, it is still 46 percent.

MR. P. SINGH.- That is as a percentage of GDP. When you have a deficit budget, your total debt will increase so historically in Fiji, we have been having a deficit budget and that is why our debt is increasing.

On 31st December, 2015 whatever the figure was as at 31st July, the debt will increase but as the percentage of GDP, because the GDP has been growing, that is why you see that debt to GDP has been coming down.

However, in terms of absolute terms, yes, that is growing because we have a deficit budget. If we have a surplus budget, it will go down but if we have a deficit budget, it will be upward tracking. You have raised a good point, but we have a deficit budget. Once we reach that state of a surplus budget, then our debt can come down.

DEPUTY CHAIRPERSON.- What is the sustainable figure for debt to GDP?

MR. P. SINGH.- That is what we are looking at - 45 percent of GDP. In the medium term, we are looking at 20 percent. What is highlighted in our 20 years National Development Plan (NDP), we are looking at 35 percent of GDP.

DEPUTY CHAIRPERSON.- How does it look at the moment with 46 percent?

MR. P. SINGH.- It is now 45.5 percent.

DEPUTY CHAIRPERSON.- So it needs to be somewhere between 35 and 45?

MR. P. SINGH.- No, we have set targets. For a short-term target, we want to have it at 45 or less; medium target is 40 percent and the 20 year target is 35 percent of GDP.

DEPUTY CHAIRPERSON.- So the 20 year target is 35 percent and year by year, it has been going down?

MR. P. SINGH.- As a percentage of GDP, yes.

DEPUTY CHAIRPERSON.- Thank you. 9.0.

MR. P. SINGH.- Thank you, Deputy Chairperson.

Revolving Fund Account for the Fiji Corrections Service; this has been rectified.

The issue we are having is for the Ministry of Fisheries and Forests, the Ministry of Health and RFMF, so the monitoring team is assisting them.

As far as the National Training Office is concerned, that issue has been rectified.

For the Ministry of Lands, the issue has been rectified.

For the Department of Housing, carried forward balance for 2013, because of the nature of the account, the Department has to adjust first before the submission of reconciliation.

Deputy Chairperson, the issue regarding SLG84 – 9.4.1, for this we have noted a vast improvement as far as SLG84 is concerned. We are now regularly following up with the line agencies and also this is part of the closing account circular that all the agencies need to ensure that the SLG 84 has zero balance at the end of the financial year.

Deputy Chairperson, in relation to issue 11.2, this was due to the change in the financial year and for the Ministries to submit their quarterly Arrears of Revenue Report in line with the new financial year.

In 2016-2017, most Ministries and agencies were submitting their quarterly Arrears of Revenue using the new financial year. The MOE continues to monitor the arrears of revenue by way of ensuring quarterly reports are submitted on time and agencies implement stronger recovery mechanisms.

Deputy Chairperson, the last one on the arrears of revenue....

DEPUTY CHAIRPERSON.- Sir, just a question on the submission of reports. What the Ministry is suggesting is that it should be quarterly?

MR. P. SINGH.- Yes.

DEPUTY CHAIRPERSON.- It should be on quarterly basis. Would you have any idea whether all the Ministries are adhering to that or you still have some Ministries that do not?

MR. P. SINGH.- The Ministries are agreeing to the idea but we can give an update in terms of submission. I apologise, it is on Appendix 11.3, it is all there.

DEPUTY CHAIRPERSON.- So it will take a bit of time referring to that but has it been implemented and being followed by all the Ministries?

MR. P. SINGH.- Yes, Deputy Chairperson. As far as arrears are concerned, we have got an arrears committee which is chaired by our Director Debt Management. Unfortunately, he cannot be with us today. He coordinates with the line agencies as far as arrears of revenue is concerned.

Deputy Chairperson, on the last issue in relation to arrears of revenue for more than five years, as I had highlighted earlier, the Debt Management Unit monitors arrears of revenue by way of ensuring quarterly reports are submitted on time and agencies implement recovery actions that are robust and effective. In most cases, the MOE meets with agencies to verify the status of arrears, recovery tools and reconciliation of accounts are undertaken on a quarterly basis. Agencies are also reviewing their cost recovery procedures and are allocating resources accordingly in an effort to reduce arrears and further minimise escalation of arrears.

The role of respective PSs requires them to ensure the reduction of arrears on an annual basis. In the past, PSs' performance is also linked to reduction in arrears of revenue and how effective the recovery tools are. The MOE also requests for approval for write-offs from the

Minister, if the arrears are over five years and when agencies have exhausted all the avenues for recovery.

DEPUTY CHAIRPERSON.- Sir, referring to Page 140 of your written submission, the last sentence says, and I quote: "The only Government entity with overseas borrowings guaranteed by Government is Fiji Sugar Corporation." Can we have some background information on this? What this loan is about?

MR. P. SINGH.- That was the loan taken from Export- Import Bank (EXIM) of India.

DEPUTY CHAIRPERSON.- EXIM Bank?

MR. P. SINGH.- Yes, of US\$50.4 million. That is for the Sugar Technology Mission of India (STM) project for FSC.

DEPUTY CHAIRPERSON.- So in cases like that, what does Government guarantee?

MR. P. SINGH.- The guarantee is for the loan. If FSC does not pay and if there is a guarantee called, then Government has to pay.

Deputy Chairperson, that brings us to the end of Whole of Government. With your permission, if we can go to the MOE accounts.

DEPUTY CHAIRPERSON.- Honourable Members, we complete or ...

HON. A.M. RADRODRO.- The borrowing funding. You mentioned about that Table, 46 percent over the seven months and then in Table 7.19, the tax revenue and total borrowings percentage.

MR. P. SINGH.- Sorry, Deputy Chairperson, 7.19.

HON. A.M. RADRODRO.- On Page 90, what the Auditor-General has commended is the ability to meet the debt over the ten-year period which has declined, and is starting to increase again due to increase in tax collections during those years. However in 2016, it was only 29 percent, probably because of the seven-month period.

In terms of the repayment based on the increase in tax collection, at what point is the maximum, where you reach a certain level where you sort of overburden tax collection on the taxpayers in terms of meeting the loan repayment? You were currently at 66 percent in 2015, from 45 percent in 2007 and then in 2016, it was 29 percent which understandably, was six months. Hopefully, it does not increase any further.

MR. P. SINGH.- Thank you, Honourable Member for the question. If you see our revenue trend, it has been on the upward trajectory, so revenue performance has been robust and that is reflected in the positive performance of the economy. Those two are linked. As far as debt is concerned, the percentage of GDP has been decreasing. It was hovering above 50 percent in 2010 and it has come down to 45.5 percent. As far as our economic base is concerned, it has grown.

Of course, we have to be very, very prudent as far as debt is concerned and here is an issue of liability management. When you do liability management, you also take into account other issues; your average time to maturity, your interest rate, so all those issues need to be taken into

account. If you have got a debt of \$4.5 billion, it does not mean that debt has to be repaid in the next financial year. So in terms of liability management, it is very important.

The other point is the fiscal issue in terms of level of debt. Of course, that is also very important, so as far as Government is concerned, we have got a fiscal strategy. The broad fiscal strategy is, you need to have a deficit which is 3 percent or below. That is as far as borrowing is concerned.

As far as your GDP is concerned, we have got a medium term fiscal strategy whereby your debt should be less than 3 percent. As far as your overseas borrowing is concerned, because we do not want to be exposed to external risks, we have also got a guideline in terms of 30:70. Whatever your debt mix is, it should be 30:70 plus or minus 5, so we are not exposed to foreign debt.

Of course, the point you have raised is an important point. As far as borrowings is concerned, you need to be prudent and that needs to be reflected in your medium term fiscal strategy. Government's medium term fiscal strategy is, we need to have a deficit target which is 3 percent or below, but in some exceptional years where we have cyclones, it has gone above 4 percent and you see that additional borrowing was intended for the rehabilitation expenditure.

HON. A.M. RADRODRO.- Yes, has that increased or decreased or constant?

MR. P. SINGH.- It is a good point, Deputy Chairperson. In 2016, if you see, we are within our borrowing target. What was approved by Parliament, we are within that. We did not bust the borrowings for that financial year but, of course, the point you have made in terms of borrowing, you need to be prudent. It is an important point.

HON. A.M. RADRODRO.- Because you will have to wait for the Auditor-General's Report?

MR. P. SINGH.- And, of course, our debt report is all in the public domain.

HON. A.M. RADRODRO.- Up to date?

MR. P. SINGH.- Up to date and if the Committee needs it, we can give a hard copy to them.

DEPUTY CHAIRPERSON.- Yes, let me ask the permission of my Honourable Members.

We only have five issues for Volume 2. With your permission, of course, if we can proceed. Thank you.

MS. M. KONROTE.- Deputy Chairperson, as you have mentioned, there are only five issues that have been highlighted in relation to MOE's Audit Report. The first is in relation to our Annual Corporate Plan and Strategic Plan. This has now been addressed. We now have drafts of the Strategic Plan and also the Operational Plan for 2018-2019.

Again, in terms of the monthly meetings, we have provided Minutes to the Auditor-General so that has been addressed.

Likewise, with the Office Accommodation TMA Accounts, we have addressed this. The provisional tax reconciliations are being provided as Appendix 2. Also, the transfer of Office Accommodation Unit from the former Public Service Commission to the Construction

Implementation Unit (CIU) within the Ministry, this is work in progress. We are developing guidelines and checklist and working together with the Ministry of Civil Service to fully address these issues.

In relation to the Rice Raising Project, I think this was addressed at the Whole of Government level.

In relation to the Individual Work Plans (IWPs) for the new Construction Implementation Unit (CIU) under the Ministry, this has been addressed and the IWPs have been attached as Appendix 5.

On the Ministry's Internal Audit and Governance Division, the reports relating to the Help for Homes initiative, Deputy Chairperson and Members of the Committee, the reports were submitted to the Permanent Secretary and this was forwarded to the Fiji Police Force. Since then, there have been cases that have been brought to prosecution and the Internal Audit team have been called to be witnesses or to provide evidence in court. Some of the cases are still ongoing and they are in the court system.

Moving on to the next issue on irrecoverable surcharge amounts, on the first issue that has been highlighted in relation to irrecoverable cases amounting to \$362,965 and the other amount of \$472,091, these are now with the Fiji Police and Appendix 7 highlights the categories of losses and the progress of surcharge by category of losses.

In relation to Installation of Accessories on Leased Vehicles, we note the recommendation of the OAG and our responses are provided in Appendix 8.

In terms of the issue on 4.13 - Delay in Clearing Goods from the Wharf, we have issued a memo and that is attached as Appendix 9. We take note of the issue and we have undertaken the necessary steps to ensure that this particular issue is not repeated in the future.

Lastly, in terms of the follow-up to previous years' accounting and control anomalies, we have addressed this and we have attached copies of our reconciliation as at 2018 which is attached as Appendix 10.

Thank you, Deputy Chairperson, we will be happy to take on further questions, if the Committee has any.

DEPUTY CHAIRPERSON.- Leasing Vehicle Policy, is the policy on the lease of vehicles in the Appendix? I would be interested to know how this arrangement works.

MS. M. KONROTE.- Yes, we have.

DEPUTY CHAIRPERSON.- Is it there?

MS. M. KONROTE.- Appendix 8, Deputy Chairperson.

HON. A.M. RADRODRO.- Supplementary question, PS.

The CIU, with the absence of IWPs, how did the staff in that Unit carry out their daily routine work?

Secondly, the type of work that is involved are mostly technical in nature. Do they have technical people who understand the technical know-how of the respective facilities or do they go out and hire technical people?

MS. M. KONROTE.- Thank you, Honourable Member. As, I mentioned earlier, the Unit was newly formed in 2016. At that time of the audit, there were certain planning processes that were being undertaken but as I had explained, the Unit now has all the IWPs in place, including Job Descriptions (JDs) and a conformed structure.

In relation to the capabilities of the Unit, of course, for the complex technical areas, we seek consultants but the Unit has a Quantity Surveyor and other technical people who look at the contract management side of the work.

For the actual technical drawings and other engineering requirements, that aspect of the Unit function is outsourced.

HON. A.M. RADRODRO.- The existing Ministry of Works now Ministry of Infrastructure and Transport have technical people in there but why are you not using them, instead of outsourcing it to outside individuals?

MS. M. KONROTE.- Again, we also work with the Ministry of Infrastructure - the Government Architect and the technical people, as well as the engineers. The CIU does work and consult with the Ministry of Infrastructure & Transport but because of the volume of work that is now required, the capacity is absent at the Whole of Government level. So in those instances and particularly for major constructions, we outsource some of the consultancies.

DEPUTY CHAIRPERSON.- I apologise, Madam PS, I do take note of the correspondences which are attached there as Appendices with reference to Appendix 8. But there is no sample of a motor vehicle Lease Policy. I believe it is there in the evidence file, thank you.

Honourable Members any question?

HON. A.M. RADRODRO.- A question regarding the Help for Homes Initiative. You mentioned that your Governance Division carried out investigation for recipients who breached the Help for Home Initiative. This is for *TC Winston*, can you enlighten us as to how many have been convicted on this exercise?

MS. M. KONROTE.- Thank you, Honourable Member. I will invite the team from Internal Audit to respond.

MR. T. RAQINA.- Honourable Member, from 2016 we have been carrying out verification in terms of ensuring that those who have been given the assistance met the criteria. We have about more than 10 reports in terms of the verification that we conducted and there was about 687 that we had included in the report.

The process that we carried out was that, after we completed our report, we then submit it to the Police and they will conduct their own verification. At the moment, I think there is about 71 cases that had been submitted to the DPP for their own verification and 64 cases are now processed in Court.

HON. A.M. RADRODRO.- Any conviction so far?

MR. T. RAQINA.- Conviction, I believe about five.

HON. A.M. RADRODRO.- Just a supplementary question to that, through you, Deputy Chairperson, the new CARE Programme that has been given out, there was amnesty period given for those who did not provide proper documentation. So considering that, why was this initiative also part of the Help for Home Initiative, the amnesty period?

MS. M. KONROTE.- I apologise, Sir, your question is why was it not in the Homes Care?

HON. A.M. RADRODRO.- ... (Inaudible) on the similar exercise for those who did not provide proper information or false information regarding their assistance. It is given now and why was it not given then?

MS. M. KONROTE.- Deputy Chairperson, we note that this is not really related to the report.

DEPUTY CHAIRPERSON.- Yes, it is actually a policy.

MS. M. KONROTE.- But we will clarify in any case. During the Help for Homes Initiative, we did not get a lot of complaints that people did not understand the criteria of the assistance. In this CARE assistance, there were a lot of complaints received by the Ministry of Social Welfare as to what constituted the damages from *TC Josie* and *TC Keni*. So you will note that in the dailies, the Honourable Minister for Women, Children and Poverty Alleviation did clarify what the criteria was for those eligible for assistance.

I think in the form, there was a reference to climatic events so she managed to clarify that and that also covered goods that were damaged, not only by flooding but also rainwater that may have entered the homes. So based on the clarifications that the Ministry had to provide, it was felt that to be fair to those who may not have understood clearly the intention of the assistance, that they be given an opportunity to return their cards if they felt that some of the information that they provided was not accurate.

DEPUTY CHAIRPERSON.- Honourable Members any more questions?

(There were no questions)

I thank you, PS, and your team for your indulgence, for your time and for a rather detailed submission. We can see all the evidences, references and Appendices appendix, and we do take note of certain important measures that the Ministries are undertaking to improve the whole of Government finance in terms of its financial operations.

We also knowledge your continuous efforts and that of your team, in improving the whole financial reporting and structure of the Government. Without further ado, if there are any final comments from you before we conclude the session, we would love to hear them.

MS. M. KONROTE.- None from us, Deputy Chairperson, except to thank you and the Honourable Members of the Committee for hearing out our submission. *Vinaka*.

DEPUTY CHAIRPERSON.- Thank you.

The Committee adjourned at 11.55 a.m.